

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,  
Tuesday, October 25, 2005.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, October 25, 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 1:00 p.m. and asked Ms. Barbara Jones, Assistant Secretary and General Counsel, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira Ball, Stephen Branscum, Penny Brown, Dermontti Dawson, Jeff Dembo, Rebecca A. Ellingsworth, Ann Haney, James Hardymon (Chair), Billy Joe Miles, Roy Moore, Phillip Patton, Frank Shoop, Myra Leigh Tobin, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, and Barbara Young. Absent from the meeting were: Marianne Smith Edge, Pamela May, and Steven Reed. 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 1:01 p.m. and called upon President Todd for his report.

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

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

UK Reaches 81 Percent of Fundraising Goal

President Todd said that he is pleased with the university's fundraising efforts. The university has received \$811 million of the \$1 billion dollar campaign. Mike Richey has done a tremendous job with building on the platform that Terry Mobley built for the university over the years.

President Todd said that he is also pleased to point out that the university has received an additional 2,000 gifts over the previous year's gifts. The university has to broaden the base of contributors to the institution. The endowment, which the Investment Committee oversees, is up to \$538 million. This has more than doubled since 1979.

UK Enrollment Figures Announced

President Todd reported that the university has once again improved the quality of the freshman class in a significant way; however, there have been articles in the

newspapers recently about the university's failure to enroll an adequate number of African-American students. After two years of record increases in the freshman class, African-American freshman enrollment dropped 40 percent this year. President Todd talked about the concern and some of the past and present actions that are being taken to address the issue.

A diversity enrollment team has been created. Eight new positions, which will be led by an enrollment coordinator, will be added to the recruitment and admissions offices to conduct a more holistic approach to student diversity efforts. There was a Michigan study that pointed out that universities need to look at admissions more holistically. That study influenced the university's decision on its distribution of scholarships and probably cost the university some students. As the university goes to this more holistic approach, it will have to add more people in order to read in detail all of the applications and look beyond test scores.

UK has dedicated nearly \$500,000 from some allocations to a diversity-linked scholarship program.

About \$2.8 million was dedicated to the William C. Parker Scholarship Program, and the university will continue to add to that program.

This African-American issue gives the university a great opportunity to set new records for quality and volume in the diversity area. The university has already made some headway this year with its recruiting effort.

Since President Todd has been in office, the university has put \$1.4 million into a recruiting program for African-Americans. In this program, the President provides the first year salary for any dean that hires an African-American.

There is a Diversity Task Force, which involves all deans, that has a plan to submit to the Commission on Diversity to implement and oversee. It will measure the diversity progress being made in the individual units.

Conversations with some faculty regarding the selection of a new chair for the Commission on Diversity are taking place.

The provost has put together a research committee to look at various aspects of the African-American student issue. The university accepted 350 African-American students this fall, and only 151 chose to attend. The administration needs to know why the others did not choose to attend UK. Some students were highly sought after, but some may have other reasons.

The research committee will need to interview the African-American students who will graduate this year, especially those who came in with low ACT scores, to try to find out what would have indicated their success.

The admission application has already been changed to add some questions about diversity as well as other leadership activities the students could put on their applications. The application process needs some other indicators of success that need to be monitored in order to achieve fairness when accepting students into the programs.

The African-American retention rate at UK is the highest in the state. The administration takes great pride in nurturing those students as well as other students to get them through the process.

The university is making headway with retention; however, the Board's thoughts and assistance are always welcomed. More people need to get involved in the recruiting process, especially in recommending students.

The university has had a program in place for approximately ten years called "Come See for Yourself." Groups of African-American students are invited to campus to come and see what they think about today's University of Kentucky. The university received some positive comments in a recent newspaper article about some students who attended this program.

Three years ago a summer program was developed to invite applications from undergraduate African-American students to work in the laboratories and the offices with the university's "Bucks for Brains" faculty members. There have been over 100 students go through the program, working with over 90 of the top faculty members at the university. It is a very strong program. Each student is given \$3,500, and the professor receives \$1,000 for supplies, etc. Many of the students continue working with the professors beyond their summer experience.

President Todd said that this current issue provides the opportunity to look forward and try to greatly improve the university's efforts in the African-American student area, and he has every confidence that this will be done.

