

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,  
Tuesday, June 14, 2005.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, June 14, 2005, in the Board Room on the 18<sup>th</sup> Floor of Patterson Office Tower.

A. Meeting Opened

Mr. James Hardymon, Chair, called the meeting to order at 1:03 p.m. and asked the secretary of the Board, Ms. Elaine Wilson, 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, Marianne Smith Edge, Ann Haney, James Hardymon (Chair), Michael Kennedy, Pamela May, Billy Joe Miles, Roy Moore, Phillip Patton, Steven Reed, Frank Shoop, Alice Sparks, Myra Leigh Tobin, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, Elaine Wilson, and Barbara Young. Absent from the meeting was Rachel Watts Webb. 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 1:04 p.m.

C. Consent Items

Mr. Hardymon said the Minutes, PR 2, and FCRs 1 through 14 were consent items on the agenda. He asked if there were any questions or comments about the consent items. Ms. Sparks moved approval. Her motion, seconded by Ms. Haney, carried without dissent. The consent items follow:

- Minutes – May 10, 2005
- PR 2 Personnel Actions
- FCR 1 Anonymous Gift to the College of Law (Consent)
- FCR 2 Anonymous Gift to the Pediatric Exercise Physiology Laboratory (Consent)
- FCR 3 Christine D. Lockett Estate Gift (Consent)
- FCR 4 Melvin Godby and Tim Williams Pledge (Consent)
- FCR 5 Kent Taylor Pledge (Consent)
- FCR 6 Mrs. Louisiana Wood Simpson Gift-in-Kind (Consent)
- FCR 7 Gifts and Pledges to the John R. Mink Chair for Pediatric Dentistry and Oral Health Research (Consent)

- FCR 8 David and Andrea Jacobs Pledge (Consent)
- FCR 9 Consol Energy, Inc. Gift-in-Kind (Consent)
- FCR 10 Stephen Branscum Pledge (Consent)
- FCR 11 Automsoft International Gift-in-Kind (Consent)
- FCR 12 Gifts and Pledges to the Patrick P. Deluca Pharmaceutical Technology Professorship (Consent)
- FCR 13 Ashwini Anand, M.D. Gift and Pledge (Consent)
- FCR 14 Report of Leases (Consent)

D. President's Report

President Todd recognized Mary Margaret Colliver, University Public Affairs Director, who had been on medical leave due to a serious accident crossing Limestone Street after leaving work one evening. He said it was good to have her back on campus. The Board gave Ms. Colliver a round of applause.

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

A record 6,272 students were awarded bachelors, master's, doctoral, and professional degrees at Commencement on May 8 at Rupp Arena.

Various members of the administration recently spent eight days touring more than 20 Kentucky cities as part of "The Dream Tour." A new initiative, "The Commonwealth Collaboratives" that directly engages UK faculty and student researchers in helping solve some of the state's most intractable problems, was unveiled during the tour. President Todd said the tour was delightful, and he praised Vice President Terry Mobley and his staff for their good work in orchestrating the tour.

Several university representatives accompanied Governor Ernie Fletcher to World Expo 2005 in Japan in mid-May. The university was asked to host a luncheon during Kentucky week. There were 52 Japanese men in attendance at the luncheon. President Todd praised Dr. Baldwin, Professor Eric Grulke, and Professor Kozo Saito for their great work in planning the event. Professor Everett McCorvey provided entertainment, and the audience was very touched by his Stephen Foster medley.

Kentucky moved from 33<sup>rd</sup> to 30<sup>th</sup> in national rankings of federal spending by the National Science Foundation from 2001 to 2002. UK moved from 31<sup>st</sup> to 28<sup>th</sup> in public universities and is making progress in the right direction.

Two UK students, Michael T. Davidson and Karla Conn, have received prestigious National Science Foundation Fellowships with a value of \$100,000.

The College of Public Health graduated its first class of doctoral students at Commencement. President Todd read an e-mail from Dean Steve Wyatt stating

that the college has received full accreditation for five years. This is an amazing result, considering it is the first time the college has been visited by an accrediting body. The college is an amalgamation of existing services that did not cost the university any money. This is a great accomplishment in such a short period of time.

UK's research awards were up by 14.7 percent at the end of April, and at the end of May, they were up 17 percent over last year. This will be another record year in research. President Todd said that he was very proud of Dr. Baldwin and her staff for their accomplishments.

President Todd encouraged the Board to read the other good items in the report.

#### Report on Top 20 Business Plan

President Todd provided an update on the Top 20 Business Plan by making a slide presentation. He said that his report is an explanation of the process.

The university contracted with the Stillwater Group through a Request for Proposal process to develop a business plan. When HB 1 was passed, the university was given the mandate to become a major comprehensive research university ranked nationally in the top twenty public universities. The university was given the goal without the path to achieve it. This business plan will create the path. The university's staff is working with the Council on Postsecondary Education to assure UK is in alignment with the state's public agenda.

Meetings to discuss the objectives, design, and implementation of the business plan have already taken place. This will be a campus-wide plan. Ernie Yanarella, Chair of the Senate Council, attended three meetings in one day. His meetings involved three different groups that he had associations with on campus.

The initial phase will be to determine UK's present competitive position and the gap necessary to achieve Top 20 status. Only public institutions that have at least \$20 million in annual federal funding are included in the analysis. Four domains of competitiveness have been identified: undergraduate education, graduate education, faculty recognition, and sponsored research. The multi-dimensional nature of a university of this size needs to be taken into consideration. This will give the university a way to plan for each of the initiatives, by breaking down the tasks into those four categories.

Rankings are subjective. The mandate in HB 1 did not state exactly what that one sentence meant, and the staff has been working on that definition. Data are sometimes hard to get. It takes the federal government a while to determine the numbers, but the numbers presented on research by UK can be used because they are independently verified.

The impact of UK's land grant mission and outreach is one that is difficult to measure. "The Commonwealth Collaboratives" will try to put measures there. UK will be approaching outreach differently from any university in America in an effort to figure out how to measure and gauge outreach to make sure UK is making progress.

Attaining Top 20 status is a process and is not an end in itself. Some people have suggested that this mandate be put aside, especially during these last three years with tight budget times, but the university needs to be going forward. It needs to be in the process of thinking about those institutions that it wants to emulate, working on a daily basis to get to that position. The process is very important right now, and the university is making headway.

The university marketplace is highly competitive. Other universities are on the move as well. It is a zero sum game, and for UK to move up in rankings, another university must move down. There are at least 100 universities wanting to be in the top twenty. Some changes are slow, and it takes time. These are cautions that the consultants have brought forward, although some of the university's measures tracked show good progress.

President Todd summarized the development of the business plan as follows:

- Analysis of UK's current competitive position.
- Identification of strategies to close the gap between UK's current position and Top 20 status.
- Determination of source and amount of funds necessary for investment.
- Selection of measures of public engagement.
- Preparation of the long-range business plan.

He reiterated that the process is inclusive. The Stillwater Group has met with President Tom Layzell and his entire Council on Postsecondary Education (CPE) staff to talk about the process. CPE is very pleased with the openness of UK's process. He noted that the university is keeping the state abreast of the process as well.

E. Proposed Amendment to the Governing Regulations (PR 3)

President Todd reported that PR 3 involves a change in the Governing Regulations. The amended Governing Regulations were submitted to the Board at its previous meeting for consideration. In compliance with the university's regulations, the amendment has been on the table for 30 days and is now coming to the Board for final action. He recommended that PR 3 be approved. Mr. Patton moved approval. His motion, seconded by Mr. Branscum, carried without dissent. (See PR 3 at the end of the Minutes.)

