

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, May 10, 2005.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, May 10, 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 1:00 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, Steve 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, Rachel Watts, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, Elaine Wilson, and Barbara Young. The university administration was represented by President Lee T. Todd, Jr., Provost Michael Nietzel, 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 1:03 p.m.

C. Consent Items

Mr. Hardymon said the Minutes, PR 2, and FCR 1 through 20, which were covered in the Finance Committee, were consent items on the agenda. He asked if there were any questions or comments about the consent items. Ms. Smith Edge moved approval. Her motion, seconded by Mr. Reed, carried without dissent. The consent items follow:

- Minutes – March 29, 2005
- PR 2 Personnel Actions
- FCR 1 William A. Bauman Gift and Pledge
- FCR 2 Ithaca Materials Research Laboratory Gift-in-Kind
- FCR 3 Anonymous Gift to the Adair County Scholarship Fund
- FCR 4 Gifts and Pledges to the E. Preston Hicks Chair for Orthodontics and Oral Health Research
- FCR 5 Anonymous Gift to the Pediatric Exercise Physiology Laboratory
- FCR 6 Liz Claiborne Foundation Gift and Pledge

- FCR 7 Paul Miller Ford Foundation Gift
 - FCR 8 Marie A. and William H. Cull Pledge
 - FCR 9 Kentucky Medical Services Foundation Gift
 - FCR 10 Gifts and Pledges to the William Baxter Jennings Fellowship
 - FCR 11 Gifts to UK Center for Research on Violence Against Women
 - FCR 12 Gifts and Pledges to the Endowment for Support of Neuro-Urologic Research
 - FCR 13 Casner Family Fund Gift
 - FCR 14 KPMG LLP Gift and Pledge
 - FCR 15 Jacqueline K. Resinger Gift and Pledge
 - FCR 16 James L. and Suzanne H. Elliott Gift and Pledge
 - FCR 17 Dr. Michael Karpf Gift and Pledge
 - FCR 18 Michael C. Carozza Gift and Pledge
 - FCR 19 Commonwealth of Kentucky Allocation
 - FCR 20 Report of Leases
- (See these items at the end of the Minutes.)

D. President's Report

Due to the length of the agenda, President Todd said that he would not review as many items as he typically does in PR 1. He called attention to the following items in his report:

Many Board members and other dignitaries attended the ribbon-cutting ceremony for the new Biomedical/Biological Sciences Research Building, which is the largest research building the university has built on campus.

The state of Kentucky moved up from 33rd to 30th in rankings for federal research obligations. For top research universities, UK moved up from 60th to 57th. Among the public universities, UK moved up from 31st to 28th.

Research awards at the end of March were up 14 percent for UK. It is anticipated that the last two months of this fiscal year will be an upside on research.

UK has created the nation's first Fine Arts Cooperative Extension Program, which has brought uniqueness to UK's program.. It is based in Pikeville, Kentucky.

The Gatton College of Business and Economics has launched a bold and innovative Master of Business Administration (MBA) program. The program will now be an eleven-month MBA program. It has been an 18-month program in the past. He encouraged people to partake of that degree opportunity.

Ryan Quarles is UK's 12th Truman Scholar. He is a Kentucky student with a strong UK heritage in his family.

The third annual President's Awards for Diversity were presented in April.

UK's Men's Golf Team won the university's first Southeastern Conference championship. The UK Women's Tennis Team also won the Southeastern Conference championship for the first time in UK's history. These are two commendable accomplishments, along with Coach Tubby Smith winning the SEC regular season championship. He praised Mitch Barnhart for his focus on all sports at the institution.

Professor Michael Kennedy and the Geography Department are preparing a new, state-of-the-art teaching and research facility. This is being supported by the budgets of the Dean of Arts and Sciences and Wendy Baldwin budget. Professor Kennedy announced that there would be a tour of the facility following the June 14 Board meeting. He extended an invitation to the Board.

President Todd reported that the NCAA certification visit had been completed, and, according to the visiting team, it was one of the cleanest visits the representatives have ever attended. He praised Dr. Connie Ray and her committee for their efforts. He noted that Barbara Young, as well as some others in the room, were on the committee. They did a Herculean effort over a 12-month period, looking in detail at the accomplishments of and plans for the Athletics Department. President Todd expressed appreciation to Dr. Ray and her team for the work they did and applauded Mr. Barnhart for the changes that he has made.

President Todd called attention to a handout on the Dream Tour which starts May 23. He said that he had enjoyed working with the Public Relations group on this vision for getting UK's message across the state. He encouraged everyone to participate in the Dream Tour in all ways possible.

President Todd mentioned another handout regarding a progress report on the Strategic Plan. The report provides recent information on 12 of the 26 key indicators in the plan.

During this reporting period, the university achieved its goals on two key indicators: Endowment Market Value and Postdoctoral Scholars. He reported that the Endowment Market Value is above \$500 million, and the Postdoctoral Scholars achievement is a result of the Bucks for Brains investment.

Progress above the baseline is evident on four key indicators: ACT Composite, Residence Halls, Graduation Rate, and Federal Research Expenditures. The university is on target to meet those.