#### UK Receives \$6 Million from NIH to Pursue Parkinson's Research

The University of Kentucky Morris K. Udall Parkinson's Disease Research Center of Excellence has been awarded nearly \$6 million from the National Institutes of Health (NIH) and the National Institute of Neurological Disorders and Stroke to continue work on the promising drug glial cell line-derived neurotrophic factor and similar compounds. This NIH grant shows great confidence in the research program, and the administration is proud of this research.

The CBS news show *60 Minutes* provided coverage of the Parkinson's Disease work that has been done at the UK. There has been quite a discussion because Amgen, Inc. suddenly withdrew the drug from testing amid allegations of safety and efficacy concerns, to the dismay of many involved in the trial of the drug.

Women's Health Program Receives \$10.4 million from NIH

UK's Women's Health program received its second \$10 million grant from the National Institutes of Health. This is a Center of Biomedical Research Excellence (COBRE) grant. Tom Curry, professor and vice chair of the Department of Obstetrics and Gynecology, will be overseeing ten junior faculty members who will be working on projects that focus on the role of female hormones in various diseases.

President Todd said that he was surprised to learn, when UK started the Women's Health Center a few years ago, that all the statistics you heard about for diseases generally were male dominated. He stated that there are health differences between men and women. This grant reflects \$20 million-plus of funding in UK for research in this important area to study some of these problems. This group of faculty is certainly to be applauded.

President Todd concluded his PR 1 report by mentioning a groundbreaking for a new building at the Coldstream Research Campus that afternoon. He encouraged the Board members to attend.

D. Consent Items

Mr. Hardymon said that there were a number of consent items on the agenda, and it is very important that the Board look at those items, read them, and approve them. The consent items include the Minutes of the September 20 meeting, the Personnel Actions, and FCRs 1 through 9. Mr. Hardymon asked for a motion of approval of the consent items. Mr. Shoop moved approval. Mr. Branscum seconded the motion, and it carried without dissent. The consent items follow:

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PR 2 Personnel Actions

FCR 1 Norton Healthcare Pledge

FCR 2 Gifts and Pledges to the John R. Gaines Endowed Chair in the Humanities

FCR 3 Dr. Hoonbae Jeon Pledge

FCR 4 Newman Foundation Pledge

FCR 5 Dr. Helen Thacker Hill Gift

FCR 6 Kentucky Medical Services Foundation, Inc. Gift to Replace Unfulfilled Pledges to DePuy Neuro Fellowship

FCR 7 Kentucky Medical Services Foundation, Inc. Gift to Replace Unfulfilled Pledges to DePuy Neuro/Spine Surgery Fund

FCR 8 Kentucky Medical Services Foundation, Inc. Gift to Replace Unfulfilled Pledges to Dr. Fred W. Zechman Professorship

FCR 9 Kentucky Medical Services Foundation, Inc. Gift to Replace Unfulfilled Pledges to Dr. Louis L. Boyarsky Professorship

E. Goals and Objectives for President Lee T. Todd, Jr.

Mr. Hardymon referred to President Todd's contract that was approved at the September Board meeting and the clause in the contract involving goals and strategic objectives for the president. Following input from the entire Board on the 2005-06 goals and objectives for the President, Mr. Hardymon said that he finalized them and presented them to President Todd. He reported that President Todd has assured him that he concurs with the goals and the direction that the Board has outlined for him and the university.

Mr. Hardymon noted that he has personally been on both sides of the CEO evaluation process many times in his career and said that he feels very good about the goals the Board has established. The goals address day-to-day operations, longer-range initiatives, and areas of special emphasis the Board deems important. A number of the goals are very specific and finite in nature. Others will have objective numbers assigned to them, and some are more subjective in nature, just as the President's job is often subjective in nature. With those goals, an important component of the Executive Committee's review process will be based on the President's self-evaluation and documentation of performance.

The UK staff is sharing the goals with friends in the media; therefore, everyone will be clear about the area of focus the Board has defined for President Todd this year. Mr. Hardymon pointed out that it is important to have the Strategic Plan included with the one-page goals-and-objectives document because the Strategic Plan covers such items as research dollars, retention, graduation, salaries, and things that carry as much weight as the others on the one-page list of goals and objectives.

Mr. Hardymon thanked the members of the Board for their input in the process. He said that he feels confident that the President is already working to achieve the 2005-06 goals and objectives.