F. Administrative Regulation Revision (PR 4)

President Todd said that PR 4 is a revision to the Administrative Regulations. This recommendation brings lecturers more in line with the prevailing standards within the university. He asked Interim Provost Smith to comment on the revision.

Dr. Smith explained that this is a change that requires Board action because it establishes a new academic title series of senior lecturer, and the Governing Regulations specify that this be approved by the Board of Trustees. The lecturer series, a full-time lecturer, is a solution in part to the SACS issue of excessive reliance on part-time instructors. Full-time lecturers are an important part of the faculty in the academic community, and this and other measures, including extending full benefits to lecturers, is a way of elevating the status of that particular position. This specific action is to create a senior lecturer position and make lecturers eligible for two-year terms of appointment rather than one-year terms as now exists.

Mr. Hardymon pointed out that this recommendation was reviewed at an earlier committee meeting that morning. It was not an agenda item or a vote item at the committee meeting. Many Board members attending the meeting had quite a bit of discussion on it. He called for a motion. On motion made by Ms. Sparks, seconded by Ms. Ball and carried, PR 4 was approved. (See PR 4 at the end of the Minutes.)

G. Reappointment of Board of Directors University of Kentucky Research Foundation (PR 5)

President Todd said that PR 5 is a recommendation that the Board approve the reappointments of Trustee Pamela May for a three-year term and public member Henry Jackson for a three-year term to the Board of Directors of the University of Kentucky Research Foundation. Mr. Shoop moved approval. His motion, seconded by Ms. Haney, carried without dissent. (See PR 5 at the end of the Minutes.)

H. Reappointment to Board of Directors of The Fund for Advancement of Education and Research in the University of Kentucky Albert B. Chandler Medical Center (PR 6)

President Todd said that PR 6 is the recommendation for approval of the reappointment of Carol Farmer for a two-year term to the Board of Directors of The Fund for Advancement of Education and Research in the Chandler Medical Center. Ms. Ball moved approval. Ms. Smith Edge seconded her motion, and it carried without dissent. (See PR 6 at the end of the Minutes.)

I. Agreement between University of Kentucky and Kentucky Medical Services Foundation (PR 7)

President Todd asked Mr. Butler to comment on PR 7.

Mr. Butler reported that PR 7 is the annual review of the contract with Kentucky Medical Services Foundation, which is the group that bills and collects professional fees for physicians at the Medical Center. He noted that a summary of the revisions was in the background information and stated that there were no major changes in the agreement. These are annual adjustments to the contract.

Mr. Hardymon called for a motion of approval, and Ms. Tobin moved approval. Mr. Williams seconded her motion, and it carried without dissent. (See PR 7 at the end of the Minutes.)

J. Feasibility Study for Retirement Community at Coldstream (PR 8)

President Todd said that PR 8 is a recommendation regarding the feasibility study for the retirement community at Coldstream. He recognized Dr. Jack Blanton, who had been helping with this effort, and asked Ms. Sparks, Trustee representative on the Task Force, to make a report.

Ms. Sparks thanked Mr. Hardymon and President Todd for allowing time for the report. She said that it is a very important issue and began her report.

In the last three or four years the concept of a retirement community attached to a university has become very popular. There are now at least 50 university-related developments around the country.

In the Southeastern Conference alone, the University of Florida has opened a facility in Gainesville this past year, and Alabama has a retirement community under construction on its campus at Tuscaloosa. Louisiana State University and Vanderbilt University are also studying the possibilities.

Why are universities developing retirement communities? There are several reasons.

- The flurry of activity in college towns offers the chance for a stimulating retirement and lifelong learning opportunities not easily found in traditional retirement settings.
- Attracting affluent alumni and friends of the university back to campus offers opportunity for cementing relations with these important groups and providing an enhanced means of fundraising.
- For land grant institutions, the development of a retirement community provides an additional way to meet the university's service obligations to the general public.

- For research institutions, the health and well-being of the residents of a “different kind” of retirement community offers an opportunity for geriatric research. Such a facility at Coldstream can enhance UK’s national reputation as a research Center on Aging.
- And for all colleges and universities, senior citizens can enrich the lives and learning opportunities for students and faculty when they are integrated into university life.

Last September Dr. Blanton, who is chair of the Task Force, made a presentation to this Board at Dr. Todd’s request, asking the Board to approve the mailing of a request for proposal inviting developer-operators to submit proposals for a retirement community on Coldstream Farm.

To refresh the Board’s memory a little bit, there are 192 acres of Coldstream west of the bounded area for the research park undesignated for future use. We are not trying to develop any part of Coldstream that could be used for research facilities. Currently, the College of Agriculture has its dairy herd and its poultry facility on this 192 acre tract. The poultry facility will remain where it is, and the dairy herd will be relocated in collaboration with the dairy program at Eastern Kentucky University. The retirement community will likely take up 80 to 100 acres.

The concept that is envisioned for Coldstream is a Continuous Care Retirement Community. It will include patio homes and apartments for independent living and apartments for assisted living, and it will provide single rooms for skilled nursing care, including rooms for patients with various forms of dementia, including Alzheimer’s. The number of units and the pricing schedule for each at this time is undetermined because these numbers will be established with finality following extensive research by the developer-operator.

Further, the concept for this facility contemplates what is known as Life Care Contract. This concept is new to Kentucky, with only one retirement facility in Louisville offering such a contract. The plan for Coldstream is that residents with the standard contract could move from independent, to assisted, to nursing home care without an increase in price. The front-end purchase price of the contract will be established actuarially to provide for the increased cost as residents move along the continuum from independent living to skilled nursing care.

In addition, the operator will offer a 50 percent return or a 95 percent return of the resident’s initial purchase price to the resident’s estate at the time of his or her death if the resident pays a premium on the front end for such a remittance. There will be a monthly fee to cover maintenance, cleaning, lawn care, a limited number of meals, transportation, etc. The fee will, of course, be subject to inflationary increases, which everyone can understand. The resident at no time will have an equity interest in the property, just as the developer-operator will have no equity interest in the property. Title will always remain with the university.

The university sent out its request for proposal (RFP) in late January to a large number of retirement home developers and operators. Only two responses were received, and the Task Force believes that the low response rate is attributable to the fact that it wisely noted preference would be given to those who had experience developing retirement communities in conjunction with universities, and the fact that UK is putting no money into this endeavor. That is really important. The development and operating costs will be entirely borne by the developer-operator, which was one of President Todd's requirements.

One of the two proposals received was from The Praxeis company out of Jacksonville, Florida. Praxeis is the developer and operator of the facility built in conjunction with the University of Florida at Gainesville known as Oak Hammock. The other proposal was a joint venture between CRSA, Memphis, Tennessee, and Miller-Valentine, Dayton, Ohio. CRSA has been responsible for the development at Pennsylvania State University and the facility presently under construction at Tuscaloosa, Alabama known as Capstone Village.