Progress is mixed or reversed on six indicators: Fall Enrollment, Retention Rate, Faculty Salaries, Doctoral Enrollment, Diversity, and Industry Research Expenditures. Some controls are in effect for the fall enrollment because of the budget situation. The retention rate is a challenge for all universities in Kentucky. There have been many discussions about faculty salaries during the budget and tuition discussions. Doctoral

enrollment is down; however, doctoral degrees awarded at commencement helped the university exceed its goal of 250. There are some limits on how the university progresses with respect to diversity. Industry research is on the rise but not where it should be. President Todd mentioned that these results are on the university's web site, and the report is also available.

Mr. Hardymon said that he was glad he attended commencement because it was such a good feeling. He noted that Ms. Watts reached new heights, and she received a round of applause from the Board members.

E. Waiver of Part X of the Governing Regulations Pertaining to the Employment of Relatives in the Case of Brian P. Butler (PR 3)

President Todd said that PR 3 is a part of the university's regulations dealing with nepotism. The recommendation is that the Board authorize the continued employment of Brian Butler, son of Frank Butler, Executive Vice President for Finance and Administration, for two years pursuant to the provision contained in Governing Regulation X authorizing a waiver of the rules prohibiting employment of a relative of the Provost, Vice President, or Associate Vice President in that officer's administrative area.

Brian Butler has worked for the university since 1988 and was not under Frank Butler's supervision until just recently. As a result of this action, the associate vice president for campus services will assume all such supervisory responsibilities for Brian Butler. Frank Butler will not be involved in any promotion or other employment decisions regarding his son. If it is necessary for an issue to go to a higher level, it will go straight to the president. President Todd recommended approval of PR 3.

On motion made by Alice Sparks, seconded by Mr. Williams and carried, PR 3 was approved without dissent. (See PR 3 at the end of the Minutes.)

Mr. Hardymon stated that all the deans will be making a college report. Due to the length of some presentations on the agenda, the college report was eliminated for this meeting; however, the reports will continue with future meetings.

Mr. Hardymon reminded the Board of his appointment of a special committee for the Governing Regulations. He said that he thought the administration was surprised and pleased at how well that committee had prepared themselves for the assignment. He asked Ms. Ball, chair of the special committee, to make her report.

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

Ms. Ball said that the members of the special committee were Frank Shoop, Barbara Young, Russ Williams, and Roy Moore. The committee spent an afternoon reviewing the Governing Regulations. She noted that a committee, chaired by Phyllis

Nash, was appointed almost two years ago and brought these revised regulations to the Board after they had been approved by the President.

Ms. Ball said that the members of the Board had received a notebook containing the proposed revisions to the Governing Regulations. She explained that anything taken out of the document is in red, and anything added to the document is in blue. She reported that the committee had reviewed the regulations and made some changes regarding the Community College System, which is no longer a part of the university, and the university's provost model. Those are the main changes made by the committee. She asked for any questions from the Board and then moved that the proposed revisions be given preliminary consideration for approval and be considered for adoption at the June Board meeting. Ms. Smith Edge seconded her motion, and it carried without dissent. (See SCGR 1 at the end of the Minutes.)

G. Establishment of the Institute for Educational Assessment (AACR 1)

Ms. Sparks, Chair of the Academic Affairs Committee, reported that the committee had four items to bring before the Board. AACR 1 is the establishment of the Institute for Educational Assessment. She noted that Kentucky spends approximately \$13 million on testing. The new institute will extend the university's commitment to a critical facet of P-16 education reform, student assessment. This is quite a compliment to the College of Education. This has been recommended by the chairs and dean of the College of Education. The Provost supports this recommendation as does the Academic Affairs Committee. She moved that AACR 1 be approved. Her motion, seconded by Ms. Haney, carried without dissent. (See AACR 1 at the end of the Minutes.)

H. Change of Organizational Structure of the Council on Aging (AACR 2)

Ms. Sparks said that AACR 2 is the change of organizational structure of the Council on Aging. The Board is asked to approve the transfer of administrative oversight for the Council on Aging from the Executive Vice President for Research to the Dean, College of Public Health. The Executive Vice President for Research recommends this proposal, and it is endorsed by the appropriate faculty and administrators. She moved approval of AACR 2. Mr. Reed seconded her motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

I. Establishment of the Partnership Institute for Mathematics and Science Reform (AACR 3)

Ms. Sparks said that AACR 3 recommends that the Board approve the establishment of the Partnership Institute for Mathematics and Science Reform. This is a result of the \$22 million grant that the university received. This proposal has been recommended by the deans of the College of Arts and Sciences and the College of Education. The Provost supports this recommendation as does the Academic Affairs Committee. She moved approval of AACR 3. Dr. Moore seconded her motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

J. Change in Degree (AACR 4)

Ms. Sparks said that AACR 4 recommends that the Board approve the change in the name of the Master of Science in Vocational Education to Master of Science in Career, Technical, and Leadership Education and approve the creation of a non-teaching option. This would be effective in the fall 2005 semester. This proposal has the approval of the Graduate Council, Senate Council, and University Senate. The Provost also supports this recommendation. On behalf of the Academic Affairs Committee, she moved approval of AACR 4. Professor Kennedy seconded her motion, and it carried without dissent. (See AACR 4 at the end of the Minutes.)

Mr. Hardymon changed the order of the agenda and said the Finance Committee report would be later. He called on Ms. Smith Edge for the Student Affairs Committee Report.