F. University Staff Emerita Title Be Conferred upon Roberta T. Stinnett (PR 3)

President Todd said that he would like to acknowledge some special guests in the audience before asking Dr. Wendy Baldwin and Dr. Steve Wyatt for their reports.

He called attention to Ms. Roberta Stinnett who was in the audience and said he was delighted to have her at the meeting. She is recommended for the university staff emerita status in recognition of her long service and dedication to the university for fifty years.

On August 22, 1955, Ms. Stinnett began her long and satisfying career as an account clerk in the General Accounting Department. During her tenure at the University of Kentucky, she faithfully dedicated her full career to serving the needs of the General Accounting Department. She has seen the transformation of the University of Kentucky in a way few employees or citizens of the Commonwealth have experienced. Additionally, she has been able to bridge the movement from manual systems to electronic systems, paper to paperless, and worked with many different supervisors during her successful career. Over

the years, Ms. Stinnett has demonstrated an outstanding work ethic and excellent attitude. At no time during her employment did she give less than 100 percent to her effort. Her years of dedicated service, hard work, generosity, commitment, and kindness have made her one of the university's most well respected and cherished individuals. There is no more loyal or dedicated employee who deserves to have the title of University Staff Emerita conferred upon her by the Board of Trustees than Mrs. Stinnett. (See PR 3 at the end of the Minutes.)

President Todd asked Mrs. Stinnett to stand and be recognized, and she received a round of applause from the Board. He also recognized her husband, Bennis Stinnett, who accompanied her to the meeting, and said that he was also glad to have him at the meeting.

G. Assistant Dean for Finance and Administration Emeritus Title Be Conferred upon Clifford J. Swauger (PR 4)

President Todd said that PR 4 is the recommendation that Mr. Cliff Swauger, another longtime employee of the university, be named assistant dean for finance and administration emeritus in recognition of his long service and dedication to the University of Kentucky College of Arts and Sciences. He recognized Mr. Swauger and his wife Jan in the audience and said he was glad to have both of them at the meeting.

Mr. Swauger, a Kentucky native, received his bachelor of science in mathematics and physics from Eastern Kentucky University. He came to the University of Kentucky as a teaching fellow in the fall of 1959 to pursue a master of science degree in mathematics. After receiving his degree, he was hired by the University of Kentucky Northern Community College as an instructor on September 1, 1962. He transferred to the Lexington campus in 1966 as an administrative assistant and lecturer in the Department of Mathematics. In January of 1976 he was promoted to director of fiscal affairs and operations for the College of Arts and Sciences.

Mr. Swauger is a member of the American Mathematical Society and the Mathematical Association of America. He received the Distinguished Alumni Award for Excellence in Teaching from Eastern Kentucky University in 1974 and is a co-author of a textbook titled, *Brief Calculus with Applications*.

President Todd said that Mr. Swauger is a dedicated and exemplary employee, and he is highly deserving of this emeriti recognition. He congratulated Mr. Swauger and asked him to stand to be recognized, following which he received a round of applause. (See PR 4 at the end of the Minutes.)

H. Robert E. Harding, Jr. Endowed Professorship in the College of Law

President Todd called upon Dean Alan Vestal, College of Law, and asked him to recognize some other guests in the audience who were on campus for a celebration later in the day.

Dean Vestal reported that his college was celebrating the creation of the Robert E. Harding, Jr. endowed professorship in the College of Law. The professorship is being created with a very generous gift from the Harding family along with a Research Challenge Trust Fund match. Mr. Harding graduated from the law school in 1957. He was the second African-American graduate from the College of Law. He had a very successful law practice and career with the federal government and brought real glory to the law school during his career.

Dean Vestal said that the college is particularly pleased that his daughter Roberta Harding is a member of the law school faculty, but for the fact that she went to Harvard Law School and not the University of Kentucky. She, too, has had an exemplary career and joined the College of Law faculty in 1991.

Dean Vestal introduced Dr. Iola Harding and Professor Roberta Harding and said he wanted to give the Board this opportunity to thank them for their generous gift. The Harding family received a round of applause.

President Todd thanked them for their generous gift.