President Todd named an evaluation committee to review the two proposals and select the firm to proceed with the development at Coldstream. On behalf of Dr. Blanton and the Board, Ms. Sparks thanked the members of the committee for their time and effort. Other members of the committee are:

Jack Blanton, who serves as a special assistant to the President  
Professor Greg Brock, Department of Family Studies  
Frank Butler, Executive Vice President for Finance and Administration  
Stan Key, Director for Alumni Affairs  
Dr. Sam Matheny, Chair of the Department of Family Medicine  
John Park, Executive Director for Coldstream  
Jean Peaval, retired professor representing the Association of Retired Faculty  
Bob Wiseman, Associate Vice President for Facilities Management  
Dean Allan Vestal, College of Law

The following staff members also represented the university:

Bill Harris, Director of Purchasing  
Naomi Emmons, Central Purchasing Manager  
Marc Mathews, Controller  
T. Lynn Williamson, Legal Office

This group reviewed each of the proposals in detail. They followed up with getting recommendations from various sources. A team of four visited the facility in Gainesville. Ms. Sparks reported she had the opportunity to go to Tuscaloosa and see their facility under construction.



The Board action that the President is bringing today is one of two actions that the Board will be asked to consider, providing this project is approved.

The first objective of the developer will be to conduct a series of studies to determine the feasibility of the project. This will include demographic studies, market studies, legal reviews, sales efforts, etc. to establish the degree of certainty for success of the project. A memorandum of agreement between UK and the developer will encompass the first phase as noted in the Board action.

If, at the conclusion of these initial studies by the developer, Praxeis is persuaded of the feasibility of this development, the Board will be asked to enter into a long-term ground lease of no more than 50 years with a non-profit corporation that will be formed to oversee the development and issue tax-free bonds to provide funds necessary to construct the facility. The total cost of the facility is estimated to be in the \$90 million to \$100 million range with construction costs in the \$75 million to \$80 million range. It is expected that the project will provide for an estimated 400 residents with an annual operating budget of approximately \$15 million. It is expected that no fewer than 100 persons will be employed at the site.

The independent nonprofit foundation that will be formed will in turn sublease the acreage for the site to Praxeis. The reasons for the independent foundation are several: (a) to build a wall between this board and the foundation so as to protect the university from any liability that might result from the development; (b) to serve as the legal instrumentality for the issuance of tax-free bonds, and (c) to oversee the development and operation of the facility. It is really important that someone is working with the developer so it is the university's community, too, and not just the developer's.

Membership on the Foundation Board will consist of persons not affiliated with the university but who are good, close friends of UK with an interest in the retirement community. The Foundation Board will also have persons affiliated with the university, but they will be in a minority. This arrangement gives the Foundation Board the independence it needs for legal separation from UK, yet it allows for the desired ties with the university. The Board will play a key role in decisions relating to the construction and operation of the retirement community. In effect, it will oversee the development and operation of the facility and have a key role in determining most policy matters of governance pertaining to the retirement village.

The Praxeis company is anticipating, and in fact expecting, close ties with the university. The retirement village would provide transportation to campus and back to the retirement community throughout the day to such university events as musical concerts, art exhibitions, athletic competitions, drama events, special lecturers, and scheduled classes. It is expected that the residents of the retirement community will have a great deal to contribute that will enrich lives of students and faculty on campus and vice versa. This is what makes Coldstream unique and what has attracted the Praxeis company to UK.

There will be an economic return to the university through the foundation. Terms will be worked out to provide a lease fee for the acreage the project eventually takes up. Also, there will be a return to the university based on the number of living units and the occupancy rate. These sums will be determined and presented to the UK Board when the Task Force returns with the second and final phase of the contract and ground lease once it is quite certain the project will go forward.

As for the timetable, there is very likely a four-year time line between today and move-in. In August 2009 the Task force would expect the first residents to move into the Coldstream Continuous Care Retirement Community. The average age of the resident population is estimated to be 78, and it is expected that the minimum age for eligibility to be between 62 and 65.

Ms. Sparks said, in her opinion, this is one of the most exciting issues presented to the Board in her six-year tenure. She said that she appreciated President Todd's interest in bringing this to the Board, and she certainly hoped the Board would approve it. She said that she or Dr. Blanton would be happy to answer any questions.

Mr. Wilcoxson said that he was the one that made the initial motion to approve the project, and he still approves of the project. He said his main concern is the placement of the facility on the Coldstream property. The location recommended appears to be on an expensive piece of property at Coldstream. He asked if anyone had looked into whether the recommended property is the most expensive property there that could possibly generate income for the university in the future.

Dr. Blanton displayed a map of the Coldstream property. He agreed with Mr. Wilcoxson that it is probably the most valuable piece of property there; however, it is very likely the project will go there. He reported that a housing development had started, and the value of that land today is estimated to be in the \$50,000 range per acre. The problem is that the LFUCG Planning Commission said the only thing that they would consider at this time for this property is residential. There is, of course, a longtime horizon, and no one knows what will happen in the future.

Dr. Blanton said, in his opinion, the nursing home facility would be comparable to residential property. When you take all of the facts into consideration, this is a pretty good decision for that property. Obviously, if the university could get commercial zoning out there, it would have a higher value. The Planning Commission said that as they look at the comprehensive land use plan for the community, it is just not in the cards at this time. That is not looking into the future.

Dr. Blanton explained that the recommendation before the Board today is to have the Praxeis company study this acreage and show exactly where everything will be, such as how many units will be built of each type, the charges for those units, and any other pertinent kind of facts. That would then be a part of the lease agreement that would go from the Board to the independent foundation. He explained that there will be one more opportunity for the Board to consider this project; however, the Board must act in good

faith. By this he means that if Praxeis comes back and says this is feasible, then to pull the rug out from under them would not be a good thing to do.

Mr. Wilcoxson said that he did not want to pull the rug out from under them, but he did want the Board to make the right decision on placing the facility and the value because the Board is using a pro forma on what this entity is going to generate for the university. There are no guarantees whatsoever, and the Board should make sure that what property is left will have some valuable use in the future.

Dr. Blanton agreed that it is pro forma and there are no guarantees. He said he could not agree more about the property having some valuable use in the future. He reiterated that there would be one more full review of this project when it comes back to the Board. He said he did not know how long that would take. If the Board comes to some different conclusions, then feel free to do so, but the Board is acting in good faith with the Praxeis company.

Mr. Miles said he had a lot of respect for Ted Bates, a former Board member, and Mr. Bates has opposed this retirement facility since the beginning of the research park. He asked how the Board decided that this property could never be used as a research park.

Dr. Blanton said that he did not think the Board had decided that it would not be a research park. When the Board established the boundaries of the research park, it saw that as its potential growth to the foreseeable future, but again, nobody can predict the future. Some day it might be needed for a research park, but in the meantime, it would not be making any return to the university in terms of its economy.

Mr. Patton asked for clarification regarding Dr. Blanton being told that it is doubtful the university could use it to build research buildings.

Dr. Blanton said that unless the political fortunes and public fortunes of the community change, that is exactly right.

Mr. Wilcoxson pointed out that few people would have thought that every council member would have voted to close Rose Street. He is just saying that there is a possibility.

Ms. Ball stated that she understood that the Board is just approving a feasibility study, and the Praxeis company will pay for the study.

Dr. Blanton concurred with Ms. Ball's understanding.

Mr. Harydmon called for a vote on PR 8, and Mr. Williams moved approval. Dr. Moore seconded the motion, and it carried without dissent. (See PR 8 at the end of the Minutes.)

K. Proposed Revisions to the Governing Regulations (SCGR 1)

Ms. Ball, Chair of the Special Committee for the Governing Regulations, said that the proposed revisions to the Governing Regulations were discussed at the last Board meeting, and they are on the agenda this time for approval. She moved approval of SCGR 1. Mr. Shoop seconded her motion, and it carried without dissent. (See SCGR 1 at the end of the Minutes.)