K. Student Affairs Committee Report

Ms. Smith Edge, Chair of the Student Affairs Committee, reported that Dr. Patricia Terrell and her staff gave an update on the Code of Student Conduct at their meeting that morning. The code had previous changes and additions, but there has never been a comprehensive review and update. The proposed revisions were posted on the web for over two weeks. There was Kernel coverage and also meetings were held with several student groups, including the Student Senate and the President's Roundtable. The comments and suggested changes have been incorporated along with University Counsel suggestions.

The proposed revised code will be submitted to the President and Provost for final review before coming to the Board. The goal is to make the code very user and student friendly and easy to navigate without legal counseling. Once the proposed draft goes to the President and Provost, the committee will get it. It is requested that the committee consider the revised code at the June Board meeting so it can be incorporated into the new information for the upcoming year.

Ms. Smith Edge reported that the Student Affairs Committee will have a special meeting on June 8. This meeting will be open to all Board members to allow full discussion of all of the proposed changes and to receive any input from them prior to the June 14 Board meeting. A draft of the proposed revisions will be mailed to the Board prior to the meeting so the Board will have the opportunity to have input.

Ms. Smith Edge reported that approximately 25 percent of the student population goes uninsured every year. They basically have no insurance. Student Health Services plays a key role, and the administration will continue to look at some insurance issues in the future.

L. Investment Committee Report

Mr. Wilcoxson, Chair of the Investment Committee, reported that the Investment Committee met in a special session on May 9 to interview perspective private equity fund managers. As a result of the meeting, the committee approved a 5 percent commitment to private equity through a fund-of-fund approach with a 2 ½ percent commitment this year and a second 2 ½ percent commitment in two years. The committee selected the Commonfund for the initial 2 ½ percent commitment, and the objectives for the investment in private equity are to increase the long-term total return of the endowment and to provide the university's endowment with further diversification.

The committee will meet again in a regular quarterly session in June and will have the performance results at that time for the period ending March 31. He noted that it had not been a very good quarter.

Mr. Wilcoxson added that private equity includes three things: U.S. venture capital, U.S. buyouts, and international venture capital and buyouts. The committee will be dealing with those three different areas with the Commonfund. He said that he or Mr. Henry Clay Owen would be pleased to answer any questions.

Mr. Owen said that the Investment Committee has reviewed asset allocation over the past 18 months and the allocation to private equity is the final step in establishing a revised target asset allocation. The revised target allocation is expected to add diversification and increase total return for the endowment in the future.

Mr. Hardymon agreed with Mr. Wilcoxson that the equities returns this quarter are not going to be great, at least for the month of April. He asked if there were any questions or comments on the Investment Committee report.

M. Athletic Association Board of Directors Report

Ms. Sparks reported that the Board of Directors received a report on the NCAA peer review team visit at their last meeting, and the Board was pleased with the good preliminary review. She mentioned that the following items had been discussed at the last meeting:

Mr. Barnhart gave a detailed report on the accomplishments of the various teams.
The CATSBY event was a great night.
The Big Blue Caravan has begun. The Triple Crown is May 23.
Dr. Raynor Mullins gave a report on the long-range plan.
Mr. Rob Mullens gave a detailed report on the budget.

Ms. Sparks said that she was very pleased to report that the internal audit review of basketball ticket accountability was a very clean audit. It showed that approximately \$7.5 million worth of basketball ticket sales was done appropriately, and she is eternally

grateful for that report. She asked Mr. Barnhart to provide some statistics about the good things happening in athletics.

Mr. Barnhart noted the following accomplishments:

There were four team championships this year: men's soccer, men's basketball, men's golf and women's tennis.

There were four coach of the year awards: Tubby Smith, Mark Guilbeau, Brian Craig, and Mike Lyden.

Jesse Witten, men's tennis, was named men's player of the year and became the first five-time All American at the University of Kentucky. He also became one of only ten players in the history of college tennis to ever become a four-time All American.

John Holmes, men's golf, was named player of the year in the conference and academic All American. This is the first time this has happened.

Abika Kalsarieva, was named women's player of the year.

Mark Blakefield, men's golf, was named All SEC second team performer.

It is the first time in the history of the Southeastern Conference that the player of the year awards have both been from the same institution. Both players of the year in men's and women's tennis were from Kentucky.

Jeff Chakouian, track and field, is the number one shot putter. He has the longest throw in the country this year.

Mr. Barnhart announced that the CATSBY awards would be televised on May 14 and 15 on WKYT and UPN. He said it would be a one-hour condensed version and encouraged everyone to check it out. This is the first time the event has been on television.

Mr. Wilcoxson said that Coach Tubby Smith was the Board's Coach of the Year, and Coach Smith received a round of applause.

N. Business Partnership Foundation Report

Ms. Wilson reported that the Business Partnership Foundation Board meets twice a year. It met last fall in November and in April this spring. The Gatton College of Business and Economics has formed many partnerships with people in the community. They also work with other people within the university.

She commented on the following items that were discussed at the November and April meetings:

Associate Dean Mike Tearney was recognized because he had planned to retire in December.

Tom Lester talked about the interaction between the College of Business and the College of Engineering.

Dean Harvey introduced the Natural Bridge State Park Team that gave a brief

presentation on their new and innovative work.