I. Appointment/Reappointment of Board of Directors, University of Kentucky Mining Engineering Foundation, Inc. (PR 5)

President Todd said that he would like to seek the Board's approval for the appointment and reappointment of the individuals listed in the PR 5 document to the Mining Engineering Foundation Board. The new appointments are Peter Socha and Brian Galli, and the reappointments are Catesby Clay, Ari Geertsema, Dell Jagers, Steven Leer, William Mason, Roy Palk, D. J. Patton, Joseph Sottile, William Sturgill, Charles Wesley, and Jack Whitaker.

The nominating committee of the foundation board, which includes the dean of the College of Engineering, recommended these appointments to the interim provost. These recommended appointments require the approval of the Board of Trustees in accordance with the Articles of Incorporation.

Mr. Hardymon called for a motion of approval for PR 5.

Dr. Dembo said that in view of the discussion on diversity and the fact that an institution like UK must actively promote diversity within its ranks at all levels, he would like to point out that the current composition of the Mining Engineering Foundation Board is entirely Caucasian male, and according to a faculty who has followed the activity of this Board for the last 18 years, it has always been Caucasian male. His personal opinion is that the Board will be doing less than actively promoting diversity by approving the Mining Engineering Foundation Board in its current state.

President Todd said that Dr. Dembo raised a very good point. He said that he would certainly recommend to the nominating committee in the future to bring new members to the

Board, but he would still recommend that the Board go ahead and approve this recommendation.

Mr. Hardymon said that it is a good point, and he hopes that the administration makes sure that this information gets to the nominating committee. He called for a vote, and Mr. Miles moved approval. His motion was seconded by Ms. Ball and passed. Dr. Dembo and Dr. Moore opposed the action. (See PR 5 at the end of the Minutes.)

J. Proposed Revisions to the Administrative Regulations (PR 6)

President Todd said that PR 6 involved a revision that was brought about by changes in actions at the Council on Postsecondary Education (CPE). The CPE promulgated some new regulations concerning the residency determinations. In order for UK to move quickly and appropriately to take into consideration the CPE changes, a committee chaired by Dr. David Watt was established to review their requirements. The committee proposed the revisions that are shown in PR 6 with the additions in blue and the deletions in red.

President Todd pointed out that there is one amendment to the revisions. On the first page of the revisions, the word *faculty senate* should be the *University Senate* since the Senate is made up of more than just faculty members. The revisions will be made to reflect this amendment. PR 6 recommends preliminary consideration for approval and adoption at the next Board meeting.

Ms. Ellingsworth said that previously there were six faculty and/or staff members and two students who sat on the committee referred to in PR 6. She has talked to Ms. Jones and President Todd about these revised changes not including students on the committee. She was told that in previous years there was trouble getting student members to attend the meetings, and the committee had trouble having a quorum present. She noted that a quorum for the committee is five members. There were six faculty and/or staff on the committee; therefore, it could not have been only students that were the problem. Further, she was also told that they wanted to reduce the membership so that it was easier to coordinate meeting times, etc. However, she feels that the student voice should not be lost on the committee. She proposed an amendment to add a student member to the committee and continue to keep the student voice on the committee.

President Todd said that he appreciated Ms. Ellingsworth bringing this to their attention. He said that he and Ms. Jones had discussed the question about having a student member serve on the committee. He asked Ms. Jones to read an amendment to the proposed revisions.

Ms. Jones said the amendments to the revisions in paragraph two are as follows:

Second sentence, line two shall read: "The Committee shall be composed of the associate provost for academic affairs, the assistant provost for enrollment management (who is not the residency officer), a faculty member nominated by the Senate, and one student."



The sixth sentence, line 11, shall read: "Three members shall be necessary for committee action, and three members shall constitute a quorum."

The seventh sentence, line 13, shall now read: "A majority of the committee members present shall be necessary for any decision."

President Todd said that the amendments put a student back on the committee and allow the committee to function in a more fluid manner to exercise the requirement for residency determination. He asked Ms. Ellingsworth if these amendments were satisfactory with her.

Ms. Ellingsworth said it was satisfactory.

President Todd said that he amended his recommendation to incorporate the changes that Ms. Jones read.

Mr. Hardymon asked for a motion to approve PR 6 as amended. Ms. Ellingsworth moved approval. Dr. Moore seconded her motion, and it carried without dissent. (See PR 6 at the end of the Minutes.)