Mr. Hardymon asked Ms. Ball to give her report on The Fund for Advancement of Education and Research in the University of Kentucky Medical Center, which is under other business at the end of the agenda.

Ms. Ball reported that The Fund Board met on June 6 to review the financial statements, to appropriate balances, and to approve the 2005-06 Operating Budget. The Fund is in excellent condition and continues to grow each year. The past audit showed that it grew by \$1.1 million, and the balance for the nine months is exactly \$11,400,000.

Mr. Hardymon reminded the Board of the annual reports for various boards and affiliated corporations of the university that are available at this time of year. According to the regulations, the Board is to receive these annual reports. He noted that a report was given at the last Board meeting, and by spreading the reports out over several meetings, it will avoid having all of the reports at the September meeting.

L. Change of Name and Organizational Structure of the Center for Women's Health (AACR 1)

Ms. Sparks, Chair of the Academic Affairs Committee, said that AACR 1 is the change of name and organizational structure of the Center for Women's Health. The most significant part of this change is that the administrative oversight has been transferred to the dean of the College of Medicine.

This recommendation has gone through the proper channels within the university and received approval. The Interim Provost supports it as does the Academic Affairs Committee. She moved the adoption of AACR 1. Ms. May seconded her motion, and it carried without dissent. (See AACR 1 at the end of the Minutes.)

Mr. Hardymon pointed out that the AACRs are very important items and involve a lot of work to get to the Board. He said that each item would be acted on individually.

M. Change in Name of Degrees (AACR 2)

Ms. Sparks said that AACR 2 is the recommendation that the Board of Trustees approve a change in the name of the Bachelor of Science in Family Studies with a major in Early Childhood to Bachelor of Science in Education with a major in Interdisciplinary Early Childhood Education and the Master of Science in Family Studies with a major in Early Childhood to Master of Science in Education with a major in Interdisciplinary

Early Childhood Education, effective this fall. These changes are necessary due to the move of the Early Childhood program from the Department of Family Studies in the College of Agriculture to the Department of Special Education and Rehabilitation Counseling in the College of Education.

This recommendation has also gone through the proper channels within the university and received approval. The Interim Provost approves the recommendation, and on behalf of the Academic Affairs Committee, she moved acceptance of AACR 2. Ms. Ball seconded her motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

N. Change in Name of an Educational Unit (AACR 3)

Ms. Sparks noted that the AACRs are discussed at length in the Academic Affairs Committee meetings, and a lot of the Board members attend the meetings. AACR 3 is a change in the name of an educational unit in the College of Medicine's Department of Family Practice and Community Medicine to the Department of Family and Community Medicine. This is a result of the American Board of Family Practice changing its name to the American Board of Family Medicine. That board has changed the word practice to medicine, and the university wants to be consistent with national organizations and with the academic family medicine departments throughout the country.

This recommendation has gone through the proper channels within the university and received approval. On behalf of Academic Affairs Committee, she moved approval of AACR 3. Mr. Shoop seconded her motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

O. Change in Name of a Degree (AACR 4)

Ms. Sparks said that AACR 4 recommends that the Board approve a change in the name of the College of Health Sciences' Bachelor of Health Science degree in Health Services Management to Bachelor of Health Science Degree in Clinical Leadership and Management. This program has been inactive since the 2001-02 academic year. It was recently moved to the College of Public Health, which in its first year received full accreditation for five years. On behalf of the Academic Affairs Committee, she moved approval of AACR 4. Ms. Haney seconded the motion, and it carried without dissent. (See AACR 4 at the end of the Minutes.)

P. Doctor of Physical Therapy Degree (AACR 5)

Ms. Sparks said that AACR 5 is asking that the Board approve the establishment of a Doctor of Physical Therapy (DPT) Degree program in the College of Health Sciences. The University of Kentucky physical therapy faculty members have carefully considered the national trend and designed a DPT program utilizing its existing strengths and curriculum offerings to provide an efficient and effective program for the Commonwealth and for future students. On behalf of the committee, she moved

approval. Ms. Tobin seconded the motion, and it carried without dissent. (See AACR 5 at the end of the Minutes.)

Q. Master of Arts in Teaching World Languages (AACR 6)

Ms. Sparks said that AACR 6 is very important and very innovative in establishing a Master of Arts in Teaching World Languages degree program in the College of Arts and Sciences. The program provides for certification of teachers in French, German, Latin, Russian, and Spanish, making it the only program in the state that will offer certification in Latin and Russian. The committee discussed the significance of this program at length, especially in the K through 12 schools. On behalf of the committee, she moved approval of AACR 6. Ms. Haney seconded her motion, and it carried. (See AACR 6 at the end of the Minutes.)

R. Finance Committee Report

Ms. Wickliffe, Chair of the Finance Committee, reminded the Board that FCRs 1 through 14 were consent items. She called particular attention to FCR 10 whereby a fellow trustee, Steve Branscum, has made a sizable contribution to the Capital Projects Gift Fund in the UK Athletics Association.

Ms. Wickliffe noted that the gifts and pledges in FCR 1 through 13 total \$3,402,771, and of that amount \$1,811,432 is eligible for the matching grant.

FCR 14 included three renewals of leases and three new leases. It was a consent item because the leases are under \$30,000.

S. Approval of Leases (FCR 15)

Ms. Wickliffe said that FCR 15 is recommending the approval of leases that are in excess of \$30,000 in value: five renewals and three new leases. On behalf of the Finance Committee, she moved the adoption of FCR 15.

Mr. Hardymon pointed out that a lease had been added to FCR 15 since the agenda book had been mailed, and the revised copy was distributed at the Finance Committee meeting. He asked that a copy be given to those who did not receive it.

Ms. Tobin seconded Ms. Wickliffe's motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

T. Authorization to Acquire Properties for Construction of Parking Garage Associated with the Patient Care Facility Project (FCR 16)

Ms. Wickliffe said that FCR 16 is the authorization to acquire properties for construction of a parking garage associated with the patient care facility. An acquisition through condemnation proceedings is requested for certain properties through the

Eminent Domain Act of Kentucky. The committee discussed the item very thoroughly. On behalf of the committee, she moved the adoption of FCR 16. Ms. Sparks seconded her motion, and it carried without dissent. (See FCR 16 at the end of the Minutes.)

U. Capital Projects (FCR 17)

Ms. Wickliffe said that FCR 17 refers to capital projects. The recommendation is for the Board to approve initiation of ten projects. Nine of the ten have been authorized by the General Assembly as part of HB 267. The university will request interim authorization from the Council on Postsecondary Education and the Capital Projects and Bond Oversight Committee for the design of the Agricultural Research Service facility upon approval by the Board at this meeting. On behalf of the Finance Committee, she moved the adoption of FCR 17. Mr. Branscum seconded the motion, and it carried without dissent. (See FCR 17 at the end of the Minutes.)

V. A Resolution of the Board of Trustees of the University of Kentucky Authorizing the Issuance of Approximately \$11,370,000 of University of Kentucky Consolidated Educational Buildings Revenue Bonds, Series U, to be Dated the First Day of the Month in which the Bonds are Sold (FCR 18)

Ms. Wickliffe reminded the Board that FCR 18 had been before the Board previously. There now needs to be a resolution authorizing the issuance of approximately \$11,370,000 of consolidated educational buildings revenue bonds. These will be series U, and they will be dated the first day of the month in which they are sold. The proposed date is August 3. The coupon rate should be about 3.96 percent, but the exact percentage will not be known until they are sold. The bonds do have a callable date in 10 years, and there is no premium on these. On behalf of the Finance Committee, she moved the adoption of FCR 18. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 18 at the end of the Minutes.)