The Board talked about the new strategic initiatives concerning the MBA Program and the Slone Center. The importance of the Slone Center to the college and to the state was also discussed.

Kentucky is the fifth largest producer of aluminum in the world, and UK has a working relationship with this center.

Ken Robertson, Chairman of the Foundation Board, presented some possible changes about how often the Board should meet and whether to have committees or not. It was determined that the Board would continue to have two meetings a year, once in the fall and once in the spring.

The Board added a couple of committees: a Development Committee, chaired by Tim Haymaker of the Haymaker Company, and an Image Committee, chaired by Rodney McMullen of the Kroger Company.

There was a presentation by two students concerning their entrepreneurial business called Vision Resumes, a career management network. They expect to be making \$6 million in about six years.

Two new proposals were presented for the School of Management: a certificate in mortgage banking presented on the Internet and a qualitative financial analysis minor in the Gatton College.

Associate Dean Paul Jarley announced a new internship program called Execute, where some corporate executives will be working with some of the students on some projects that were important for the company.

Humana made a presentation about consumerism.

Ms. Wilson concluded her report by stating that the Board of Trustees can be proud of the partnerships that the college has formed with people in the community and with other colleges at the university.

President Todd commented about Vision Resume. He said the business is headed by John Williams, who was past president of the E Club. It is a company they founded, and the present president of the E Club is co-founder. Humana has invited these two young men to give a presentation on Vision Resume for possible use at Humana.

O. University Hospital Board

Ms. Young, Chair of the University Hospital Board, reported that the Board reviewed the conservative budget for the hospital for 2006. She said there is a lot happening in the hospital, and she is comfortable with the work that Dr. Karpf and his staff are doing to meet the goals. Things are going extremely well at the hospital. The numbers continue to go up and will support the construction projects that are scheduled to begin. A resolution was passed to establish the University Hospital Committee which will be a standing committee of the Board of Trustees.

Mr. Hardymon mentioned that there had been a reference about budgets in a couple of the reports. He said that the budget will be on the June agenda. The hospital and athletics budgets will be parts of that material.

P. Audit Subcommittee Report

Ms. Wickliffe, Chair of the Audit Subcommittee, reported that they met that morning. Deloitte and Touche, who are the university's CPAs, and Jim Carpenter, the partner assigned to the job, were there to discuss the audit with the subcommittee. The audit scope was discussed, and the engagement letter was reviewed and voted on. They also discussed the staffing requirements, changes in the accounting rules, and recent pronouncements that have been made. The non-audit services performed by D & NT for the university were reviewed, and there was discussion and recommendations for the areas of focus.

Ms. Wickliffe reported that the subcommittee met with Joseph Reed, who is the senior director of internal audit for the university's Internal Audit Department. She thanked Mr. Reed and his staff for their tremendous job.

The subcommittee also reviewed and approved the internal audit charter, the report on the progress of the internal audit plan for fiscal year 2004-05, and the internal audit plan for fiscal year 2005-06.

Q. Finance Committee Report

Ms. Wickliffe, Chair of the Finance Committee, reported that FCRs 1 through 20 were on the consent agenda. She did, however, call attention to FCR 17, the Dr. Michael Karpf Gift and Pledge, and thanked Dr. Karpf for his generosity.

R. Approval of Lease (FCR 21)

Ms. Wickliffe said that FCR 21 is the approval of leases. It includes leases with the Center on Aging, Drug and Alcohol/Dentistry, and the College of Medicine, CATS Project. The leases exceed \$30,000; therefore, they need to be approved by the Board. On behalf of the Finance Committee, she moved the adoption of FCR 21. Mr. Branscum seconded her motion, and it passed without dissent. (See FCR 21 at the end of the Minutes.)

S. Real Estate Exchange (FCR 22)

Ms. Wickliffe said that FCR 22 is a real estate exchange. This is an exchange of .8 acres of land that involves the UK Center for Rural Health building in Hazard. On behalf of the Finance Committee, she moved the adoption of FCR 22.

Mr. Hardymon asked Mr. Butler for any comments on the exchange of land.

Mr. Butler reported that the property is adjacent to the Center for Rural Health in Hazard, and the university has a request from Appalachian Regional Healthcare (ARH) to exchange the property. ARH intends to build a radiation treatment facility on this

property and has offered to exchange 0.8 acres, consisting of a parking lot. It is an appropriate accommodation for ARH, and it is not property on which the university would have built an addition to the Center for Rural Health. The exchange is appropriate for both parties.

Mr. Shoop seconded Ms. Wickliffe's motion to approve FCR 22. The motion carried without dissent. Ms. May asked that the minutes reflect that she abstained on the subject. (See FCR 22 at the end of the Minutes.)

T. Approval of Construction of a New University Health Service Facility and Its Plan of Finance (FCR 23)

Ms. Wickliffe said that FCR 23 recommends the Board approve the construction of a new 65,000 square foot, three-story University Health Service facility and its plan of finance. The University Health Service has less space per student than any of UK's 19 benchmark universities, a fact which threatens patients' privacy. The \$24 million facility will be paid for through increases in the student health fee over the next two years. The student health fee will increase from \$97 to \$130 each semester in 2005-2006 and \$160 each semester in 2006-07. On behalf of the Finance Committee, Ms. Wickliffe moved approval of FCR 23.