K. College of Public Health Report

President Todd asked Dr. Steve Wyatt, Dean of the College of Public Health, to give his presentation to the Board.

Dr. Wyatt said that he appreciated the opportunity to talk to the Board about his college. Using a series of slides, he made the following presentation:

The College of Public Health is sixteen months old. During this short period of time much has been accomplished.

- The college's organizational structure, including filling leadership positions, has been addressed.
- Faculty/staff governance issues/processes have been put into place.
- The infrastructure to enhance research efforts of faculty and staff has been strengthened.
- In June 2005, the college received full accreditation, for five years from the Council on Education for Public Health.

The College provides degree opportunities in the following areas:

- Master of Public Health (MPH)
- Doctor of Public Health (DrPH)
- Doctor of Philosophy in Gerontology

Currently, more than 275 students are enrolled in one of those programs. In the spring of 2005, the college awarded: Doctor of Public Health degrees to the first cohort of students (12 degrees); 35 MPH degrees (for a total of 105 MPH degrees awarded since 2002), and eight gerontology students received a PhD. The student body of the college is diverse, with between 20 to 30 percent of the students in each program area being racial or ethnic minorities.

The college's faculty numbers are small (36 FTE's) in quantity but strong in experience and productivity (\$11.8 million in collaborative research projected for 2005-06). One significant change in the faculty over the past year has been the gender diversity of faculty in leadership positions in the college. In September of 2004, 7 percent of the college's leadership positions were held by women; in August 2005, that proportion increased to 32 percent.

Service and outreach programs are foundation elements in colleges of public health. The UK efforts in this area are exceptional with vibrant programs including:

- Kentucky Injury Prevention Research Center
- Southeast Center for Agricultural Health and Injury Prevention
- Center for Prevention Research
- Health Education through Extension Leadership (HEEL); in partnership with the College of Agriculture
- Occupational/Preventive Medicine Clinics at Toyota and Lexmark
- Tobacco Research Network on Disparities (TReND)
- Cooper-Clayton Method to Stop Smoking
- Mid-South Cancer Information Service Partnership Office
- Donovan Scholars and Council on Aging

Dr. Wyatt concluded his presentation by saying that future directions for the college include offering an off-campus MPH program in either eastern or western Kentucky, development of a PhD program in Epidemiology/Biostatistics, joint degree opportunities in MSW/MPH and MSN/MPH at UK, progress in obtaining support for several endowed chairs/professorships, and hopefully a new academic facility.

President Todd thanked Dr. Wyatt for his report and said that the accreditation achievement of the College of Public Health is historic. It points to the strength of the components that have been put together under Dr. Wyatt's leadership when the college was formed. Forming this college is something the Board can take a lot of pride in having done at a time when the country needs public health excellence as much as it ever has. He thanked Dr. Wyatt for the great job that he is doing.

L. Research Report

President Todd asked Dr. Wendy Baldwin, Executive Vice President for Research, to present information on UK's research endeavors to the Board.

Dr. Baldwin expressed pleasure in having the opportunity to speak to the Board about the university's research program. She presented a series of slides illustrating how research happens and what it takes to help faculty get extramural funding.

In 2005, University of Kentucky faculty received \$274 million in research grants and contracts, of which \$152.2 million came from federal agencies. By far the largest piece of the "funding pie" was \$87.7 million from the National Institutes of Health, but also included was \$2.38 million from other federal agencies. Along with federal funding, UK received \$33 million from non-federal agencies. Research at UK is broad and diverse, leading to a high impact in the state.

The 2005 UKRF budget was \$40 million-\$35.9 million from federal indirect cost dollars and \$4.1 million from other indirect cost dollars. This budget is divided into three categories, Core Services (18 percent), Block Grants (30 percent), and Faculty Support (52 percent).

But how does this budget support faculty research? It provides funds to pay debt service for new research buildings like BBSRB; provides new faculty with start-up funds in areas like lab fit-up, equipment, and technicians; and supports research service units that provide financial, ethical, and policy oversight and awards management. In addition, incentive funds are provided to the department and college, to the graduate school, and to the infrastructure of the university.

One by-product of faculty research Dr. Baldwin often discusses with the Board is intellectual property. From basic research to patent issue is a long process. It involves disclosures to the IP Committee, some of which may be released to the inventor for more research, pre-patent screening, provisional patent filing, a number of patent applications being processed, and finally some patents being issued. Once patents are issued a number of licenses are issued and maybe a few start-up companies are born.