W. Disposal of Personal Property (FCR 19)

Ms. Wickliffe said that FCR 19 is the disposal of personal property. The Board is requested each year to authorize the routine disposition of property having a value of less than \$10,000. On behalf of the Finance Committee, she moved the adoption of FCR 19. Ms. Tobin seconded the motion, and it carried without dissent. (See FCR 19 at the end of the Minutes.)

X. 2006-08 Capital Request (FCR 20)

Ms. Wickliffe said that FCR 20 is the 2006-08 Capital Request. The Board is required to approve that this request be submitted to the Council on Postsecondary Education. The request must include all capital projects which may be initiated during the upcoming biennial as well as the major equipment purchases and leases. The General Assembly must authorize capital projects costing \$400,000 or more, equipment costing \$100,000 or more, and leases valued at \$200,000 or more. The request includes 553

capital projects, equipment, and leases with an estimated cost of \$3 billion. She noted that the items are in priority listing, and President Todd will be going before the General Assembly to talk about them. On behalf of the Finance Committee, she moved the adoption of FCR 20.

President Todd mentioned a brochure that had been distributed at the Finance Committee meeting. There are two purposes for the brochure: to help in presenting the university's top ten priorities to the legislators and to help the Board know the university's priorities when talking to potential legislators. He expressed appreciation to the staff for putting the brochure together and encouraged the Board to review it.

Ms. Haney seconded Ms. Wickliffe's motion, and it passed without dissent. (See FCR 20 at the end of the Minutes.)

Y. 2005-06 Operating and Capital Budget (FCR 21)

President Todd made a PowerPoint presentation on the 2005-06 Operating and Capital Budget. He said that this is an item that is vitally important to the institution. He asked the Board to take the time to read Dr. Yanarella's comment on the budget process which notes some of the accomplishments that have been made. President Todd said that he appreciated Dr. Yanarella's input as well as the input from David Ellis, Chair of the Staff Senate, and Rachel Watts, President of the Student Government Association. He noted that Rachel Watts got married on Saturday night, and her last name is Webb now. He wished her well.

President Todd called attention to the accomplishments that had taken place since 2000. He said that he would not go through them individually because Ms. Angie Martin had gone through them in the Finance Committee meeting. He did, however, note the growth in student enrollment, the improvements in graduation rates, the growth in graduates, the growth in research, and the growth in the medical complex. Given the budget issues between 2000 and the present day, the administration has navigated the waters well. He said he was extremely proud of the faculty, staff, and students for the accomplishments made during that period of difficult times.

When the budget was put together, the administration focused on the faculty and staff, students, and infrastructure. The faculty and staff have had an average 1.3 percent salary increase over the last three years. This budget includes a 4 percent merit salary increase pool as well as money for equity adjustments for staff and a fighting fund for retaining top faculty. The university will also cover most of the health insurance cost which it has tried to do for the last four years. For students, the university has more scholarship funds. Program improvements and classroom improvements are funded in this budget. And on the infrastructure, more money has been put into the IRIS project on campus because the university is woefully inadequate with computing resources. President Todd reported that the project is going very well, and he expressed appreciation to Dr. Phyllis Nash for her leadership in this effort.



The administration projects that this year's freshman class enrollment will decrease from 4,000 to 3,800. Given the lack of ability to expand the faculty at this point in time, that number is being held down, but there has still been substantial growth since 2000.

President Todd said that it is important to note that there have been increases in tuition, but it is also pleasing to note that the university has not closed out accessibility for students from underserved areas. There has been an increase in enrollment from 70 of the 120 Kentucky counties. There has been an increase in enrollment from 19 of the 29 underserved counties. There has been increased enrollment in 32 of the 55 Appalachia counties, and there has been increased enrollment in Pell Grant eligible students. It is up 17 percent, which may be surprising to many people.

The university has held the undergraduate resident population constant, and it is the only university in the state to do that. Other universities have grown with out-of-state students. It is not only the growth that the university has had, but it is the categorical growth that the university has been able to maintain. The administration is pleased with this result.

The size of the freshman class has increased by approximately 1,000 students from the year 2000 to 2004. There have been significant increases in the Governor's Scholars, from 98 to over 300. Valedictorians have doubled in number. The number of students with AP credit is an indicator of the seriousness of those students, and that number has almost doubled since 2000. President Todd said that he had been told that this year's incoming freshman class will be better than any previous class.

The first and second year retention rate has been good. To bring in 1,000 more students and keep retention constant is a good accomplishment because it takes more advising. It takes time from the faculty to nurture some of the new students and to deal with the sheer volume.

UK's graduation rate is the highest in the state. It needs to be a little higher, but it has increased 4.5 percentage points over this time period. With the incoming quality of students, this number should increase.

External grants and contracts have increased 17 percent this year. Federal budgets are not going up 17 percent, especially the NIH budget, which is one that was growing until this year. This is an indication of where the university has more fire power in place. Being more aggressive, hiring a consultant in Washington, and increasing the university's emphasis have paid off. UK is dependent on NIH funding, and that budget is watched very carefully from a federal level.

The university is meeting a lot of the Strategic Plan goals; however, faculty salaries are still low. UK's goal is to get to 90 percent of the benchmarks. There needs to be a 4 to 5 percent annual salary increase the next two years to meet that objective. Hopefully with state support, tuition, and continuing to look for resources internally, we

can fund salary increases. That is a top objective for the administration in order to move up this list.

Hospital revenues are projected to increase from about \$300 million in FY2001 to \$466 million in FY2006. State appropriation has been reduced as a percentage of the budget to below 19 percent. In absolute dollars, state appropriation is up, but given the growth of the other areas of the university, the percentage is down. Research, athletics, and affiliated corporations have gone up a great deal, both in terms of percentage and absolute dollars. Many people across the state just assume that 50 percent of the money comes from state government. It is important to let people across the state know how many resources are brought into the university in addition to state funding.

The budget can be detailed as follows:

<u>Undesignated General Funds</u>	
State appropriation	\$314,302,600
Tuition	169,817,800
Other income	<u>45,419,900</u>
	\$529,540,300
<u>Designated General Funds</u>	
University Hospital	\$466,060,100
Research, Athletics, and Other Affiliated Corporations	314,144,800
Non-Government Gifts, Grants, and Contracts	166,209,400
Fees	47,196,000
Other	<u>141,707,000</u>
	\$1,135,317,300
TOTAL	\$1,664,857,600

The university looks at the change in revenues and change in expenses when building the budget. The additional state appropriation that is undesignated is \$13 million. That amount can be used for salary increases and some operating expenses. UK did get an initial \$5.5 million that was earmarked by the state.

As a result of the 12.5 percent tuition increase and an increase in income from investments, the total additional funding is \$38 million.

Unfortunately, UK's needs are higher than the available additional funding. The funding needs include salary increases, benefits, and additional scholarship funding.

Even with increased funding for scholarships, UK still has the lowest percentage of its budget in scholarships as compared to its benchmarks. The percentage has almost doubled since 2001. The percentage went from 2.6 to 5.2, and it is making a difference.