Mr. Hardymon asked Dr. Greg Moore, Director of University Health Service (UHS), to make a presentation.

Dr. Moore gave a PowerPoint presentation illustrating the pressing student health needs. One is the lack of patient privacy due to very cramped quarters. Another is a threat to continued accreditation. The University of Kentucky is the only accredited student health service in the Commonwealth. The only issue that the university has not addressed from the last accreditation review is size of facility. The University Health Service is to be reaccredited this fall.

Dr. Moore reported that many areas of the current facility are not handicap accessible. Most bathrooms cannot accommodate a wheelchair. Stretchers cannot go around many of the corners, which poses an ever increasing problem in patient care. The exam rooms are very limited. There is only one exam room per clinician as opposed to the two or three which are normally found in primary care facilities. This quickly overloads the physical capacity, resulting in fewer appointments available. Furthermore, there is not sufficient meeting space for group health education, Student Health Advisory Committee meetings, and group therapy.

In November, the accrediting association commented about the inadequate space in almost every area within UHS. Last fall the pharmacy practice review committee found that the Student Health Pharmacy facilities do not provide adequate space for education and compromise patient privacy.

There was a conditional accreditation largely based on the lack of space within the facility. If students are talking about fairly sensitive things, sometimes their classmates sitting on the other side of the partition can hear the conversation. This is absolutely unacceptable and is one of the major concerns in providing adequate space.

The students have been incredibly supportive year after year about this project. The *Kernel* wrote an article in 2002 about the UHS and recently wrote a series of articles about its involvement in UK's reaching Top 20 status. The Student Health Advisory Committee has worked very closely with the administration for the last 18 months in speaking with the consulting architects about the plan, making visits to other benchmark health facilities, and staying very involved. The committee recommended that students be charged up to \$60 per semester in addition to the current health fee to finance the bonds that will be required to provide this service. Student health visits increase every year and will continue to increase as the student body grows.

The consulting architects looked at the facility and determined the appropriate size of facility necessary for the number of patients now served. They proposed that the building exceed 60,000 square feet.

The university not only cares for the students at UK and Lexington Community College (LCC) but also for employees of the university using workers compensation, the hospital employees that need infectious disease care, and vaccinations. About 70 percent of UHS visits are students, and about 30 percent are UK employees.

The university will pay for the facility with the increase in the student health fee in addition to the current budget for debt service from UK students. LCC students will no longer be required to pay any mandatory fees in 2006-07. It is estimated that about 20 percent of the LCC students will continue to pay the student health fee so they can use UK's facility on a health fee basis. They will always be welcome to use the facility.

The consulting architects looked around campus and talked about moving the facility more toward the center of campus. The solution that they recommended, however, is to keep the facility close to the Medical Center. They proposed that it be extended out from the current Kentucky Clinic building towards Limestone with connection to the Sanders-Brown building and the Wethington building. The major advantage of doing this is to continue to rely on existing excellent laboratory and radiology support from the hospital. If the facility is located somewhere else on campus, it would have required an additional 20,000 to 30,000 square feet of space and another \$1 million of expenditure.

The current plan is to have three floors. Two of them absolutely must be finished. The third floor, depending on the budget, will allow expansion to other areas the university has long needed, such as chiropractic care and worker's compensation. Expansion into some other areas frequently associated with health services such as massage therapy, acupuncture, and alternative care will possibly be considered, also depending on the budget.

Dr. Moore concluded his report by stating that the university will begin contracting with an architectural firm immediately, pending Board approval at this meeting.

Ms. Smith Edge seconded the motion previously made by Ms. Wickliffe, and the motion carried without dissent. (See FCR 23 at the end of the Minutes.)

U. Emergency Services Expansion (FCR 24)

Ms. Wickliffe said that FCR 24 is a recommendation for emergency services expansion. This is a \$6.1 million emergency services expansion project which involves renovating at least 18,400 square feet in the Critical Care Center at the hospital. The project is part of the overall plan related to the new patient care facility. The project will be paid for by using hospital funds. On behalf of the Finance Committee, she moved for the adoption of FCR 24, and Ms. Tobin seconded her motion.

Mr. Hardymon asked Mr. Butler and Dr. Karpf for any comments on this project.

Mr. Butler said that the emergency room is basically over capacity by about 80 percent. It is one of the major bottlenecks in getting patients in and out. This expansion bridges the areas until the creation of new space in the patient care facility is available. This is part of the overall plan that came out of the Strategic Plan and facility plan that Dr. Karpf started when he arrived at the university.

Mr. Hardymon said that there was a motion by the chair of the committee and a second by Ms. Tobin. He asked for any comments or questions and then called for a vote. The motion carried without dissent. (See FCR 24 at the end of the Minutes.)

V. Resolution Approving the Initiation of the Construction of the Basketball Practice Facility Project, Its Plan of Finance, and Execution of a Financing Agreement (FCR 25)

Ms. Wickliffe said that FCR 25 is a resolution approving the initiation of the construction of the basketball practice facility project, its plan of finance, and the execution of the financing agreement. The Finance Committee had a good presentation by the Athletics Department. She asked Mr. Rob Mullens to make the presentation to the Board.