Information and data may be found about faculty research and the research support units on the research web pages ([www.research.uky.edu](http://www.research.uky.edu)).

She concluded her remarks by mentioning the upcoming groundbreaking ceremony for an exciting, private \$50 million facility that will be built at Coldstream. She encouraged the members of the Board to attend and join in the celebration following the Board meeting.

Mr. Wilcoxson asked Dr. Baldwin if she had calculated the amount of dollars that the university is putting into venture capital.

Dr. Baldwin said that venture capital is very important. Venture capital is a parallel activity that needs to go on when there is a licensing option going to a small company. Fortunately, the university has some state funded activities that are there to help those companies. The university has to be careful about what its role is because it obviously owns the IP, and it frequently has an equity interest in that. She said that she did not want to see the university helping someone set up a business, have an equity interest in it, and maybe get

royalties from it. There is a point where the university would get into a conflict. The university does have a parallel activity going on that helps provide angel and venture capital for small companies. She said that she could go back and look at the companies that have come out of the university's IP and find out what their venture capital projectory has been.

Mr. Wilcoxson asked if it would not be beneficial to look into some of the university's venture capital investments.

Dr. Baldwin said that she thought the university was doing that. One of the changes that she made last year is that when you go to the intellectual property page on the research website, there is an IP list available for licensing. That did not exist before. Now, you can go online and see what the university is doing. You can also see where there is already IP available for licensing.

President Todd said that it would be interesting to look at some of the companies formed and where their capital comes from. Allylix, which was founded by Joe Chappell, a UK professor, and Joe Noel, a researcher from the Salk Institute, just completed a round of \$1.5 million. Some of that money came from the state's seed fund, and some of it came from the local angel fund that the university is an investor in. That fund is fairly new, but they did just close a \$1.5 million round. President Todd said that Dr. Baldwin could look at some of the other companies seeking funding to see where their funding is.

M. Introduction of Staff Senate Chair

Mr. Williams introduced Kyle Dippery, the new chair of the Staff Senate, and noted that Mr. Dippery is the Linux administrator in the College of Engineering. Mr. Dippery received a warm welcome and round of applause from the Board.

N. Change in Name of a Degree – Master of Science in Family Studies with a Major in Family Studies (AACR 1)

Ms. Tobin, chair of the Academic Affairs Committee, reported that the committee met and reviewed one item on the agenda. The recommendation is to change the name of the College of Agriculture's Master of Science in Family Studies with a major in Home Economics to Master of Science in Family Studies with a major in Family Studies, to be effective in the fall 2005 semester. This change is to more accurately update and reflect the programs of that particular unit. She moved approval of AACR 1. Mr. Shoop seconded her motion, and it passed without dissent. (See AACR 1 at the end of the Minutes.)

O. Gifts and Pledges (FCR 1 through 9)

Ms. Wickliffe said that FCRs 1 through 9 are consent items and were approved with the consent agenda. These are gifts and pledges that total \$2.6 million: \$1.5 million is eligible for the endowment match program.

P. UK HealthCare Patient Care Facility – Update and Authorization Consolidation (FCR 10)

Ms. Wickliffe said that FCR 10 is the UK HealthCare Patient Care Facility. This issue is before the Board for approval in accordance with university regulations. It will allow staff to take this issue of consolidation of authorities to the Legislature's Capital Projects and Bond Oversight Committee for final approval.

The scope has been revised from \$375 million to \$450 million incorporating:

- An additional bed tower
- A lobby structure integrating the new facility with the Gill Building and the Critical Care Tower
- Eight operating rooms, same-day surgery intake, post-anesthesia care unit, and recovery
- Expanded radiology support for the Emergency Department
- A strategic contingency of \$27 million.

Financing remains the same, with \$250 million from bonds and the remainder from reserves from operations.

The Hospital Committee approved of the scope change at its October 24 meeting.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 10. Mr. Hardymon asked Dr. Karpf for any comments that he would like to make about FCR 10.

Dr. Karpf said that he very much appreciated the Board's support for this project. It is a very important project for the hospital. This will allow added flexibility in phasing out the old hospital, and it will also save money in terms of construction by building the tower in the same timeframe. Most important, it will minimize disruption for patients in the community by getting most of the major construction out of the way.