Needed program improvements include the IRIS project and other investments that were in the Futures Committee report. There has been a lot of overtime in the Police Department that has not been budgeted, and it is now in the budget. Buildings will now be insured at replacement value. The needs exceed the sources by approximately \$2.9 million. The deans and the operating units know this, and the administration will keep watch on this throughout the year.

Ms. Martin pointed out at the Finance Committee meeting that whenever UK takes a hit, the colleges take a disproportionately lower hit, and the rest of the university takes a higher hit. The administration will continue to focus on protecting academics as much as possible.

President Todd said that he is very pleased with the capital projects, especially the new dormitories. UK received \$40 million for the Biological Pharmaceutical Complex, which was a lot of work on the administration's behalf with the legislature because the BBSRB was jointly funded (60 percent state, 40 percent university). UK is paying \$3.2 million for debt service out of Dr. Baldwin's budget every year for this research building. Other universities ranked higher than UK have had their research buildings paid for externally for 50 years. The state should be paying for the research buildings at least for a period of time until UK can get up to a level of competitiveness. The patient care facility is among the approved capital projects, and this will make a dramatic difference in Kentucky and in the campus.

President Todd said he is pleased with Phase I of the \$8.5 million animal diagnostic lab. The chairman and members of the Gluck Equine Board are also very pleased. It was a joint effort with Interim Provost Smith's team to get that earmarked. A second phase is needed to make it the best diagnostic center in the world for livestock and equine.

The student health facility is also in the capital project plans.

The Top 20 mandate is a challenge, and work is being done to determine what it will take to get there. Recruiting and retaining faculty is still an issue. The administration feels that it has been able to position the budget strategically to help retain faculty.

UK still needs to increase its enrollment because we are the smallest of our benchmarks. Being bigger allows you to be more aggressive, but we cannot do it until we really get clarity on the budget going forward.

The administration is trying to keep the balance between affordability and tuition. Last year UK was the fourth best value in the country. We think we are doing a good job of keeping UK affordable. Another \$500,000 has been put into need-based scholarships to add to the existing \$1,000,000.

The administration is already in the middle of the budget cycle for 2006-07. That session starts in January, and we are putting that information together now. Post-retirement benefits are a tough issue. It is difficult because of the growth in the expense of health care, but it is also difficult with the accounting regulations changing to where you have to recognize this liability on your balance sheet. Committees have been working on this issue. UK will have to make some tough decisions as will many other universities. Many businesses are already beginning to make those decisions because it is hard to take on a liability where you do not see where the pricing is going to go long-term. The administration will be coming back to the Board with resolutions of that problem.

President Todd concluded his presentation by stating that this is a great budget. It is the first time UK has had an increase in state funds since he became president. The university has a debt that it owes to the students that will be graduating in 2020. If Kentucky does not have a top research university, the state will be picking up the crumbs of the new economy, getting the jobs that nobody else wants, and getting the jobs that are just a few years away from going to China. That is the issue. The state must be innovative and make new things here. In order to come up with new ideas, there must be research.

President Todd said from the Dream Tour he learned that the state no doubt has a great athletic I.Q. Everybody in every small town knows exactly why UK needs a top basketball or football team playing on ESPN, CBS, etc. They do not have a research I.Q.

It is UK's responsibility to drive that research I.Q. to the point where there are not questions like those printed in the *Paducah Sun* newspaper editorial chastising UK's president for having had the audacity for having mentioned Kentucky should have a tax increase for education. The editorial board said that it is the president's job to explain to this person out there on a tractor why he should pay more taxes in order for UK to have more funding. President Todd said that people need to be reminded that the tractor today has an air conditioned cabin, and it can be driven with one finger with the hydraulic system that was designed in a research laboratory some years ago. The farmer is spreading fertilizer using the satellite system that his granddaddy did not have when he was putting equal amounts of fertilizer all over the land and either burning crops up or under nourishing some of them.

President Todd said that one real mark of leadership is that you have to sometimes take people to where they need to go whether they know it or not. That is what the state faces. Kentucky needs a top research university. It would be nice if everybody would vote in favor of a tax increase for education. UK is the greatest protector of HB 1, and everyone needs to be pushing that agenda. There was a quid pro quo in HB 1. It stated that the legislative action was going to take the community colleges away from the University of Kentucky, and UK should go forth and become a Top 20 institution. Well quid happened, and the community colleges are gone. We are still waiting and making sure the pro quo happens.

There was cash around for Bucks for Brains for two years for two funding sessions. Fortunately, the legislature bonded it the third time. Three budget cycles, however, will not make a Top 20 institution. Many people can get amnesia, and they do not remember that UK really made the biggest sacrifice for HB 1. It had the promise of the biggest upside. This point has to be hammered and hammered because nobody else is going to carry that for us from an educational institution point of view. UK needs the Council on Postsecondary Education to be as big an advocate as they are a regulator for higher education in this state.

President Todd asked for the Board's support and confidence in the budget. Some tough decisions have been made. This institution is strapped in many measures because of enrollment, because of pressures, and because of some lack of funding. He said that it is working, and he is proud of the accomplishments. All the teams, including the faculty and the staff, have built the budget from a base level, and it will allow the university to keep on its mission.

Mr. Hardymon asked the Board for any comments or questions.

Ms. Wickliffe pointed out that the budget is actually \$1,664,857,600. That is a lot of money, and it is a big responsibility for the Board. She encouraged the Board to go through the budget. She said that she had been through it, and there is a wealth of information in it. In reviewing the budget document, it made her stop and think. She said that she wanted to just highlight a few things that President Todd had said. He brought to the Board's attention again that UK is to become a Top 20 public research university by 2020, and that is a lot of responsibility. There is a lot that the people of the Commonwealth are depending upon from the Board. This fall is when the first graders, who will be graduating in 2020, will start school. It is up to the Board to make a place for them to come and have a much better Commonwealth. She said that she would be remiss in her responsibility if she did not bring to the Board's attention that this budget reflects a \$12.2 million decrease in the fund balances. On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 21. Ms. Smith Edge seconded the motion, and it carried without dissent. (See FCR 21 at the end of the Minutes.)

#### Z. Investment Committee Report

Mr. Wilcoxson, Chair of the Investment Committee, had some bad news to report. The pooled endowment investments had a market value at the end of March of \$532 million compared to \$503 million in June 2004. The bottom line is, however, that the pooled endowment investments only returned about 5.1 percent during that fiscal year. A bad quarter also ended in March. There was a loss of about 1.8 percent compared to the blended market index of a minus 1 percent for the quarter, and basically that is due to asset allocation.

UK is heavier into the equity market than into any other investments. The equity market did not perform that well during the quarter. Everyone knows that there are peaks and valleys in this kind of business. UK is kind of down in a valley right now, but it will

be alright. UK had a 17.5 percent return last year. It has a 5.1 percent return this year. The committee, the staff, and the consultants continue to do their due diligence and will make the best decisions during the oversight of the endowments. He said he would be pleased to answer any questions.

AA. Student Affairs Committee Report

Ms. Smith Edge, Chair of the Student Affairs Committee, said that the committee brings forth an action item that has not been on the Board agenda for over 30 years. The Student Affairs Committee is recommending that the Board of Trustees approve the revision to the *Code of Student Conduct*. She noted that the Board had received a draft via e-mail in May. The *Code of Student Conduct* is the document in which the Board states the rules, procedures, rights, and responsibilities governing non-academic relationships between the university and students.