Mr. Mullens reported that the planning and approval process on this important facility had been taking place for approximately two and a half years. As part of the vision to maintain basketball as the premier basketball program in the United States, this is a critical element to maintain that tradition.

Through a series of slides, Mr. Mullens reviewed the proposed facility, which is at the end of the design stage. He commented on each floor plan, noting the occupancy and

purpose of each space, and talked about the funding plan, reminding the Board that the facility is 100 percent funded from Athletics sources.

Mr. Mullens said that Athletics is very proud of the fact that the majority of the work on the project has been done by Kentucky-based companies. The lead architect is a firm in Lexington, and the construction manager is also a firm in Lexington. Athletics has also worked closely with CPMD and many other staff on campus.

Mr. Mullens concluded his presentation by explaining the funding model. He pointed out that every gift received from now to the end of the project lowers the draw on the athletics quasi-endowment and increases the direct commitment to the project. He said that he would be pleased to answer any questions.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 25.

Professor Kennedy made the following statement to the Board:

“I’d like to share my reasons for voting against construction of this facility. But first, let me say I recognize the contributions athletics makes to UK. I’ve read Dr. Todd’s white paper on the subject. I am aware of the benefits to UK, both financial and in terms of public exposure, that athletic brings to us.

As members of the Board know, I have, for the past two years advocated that donors to athletic programs be asked, only asked, if they would like to make an additional donation to benefit the academic program of the university, and perhaps vice-versa.

As far as I know, there’s been no action on, nor discussion of, this idea. This is not a radical action, such as bringing the entire athletic enterprise under the main administration, as Vanderbilt University did not too long ago. I don’t think it is even a significant change, such as automatically allocating a small percentage of athletic contributions to the academic program. All I’m asking is that the policy become one of asking athletic donors to contribute additionally to the educational program. The people who may be counted upon to contribute 27.5 million dollars to the construction of the practice facility do have additional money to give. Presently some 30 percent of them do give to the academic program. I think we should strive to make that number 100 percent. If the practice facility donors chipped in an additional nickel for each dollar they gave, then \$1.3 million would accrue. That would let us create many more smart class rooms, would let us reintroduce the part of the oral communication program that we deleted because of lack of funding, and so on.

My understanding is that currently donors being solicited for funds for athletics are off limits for academic fund raisers, and visa-versa. I think that my request for a modest de-silo-fication is reasonable, and I would like to see it seriously

discussed. At my final Board Meeting next month I would be delighted to see things change and to publicly recant my “no” vote today. Thank you.

Mr. Patton said that he would also like to explain why he will vote against FR 25. When this was proposed by the Athletics Director and was explained to the Board earlier, he voted for it. As he recalled, the Board was unanimous in support of the project. It was described as a project that would be paid 100 percent by donors. His opposition is not to having an athletic practice facility, because he still supports that idea. But, the use of agency bonds was not even a request by the university in its legislative package. His opposition is simply to the use of bonds to partially fund the project, which is different than how it was initially proposed.

Dr. Moore said that the Senate Council voted at its last meeting, with one dissenting vote, to ask the faculty trustees to vote against the proposal, and that is why he will vote against FCR 25.

Ms. Sparks seconded Ms. Wickliffe’s motion, and it passed. Professor Kennedy, Dr. Moore, Mr. Patton, and Mr. Williams voted against FCR 25. Ms. Watts had to leave the meeting for a final exam prior to the presentation of FCR 25; therefore, she was not present when the vote was taken. (See FCR 25 at the end of the Minutes.)

Ms. Wickliffe pointed out that the Board had approved two facilities at this meeting: one that takes care of student health needs and one for athletes.

W. Acceptance of Interim Financial Report for the University of Kentucky for the Nine Months Ended March 31, 2005 (FCR 26)

Ms. Wickliffe said that FCR 26 is the acceptance of the interim financial report for the University of Kentucky for the nine months that ended March 31. Revenue, including appropriated fund balances, amounted to \$1.2 billion, or 82 percent of the fiscal year estimates. Expenditures through March 31 amounted to \$1.1 billion or 72 percent of the total budgeted amount of \$1.5 billion. Subject to budget revisions in FCR 27, the financial operations are consistent with expectations and in accordance with the approved budget. Estimated revenues are expected to be fully realized. The financial statements report a strong financial condition and excellent cash flows to support current operations. On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 26. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 26 at the end of the Minutes.)

X. 2004-05 Budget Revisions (FCR 27)

Ms. Wickliffe said that FCR 27 is the 2004-05 budget revisions. These revisions reflect a \$4 million reduction in the university’s budget. The two specific revisions are a part of House Bill 267. State appropriations decreased by \$7.48 million on a non-recurring basis. This reduction was expected, and sufficient funds have been set aside to accommodate the reduction. The university also plans to loan working capital to two

auxiliary enterprises for capital projects: \$1.5 million will be loaned to parking and transportation to partially fund the construction of the two new parking facilities and \$399,000 to student affairs to renovate the dining rooms in Blazer Hall. On behalf of the Finance Committee, she moved the adoption of FCR 27. Mr. Shoop seconded her motion, and it carried without dissent. (See FCR 27 at the end of the Minutes.)