Ms. Wickliffe's motion was seconded by Mr. Williams, and it was carried without dissent. (See FCR 10 at the end of the Minutes.)

Mr. Hardymon said that there is no way a weight can be put on projects with the way the administrative process works, but the Board does recognize the tremendous importance of the various projects. As for the Board, this project will probably be the landmark type of item as you look at the university in the years ahead. He thanked Dr. Karpf for keeping the Board informed and challenged him to continue keeping the Board informed.

Dr. Karpf said that he would keep the Board informed and share both glory and concerns with the project.

Mr. Hardymon pointed out that the University Hospital Committee is now meeting the day before the Board meets. This change allows the chair of the committee to present the

committee's report at the Board meeting the following day. He encouraged the members to attend the committee's meetings.

Q. Authorization to Sell the Coldstream Center (Formerly Lexel Building) Located on Coldstream Research Campus (FCR 11)

Ms. Wickliffe said that FCR 11 is the authorization to sell the Coldstream Center which was formerly called the Lexel Building. This is located on the Coldstream Research Campus. This is a piece of property that UK purchased in 2004, but it is now surplus to the needs of the university. On behalf of the Finance Committee, she moved the adoption of FCR 11. Mr. Dawson seconded her motion.

Mr. Wilcoxson asked if the university would be getting its total price back for what it paid for the property.

Ms. Wickliffe said that the university expected to make some money on the sell.

Mr. Wilcoxson commented that the proceeds will reimburse the university for the purchase price of the building, and the university will anticipate getting \$9.6 million back.

Ms. Wickliffe said that UK anticipates getting a little more than that amount back.

Mr. Hardymon asked Mr. Butler about the timing of the process, and Mr. Butler said UK would have an RFP out fairly quickly.

Mr. Hardymon called for a vote, and FCR 11 passed without dissent. (See FCR 11 at the end of the Minutes.)

R. A Resolution Authorizing the Issuance and Sale of Approximately \$7,110,000 of General Receipts Obligations (Memorial Coliseum Expansion Project) of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005 (FCR 12)

Ms. Wickliffe said that FCR 12 is the Resolution Authorizing the Issuance and the Sale of Approximately \$7,110,000 of General Receipts Obligations (Memorial Coliseum Expansion Project) of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005. It authorizes a Series Resolution for the issuance and sale of \$7 million of General Receipts Obligation Bonds to fund partially the Memorial Coliseum expansion project. The Board of Trustees approved the construction of the Basketball Practice Facility and its related plan of financing on May 10, 2005, including \$7 million in bond financing. Bonds will be sold approximately December 1. On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 12. Mr. Branscum seconded her motion.

Judge Patton said that the Board first approved going forward with the project two years ago at its October 2003 meeting. At that time, the Board was assured that it would be funded entirely by private donations. With these assurances, the Board was unanimous in its

support for proceeding with the basketball practice facility. The project has now changed from one that would be funded entirely by academic boosters to one requiring the issuance of \$7 million in bonds. At a time when the university is seeking public support to fund its Top 20 academic mission, some may question the Board's priorities. Judge Patton said that he intended to vote no on the motion to approve FCR 12.

Dr. Dembo said that while he was not on the Board at the time during the vote previously taken in October 2003, to his untrained eye there is still some degree of mystery as to how the facility appeared on the capital construction priority list. Nevertheless, as his colleague Phil Patton has said, others will judge the Board by the priorities in which it outlays the university's money and for a facility that is neither a part of the university's mission statement nor its Strategic Plan. He said that the project will benefit relatively few students, and he could not in good conscience vote for the university to go into debt for something for which a similar amount could either renovate all of the eating facilities that students at the university might go to or might provide air conditioning for a whole residence hall that is not currently air conditioned. And furthermore, if you figure bonds at about 4 percent, the debt service could roughly fund a full-ride scholarship for 20 minority students, if that went towards scholarships instead of debt service. Dr. Dembo said that he would be voting no on the issue.