Currently, the university operates with a *Code of Student Conduct* that was originally developed in the late 1960s and early 1970s period, which was definitely a different period of time for student unrest than it is today. Over the years, the Code has been changed in a piecemeal fashion, often in response to situations or incidents that did not fit the process or parameters outlined within the Code.

This revision has really been a five-year process. Aggressively, in fall 2002, the Student Code Committee began this review. The Student Code Committee consists of UK students, faculty, and staff that have evaluated the *Code of Student Conduct*.

Ms. Smith Edge reported that there were four meetings of the Student Code Committee from September 2004 through February 2005. Following these meetings, the proposal was presented in mid February to the Student Affairs' President's Roundtable which includes key student organization leaders. During March there were editorials and articles about the proposal in the Kernel. During the month of April, the proposal was placed on the UK web site. There was a broadcast e-mail to all students, faculty, and staff informing them of proposed changes and requesting feedback. The proposal was presented to the Student Government Senate as well as to another student code committee meeting.

In May the initial proposal was presented to the Student Affairs Committee of the Board of Trustees and sent to the Board. The Student Affairs Committee, along with the staff of student affairs, had a detailed meeting to review the draft.

Ms. Smith Edge gave a quick overview of the significant revisions. First of all, it is a student friendly document and geared toward being student friendly. One of the positives is that it really has simplified the disciplinary process. It removes all legal counsel from the process, and any student disciplinary issues are handled by a hearing officer if the student does not admit guilt and/or does not agree with the sanctions recommended by the Dean of Student's Office.

Another revision is the expansion and clarification of university authority. Formerly, sidewalks or streets across from the university were not within the university's realm of jurisdiction for student conduct issues. At this point, university property is defined as all property owned or leased and operated exclusively by the university as well as public sidewalks and streets that are continuous to or in the immediate vicinity of such properties.

The disciplinary regulations also apply to behavior that occurs not only on university property but may also apply to off-campus behavior that is negative to the character and welfare of the university. But this is defined to include any activity sponsored, conducted, or authorized by the university or a registered organization. It also covers conduct that (1) poses a serious threat to the safety, security, or well-being of any member of the university community, (2) involves academic work or the forgery or misuse of any university document, and (3) any conduct that is considered as disorderly or would cause substantial destruction to property belonging to the university or members of the university community. These violations are very well defined, and the committee did talk about this extensively.

Ms. Smith Edge thanked Dr. Pat Terrell, Vice President of Student Affairs, and her staff, especially Victor Hazard, Associate Vice President for Student Affairs and Dean of Students, and Tony Blanton, Associate Dean of Students, as well as Barbara Jones and T. Lynn Williamson, who are in the Legal Office, for moving this item forward. On behalf of the Student Affairs Committee, Ms. Smith Edge moved that the Board of Trustees approve the revision to the *Code of Student Conduct* effective July 1, 2005. Mr. Branscum seconded her motion, and it carried without dissent. (See SACR 1 at the end of the Minutes.)

Mr. Hardymon thanked Ms. Smith Edge and the committee for their work.

BB. University Hospital Committee report

Ms. Young, Chair of the University Hospital Committee, reported that the committee met on the afternoon of June 13. She provided an overview of the meeting to the members of the Board.

The hospital continues to operate at a very high level, a level that is above budget in terms of revenue and at a level that can support proposed expansion. Sergio Melgar presented the April financials at the meeting. Hospital April net patient year-to-date revenue is up \$53.15 million or 19 percent, above the previous year-to-date 2004 amount. This is driven both by in- and out-patient revenue. Total operating expenses increased to 18.73 percent, or \$52.58 million, compared to last year-to-date April. Income from operations is up \$9.6 million over last year's. The year-to-date operating margin is 7.0 percent compared to 5.3 percent at previous year-to-date. Anything over 5 percent is considered very, very good. April was a little weaker than the previous month. Total revenue over expenses was pretty flat in spite of the continued high occupancy and activity rate. Several factors contributed to this, including the fact that the hospital was

feeding back into the college different patient mix and lower reimbursement rate. There does not seem to be any trend, just a normal ebb and flow of business, but it is being tracked closely. The figures for May point to the busiest month in the hospital's history.

The committee also discussed the hospital bed tower expansion. It is now in the very busy planning stages, still deciding on structure, shape, design, location needs, etc. Ellerbe and Becket has been chosen as the architectural firm for the project. They are already working on campus. Ellerbe and Becket is a Minneapolis-based firm, and the firm has designed many of the buildings at the Mayo Clinic.

Ms. Young reported that the City Council unanimously signed off on the closing of Rose Street and the rerouting of Virginia Avenue. The targeted completion date for the Phase I bed tower garage is fiscal year 2010. The garage design is on schedule, and the property acquisition for the garage is near completion. There is only one property in question, and Mr. Murray Clark seems to think that is going to go through.

#### CC. Executive Committee Report

Mr. Hardymon, Chair of the Executive Committee, reported that the committee has an annual, definite function. That is for the evaluation of the president's performance and for analyzing and suggesting the amount of bonus, per his contract, to the Board. Mr. Hardymon said that he and President Todd had gone over the evaluation materials with the Executive Committee. He reported that the positives were much greater than any negatives. The negatives were items put under the needs-improvement category, and President Todd is interested in working with the Board on those items. The *Herald-Leader* did a good job of covering the committee's meeting. Their story was very thorough and very accurate. The committee has completed its task for this particular project. On behalf of the Executive Committee, he moved that the Board approve the \$100,000 maximum bonus allowed by contract for President Todd for his work in 2004-05. Ms. Sparks seconded his motion, and it carried without dissent.

Mr. Hardymon thanked President Todd for the way he had gone through the process with him. He said that it gives a good base for starting next year, and he is looking forward to that opportunity.

Mr. Hardymon reported that President Todd's contract expires June 30, 2006; therefore, it is appropriate at this time for the Executive Committee to recommend to the Board that the Board begin the process of reviewing President Todd's contract.

Mr. Patton made the motion that the process to review the contact begin. He urged Mr. Hardymon, as the Chairman of the Board and because of his experience in the area of hiring CEOs, etc., to start the process of reviewing the President's contract. Ms. May seconded his motion, and it carried without dissent.



Mr. Hardymon assured the members of the Board that he would keep them informed as he moves through the process. It will be the Board's contract to approve, and that is the way it will be handled.

Ms. May asked about the timeframe.

Since President Todd's contract expires June 30, 2006, Mr. Hardymon said that he does not think the Board can wait much longer. He said that he hopes to bring the subject before the Board in September.

DD. The University of Kentucky Research Foundation Report

Mr. Patton reported that the University of Kentucky Research Foundation Board met May 3. He noted that Pam May is the other Trustee member who serves on that Board and then gave his report.

At the May 3 meeting, President Todd reported on the continued research momentum of the university. UK has jumped from 31<sup>st</sup> to 28<sup>th</sup> among all public universities. The Commonwealth rose from 33<sup>rd</sup> to 30<sup>th</sup> in state rankings. Kentucky has received \$191 million in federal awards, with 132 million of that being UK awards.

Dr. Todd also reported on the new \$74 million Biomedical Biological Science Research Building. It is the first of its kind in Kentucky and encourages collaborative research. Dr. Todd is working closely with the Governor and the Legislature, proposing that future research buildings be funded with economic development bonds as these projects are so critical to the state's economic development.

The Research Foundation Board was briefed on the new Bluegrass Angel Venture Fund and committed \$500,000 to the fund with \$1 million being raised from private sources. This venture capital fund will promote the university's technology transfer program and the economic growth.