Y. Report on the 2006-2012 Capital Plan (FCR 28)

Ms. Wickliffe said that FCR 28 is a report on the 2006-2012 Capital Plan. The university is required to submit to the Council on Postsecondary Education a six-year capital plan by April 15 of each odd numbered year. This plan must include all capital projects which cost \$400,000 or more, equipment estimated to cost \$100,000 or more, and leases that are valued at \$200,000 or more. The 709 projects listed in FCR 28 are included in the plan. The Board of Trustees will be asked to approve the 2006-2008 Capital Request at the June 14 meeting. On behalf of the Finance Committee, she moved approval of FCR 28. Ms. Haney seconded the motion.

Mr. Hardymon asked Ms. Angie Martin to comment on the process here and explain why the Board is receiving this request to accept the report on the Capital Plan.

Ms. Martin explained that the General Assembly requires that the university submit a capital plan listing its priorities. This plan has all projects that may be anticipated, and that is why the projects listed are so numerous. If the projects are not authorized by the General Assembly, then the university generally cannot initiate construction.

Mr. Hardymon said that the plan does allow the university to set priorities, and the higher priorities are very important. He called for a vote, and the motion passed without dissent. (See FCR 28 at the end of the Minutes.)

Z. Report on 2004-2006 Capital Projects Authorized by the 2005 Kentucky General Assembly (FCR 29)

Ms. Wickliffe said that FCR 29 is the report on the 2004-2006 capital projects authorized by the 2005 Kentucky General Assembly. A part of the university's Administrative Regulations requires that the President provide a report on capital construction projects authorized by the General Assembly. The report is presented on pages one through seven attached to FCR 29. The General Assembly authorized 218 projects with a total scope of \$1.48 billion. The state will fund two projects with state bonds, including the Biological Pharmaceutical Complex Phase One and the Livestock Disease Diagnostic Center. The projects are listed in the same order as presented in House Bill 267. This does not mean that they are listed in priority as the previous FCR. On behalf of the Finance Committee, she recommended the adoption of FCR 29. Mr. Branscum seconded her motion, and it carried without dissent. (See FCR 29 at the end of the Minutes.)

AA. Patent Assignment Report (FCR 30)

Ms. Wickliffe said that FCR 30 is the patent assignment report. Dr. Baldwin gave the Finance Committee a detailed report on the patent assignments for the period February 1 through March 31, 2005. The report includes six patent applications, and as of March 31, four patents have been approved. She noted that patent income through March 31 is \$747,502. On behalf of the Finance Committee, she moved the adoption of FCR 30. Ms. Haney seconded her motion, and it carried without dissent. (See FCR 30 at the end of the Minutes.)

BB. Capital Construction Report (FCR 31)

Ms. Wickliffe said that FCR 31 is capital construction reports. Mr. Bob Wiseman thoroughly reviewed the report with the Finance Committee. There were five new contracts. She asked Mr. Wiseman to comment on the new contracts.

Mr. Wiseman reported that one of the new contracts was for the design of the patient bed tower for \$500,000. He noted that is the preliminary programming only. The ultimate design of the patient bed tower could be from \$28 to \$30 plus million.

The second new contract was for the Memorial Coliseum expansion. The contract was to retain the services of a construction manager to assist in the process.

The third new contract was for the renovation of football practice fields. The construction contract to support the practice field renovation is awarded in this project.

The fourth new contract was for the renovation of the Commonwealth Stadium locker room, which involved the consolidation of the offensive and defensive locker rooms.

The fifth new contract was for the fit-up of the fourth floor of the BBSRB. This is for a design contract for the shell space on the top floor.

Mr. Hardymon pointed out that these are capital projects and not maintenance. These are longer term situations that the Board will see on the report for a while. The committee and the administration continue to work hard to watch the change notices and other things that can change the final dollars. The report includes the dormitories as well as a lot of other projects that are going on. He called for a second to the motion. Ms. Sparks seconded Ms. Wickliffe's motion, and it carried without dissent. (See FCR 31 at the end of the Minutes.)

CC: Establishment of University Hospital Standing Committee (FCR 32)

Ms. Wickliffe said that FCR 32 is the establishment of the University Hospital standing committee. This FCR abolishes the University Hospital affiliated corporation and establishes a new hospital committee as a standing committee of the Board of

Trustees. This corporation was created in 1986 to establish a governing body for the University Hospital. It was established as a 501(c)(3) corporation. The corporation never acquired any assets. It never conducted any operations, nor did it pursue becoming a 501(c)(3) corporation. The Board has functioned as a de facto committee of the Board of Trustees governing the University Hospital. On behalf of the Finance Committee she moved the adoption of FCR 32.

Ms. Young added that the Hospital Board had a preliminary adoption of this resolution at its meeting on May 9.

Ms. Wickliffe noted that the signed resolution from that Hospital Board was distributed to the Finance Committee members and others who attended the committee meeting. It was also given to the members of the Board prior to the meeting.

Ms. Young seconded the motion, and it carried without dissent. (See FCR 32 at the end of the Minutes.)

DD. Other Business

Statement on Undergraduate Education by Professor Michael Kennedy:

I will be leaving the Board at the end of June. I would also like to leave you with my paramount thought. I believe that major challenge facing this institution is undergraduate education. I do want to compliment the President and the Provost on considerable strides in UK's research, fund raising, service, graduate education, augmenting the medical center, and so on. These aspects of the University are doing well. Also several initiatives – winter term, scholarship enhancement, and others – have contributed to the undergraduate experience.