Dr. Baldwin reported on project awards through April, which were \$235 million. She expects awards for 2004-05 to reach \$275 million. She advised that there were eleven new license and copyright agreements during the year.

The Research Foundation Board approved the budget for the 2005-06 fiscal year.

Mr. Patton concluded his remarks by reporting that the Board plans to meet again in about six months and continue its focus on research and related economic development.

EE. Resolutions

Mr. Hardymon said that there were three resolutions to be read. He asked President Todd to read the first resolution.

President Todd said the first resolution is in honor of Provost Mike Nietzel. He apologized to the Board and to Dr. Nietzel for not realizing that Dr. Nietzel would not be in town for this Board meeting. He said that he and his staff presented a nice, leaded crystal award recognizing all of the areas of Dr. Nietzel's service to the university to him prior to his departure from the university. President Todd then read the following resolution to be included in the Minutes of this meeting:

WHEREAS, Michael T. Nietzel has been a member of the faculty of the University of Kentucky since 1973, serving the Department of Psychology in the College of Arts and Sciences, the Graduate School, and the entire university, and

WHEREAS, Professor Nietzel's academic expertise is internationally recognized and honored as indicated by his selection as a Fellow in both the American Psychological Society and the American Psychological Association, and

WHEREAS, Professor Nietzel has been a leader in every academic environment at UK where he has served, including as Director of the Clinical Psychology Doctoral Program for 10 years, chair of the Department of Psychology for 6 years, Dean of the Graduate School for 4 years, and Acting Provost and Provost for 4 years, and

WHEREAS, as the university's principal academic leader, Provost Nietzel has presided over the reorganization of all academic areas of the university, and he has chosen a large number of the university's current academic administrators, including nine new deans and one vice president, and

WHEREAS, Provost Nietzel has guided the establishment of a new UK college, the College of Public Health; initiated UK's first Winter Intersession; developed a four-year graduation contract for students; expanded the UK Honors Program; and cultivated private gifts leading to the establishment of the Tracy Farmer Center for the Environment and the Chellgren Center for Undergraduate Excellence, and

WHEREAS, Provost Nietzel has been chosen as the next president of Southwest Missouri State University,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees thanks Michael T. Nietzel for his exemplary service and outstanding academic contributions to the University of Kentucky and offers its sincerest wishes to him in his new appointment as president of Southwest Missouri State University.

Mr. Shoop moved approval of the resolution. Ms. Sparks seconded his motion, and it passed without dissent.

Mr. Hardymon said that Dr. Nietzel is a great guy and will do well. He called on Dr. Roy Moore to read the next resolution.

Dr. Moore said the second resolution is for Professor Michael Kennedy. Before presenting the resolution, he said he would like to express his personal thanks to Michael because he really has been a mentor to him. Being a faculty Trustee is obviously a tough job, and he has found that out over the past year. Having been on the Board for three years, Michael certainly deserves everyone's thanks. Dr. Moore pointed out that he had heard nothing but very positive comments from other Board members about their work with Michael as well. He said that Michael is more committed to the undergraduate mission of the institution and the teaching than anyone he knows. This resolution is a resolution of the University of Kentucky Board of Trustees honoring Michael Kennedy.

WHEREAS, Michael Kennedy, an associate professor in the Department of Geography in the College of Arts and Sciences, was elected as a faculty representative to the University of Kentucky Board of Trustees in July 2002, and,

WHEREAS, Professor Kennedy serves as a member of the Board's Executive Committee, Academic Affairs Committee, and Nominating Committee, and

WHEREAS, Professor Kennedy has also served the University of Kentucky in many other capacities, including as a member of the University Senate and the University Senate Council, and

WHEREAS, Professor Kennedy has been an effective and persuasive voice for the interests of the faculty on all issues that have come before this body,

NOW THEREFORE BE IT RESOLVED that the University of Kentucky Board of Trustees sincerely thanks Professor Michael Kennedy for his service on this board and for his service to students, faculty, and the university community as an able and respected faculty member and wishes for him continued success and happiness in his academic career.

Dr. Moore ended his comments by saying, "Add him to the list of distinguished faculty trustees who have served on this Board."

Ms. Sparks moved adoption of the resolution. Her motion was seconded by Ms. Haney and passed without dissent.

Professor Kennedy expressed appreciation for the resolution. He said that, speaking as a Trustee, it has been a great three years for him and a wonderful experience getting to know and work with all of members of the Board. Speaking as a faculty member, he really appreciates and now understands the dedication and effort that trustees put forth toward making the university a better place.

Professor Kennedy recognized his successor, Dr. Jeff Dembo, and asked the Board to give a warm welcome to him. Dr. Dembo received a round of applause.

Professor Kennedy said that he is approaching geriatric status; however, he does plan to be around the university for some time to come. If he can aid the Board as individuals or as a Board in any way, please be in touch with him. His office is very close, and he would look forward to seeing them.

Ms. Haney said the third resolution of the University of Kentucky Board of Trustees is honoring Rachel Lee Watts Webb. She moved the following resolution be approved:

WHEREAS, Rachel Lee Watts Webb of Shelbyville, a graduate of Shelby County High School, who has served two terms as President of the University of Kentucky Student Government Association and two terms as a voting member of the UK Board of Trustees, and

WHEREAS, Ms. Webb graduated in May 2005 from UK with a 4.0 grade point average receiving a Bachelor of Arts degree with a major in Integrated Strategic Communications from the College of Communications and Information Studies and a minor in sociology, and

WHEREAS, Ms. Webb gave a memorable and wonderfully instructive address at the University of Kentucky's 2005 Commencement as the representative of the graduating class, and

WHEREAS, Ms. Webb has been a faithful, attentive, and well-spoken representative on the UK Board of Trustees, serving as a member of the board's Student Affairs and University Relations committees, and

WHEREAS, Ms. Webb was an active member of many student organizations, including Alpha Delta Pi Sorority, UK Panhellenic Executive Council, and such other student programs as the Campus Crusade for Christ: The Rock; Emerging Leaders Institute; Phi Eta Sigma Honor Society; and the National Society for Collegiate Scholars,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its utmost gratitude and best wishes for a happy and successful life to Rachel Lee Watts Webb.

Ms. Smith Edge seconded the motion, and it carried without dissent.

Mr. Hardymon said that Rachel is an outstanding member of the Board. She is well spoken, and there will be a great place for her.

President Todd reminded the Board that there would be a bus out in front of the Main Building for those wishing to tour Smith Hall, one of UK's newest dorms. He announced that a ribbon cutting ceremony will be held August 18 at 10 a.m. for all the dorms on the south campus and asked the members to note that information on their calendars.

FF. Oath of Office

Barbara Jones, General Counsel, administered the Oath of Office to the following member to be effective July 1, 2005:

Jeffrey B. Dembo, elected by the faculty to replace Michael Kennedy, for a term ending June 30, 2008.

GG. Meeting adjourned

With no further business to come before the Board, Mr. Hardymon adjourned the meeting at 2:50 p.m.

Respectfully submitted,

Elaine Wilson  
Secretary, Board of Trustees

(PR 2, 3, 4, 5, 6, 7, and 8; SCGR 1; AACR 1, 2, 3, 4, 5, and 6; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21; and SACR 1 which follow are official parts of the Minutes of the meeting. The presentations for the Top 20 Business Plan and 2005-06 Operating and Capital Budget are available at the end of the Minutes.)