However not everything is going well in undergraduate education. This spring I sent a survey to those who teach at UK. Some 300 members of faculty responded. What the data show is that almost half of the responding faculty who teach lower division courses believe that the students are getting less than they did four years ago. And almost half also say that they are working harder to provide that instruction. Further, in comments, some state that the increased pressure from much larger classes is affecting their morale and taking time away from their research.

I've communicated with each of you, letting you know the difficulties encountered by those who teach undergraduates at UK. Among the solutions I see are to:

- (1) raise the standards and admit fewer, better students, thereby allowing the teaching faculty to do their job without the strain that currently exists,
or

(2) take the money that comes in from the increased tuition that we currently enjoy and use it to employ more faculty, thereby, again, allowing the teaching faculty to do their job without the strain that currently exists, and

(3) recognize undergraduate teaching, as well as research, in meaningful ways, such as promotion. It is not a coincidence that five of the six 2005 Alumni Association Great Teacher awardees, and the Provost awardees are associate, and not full, professors. To quote one of them: "The only way to promotion is research. Though much is made of excellence in undergraduate education, the tangible benefits of those actively pursuing it, often at the sacrifice of research, are few or none.

I have here, in computer readable form, Wildcat blue, the numerical data of the responses that the 300-plus faculty produced. I am happy to make it available to the administration or the Board of Trustees members who want to see it.

Thank you for indulging me.

Mr. Hardymon asked for any comments.

President Todd said that he felt compelled to say something. He appreciates the interest in undergraduate education because it is the fundamental thing. During the four-year period Professor Kennedy refers to, the university has had a significant reduction in staff and an increase in faculty. Provost Nietzel has been trying to use funds to go to the high-intensity areas. If the administration felt that the budget situation the last two years was a long-term, continuing thing, then there might be some cause to give in reducing the enrollment and so forth. The administration is under a dual pressure to educate more Kentuckians and graduate more Kentuckians. The faculty and staff, in his opinion, has held up extremely well during this tough financial period to get the university through. The administration is now going to be able to see some budget increases and recommitment by the state to funding higher education.

During the four-year period of time, President Todd said that he wondered whether the survey mentioned:

- the review of the undergraduate studies program that is being undertaken now along with the Senate,
- the \$75,000 the administration has given to the Senate Council to study how to do more with less, which is a common problem across the United States in higher education,
- the Center for Undergraduate Excellence recently received a \$1.5 million gift as a result of Provost Nietzel's action which was matched by the Bucks for Brains program to give a way to coagulate the outstanding things happening in undergraduate education, and
- the fact that the Honor's Program is being expanded.

President Todd said that in a tough time of financial duress, the administration has worked its way through it quite well. Undergraduate education must always be watched closely. He said that he appreciated Professor Kennedy bringing this to everyone's attention, but he thinks that given the times that the university faces the administration has done an awfully good job.

Ms. Sparks said that she would like to make a comment for the record. She reminded everyone that the Athletic Department transfers \$1 million of their budget every year to the general fund for scholarships, and it is very much appreciated.

President Todd added that with the media package that was signed recently, the Athletics Department has committed to supporting 50 percent of five additional Singletary Scholars, which is the biggest cost item. Also, of the \$740 million that has been raised in the billion-dollar campaign, less than 6 percent of that goes to the Athletics Department. As Professor Kennedy mentioned, 30 percent of Athletics' donors do give to academics. It has been quite a while since that figure was calculated, and it needs to be looked at again.

Recognition of Edward T. Breathitt's Family

President Todd commented that members of the Breathitt family had entered the Board Room. He said he was pleased to have Governor Breathitt's daughters, Linda Breathitt and Susan Brickman, and grandson, Blake Brickman, on campus. Lucy Breathitt, wife of Governor Breathitt, would be joining everyone at Memorial Hall. He invited everybody to attend the naming of Memorial Hall's Recital Hall in honor of Governor Edward T. Breathitt who, served as the chairman of the Board twice. He thanked the members of the family for coming to the ceremony and said he looked forward to seeing them at Memorial Hall.

Mr. Hardymon said that he thought about Governor Breathitt every time he sat in the chair's seat. He said he would say more things about Governor Breathitt at the ceremony.

Mitch Barnhart in Somerset, Kentucky

Ms. Wilson said that the community of Somerset was honored to have Mitch Barnhart visit Somerset High School on May 9 to help with presentations to the inductees of the Society of Character Hall of Fame. Everyone appreciated him taking the time to be with the students. It is very important that the university extend beyond the walls of Lexington.

EE. Meeting Adjourned

Mr. Hardymon said that this was a good meeting. The Board covered some long range items with regulations and capital projects. The Board learned that the financials

continue to be in good shape. It also learned of areas for improvement. With no further business to come before the Board, Mr. Hardyman adjourned the meeting at 2:30 p.m.

Respectfully submitted,

Elaine Wilson
Secretary, Board of Trustees

(PRs 2 and 3; SCGR 1; AACRs 1, 2, 3, and 4; and FCRs 1, 2, 3, 4, 5, 6, 7, 8, 9,10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, and 32, which follow, are official parts of the Minutes of the meeting.)