Dr. Moore said that he echoed the comments made by Judge Patton and Dr. Dembo. He was on the Board when the previous vote was taken, and he voted against it the last time as well. He said that he thinks the Board has to be very careful about the messages that it sends to the Legislature, and he knows that this has been approved by the Legislature. The Legislature does not have to approve the projects that the Board suggests, but given UK's move toward Top 20 status, the Board needs to be very careful about indicating where its priorities are at this institution. He understands a negative vote could possibly delay this particular construction, but a small delay in this case for a big message is certainly something that he thinks the Board ought to communicate. Therefore, he would be voting against the approval of FCR 12.

Mr. Miles asked where the Athletics Department is in the fundraising process, and Mitch Barnhart, Athletics Director, was asked to comment on the question.

Mr. Barnhart said that Athletics has received \$20 million in signed pledges and \$3 million in verbal pledges at this time. He reported that Athletics has not used the naming right on the facility yet. When the project began, cash flow was more of an issue than anything else. The purpose of this bonding issue is to provide a cash flow to the project. All the funds will continue to be out of private funds used in the Athletics Department. Athletics is a privately funded department and sustains its own money.

Mr. Barnhart reminded the Board of some things that Athletics does for the university, such as giving \$1.2 million a year back to the university to help with scholarship programs. He noted that Athletics recently funded five additional Singletary Scholarships. Athletics tries to be a good partner to the university and to the campus in terms of giving back to the university. That has been shown over the last three years.

Athletics' goal in getting this project done is to put together a project that helps a lot of student-athletes as well. It does not benefit as many students as Dr. Dembo would like to have it benefit; however, it does benefit the basketball programs. It will also benefit the coaches in continuity and in terms of offices and other things that they have struggled with for sometime.

Ms. Young asked for the length of time it would delay the project if the Board voted down the issuance of the bonds.

Mr. Barnhart could not tell her at this point in time. He did say that the project is on a time line to have it done by December of next year.

Ms. Young asked what would happen if the Board voted it down.

Mr. Barnhart said that Athletics would obviously have to come up with all the funding between now and December of next year to keep it on task. The Athletics staff has raised more money for this project than any project in the history of Athletic Department fundraising. The most ever raised prior to this was \$4 million for the Nutter Indoor Center and the Nutter Football Complex. The staff has commitments of over \$20 million for this project, and they have done a remarkable job in a very short period of time.

Mr. Barnhart said that the Athletics staff is working very diligently, and he does not have any reason to believe they will not find the naming rights gift which will push the fundraising where it needs to go and obviously take away the cash flow issue that the bonds are hoping to cover.

Mr. Shoop asked if the \$7 million of payback would be coming from the Athletics Department, and Mr. Barnhart said that it would.

Mr. Shoop said that he believes the problem is confusing Athletics Department funds with university funds. He understands this to be a loan to the Athletics Department until they can raise some money to pay it back. He thinks it is symbolic, but the Athletics Department needs a short-term loan until they can raise the money to finish the project that is already in progress.

Ms. Wickliffe said that she probably did not do FCR 12 justice because she should have brought up the fact that this is to fund the cash flow that it needed at the present time.

Ms. Brown asked if this was to be considered a floater type loan.

President Todd said that it is kind of like a bridge loan until they get the pledges.

Ms. Tobin pointed out that there are very few construction projects where you do have pledges which do not require some type of a bridge loan.



Mr. Shoop said that the Board has already approved this project at a previous meeting, and he thinks it is just normal business. It is shortsighted if the Board turns this issuance of bonds down and stops the project at this time.

Dr. Dembo said that he would respectfully disagree. This is a separate action item for the Board. He can agree with Mr. Shoop's comment that it is a highly symbolic issue because it indicates to the public what the Board's priorities are.

Mr. Wilcoxson asked Mr. Henry Clay Owen, treasurer, how much this would eventually pull down the quasi-endowment.

Mr. Owen explained that there was a plan of financing that was approved back in May. The plan in May included a withdrawal from quasi-endowment funds to provide some cash flow in addition to the \$7 million in bonds. He said that he would like to correct one statement. It is not a bridge loan. These are 20-year bonds, and they will have a 20-year maturity schedule that will be repaid over the 20 years. The total payout on principal and interest for these bonds will amount to \$11.4 million. Mr. Barnhart is exactly correct in that he needs the cash from the bonds now to cash flow the project. A portion of the pledges that will come in over the next 5 to 10 years will also be used to repay the debt service as it matures until a certain point in time is reached. The funds will either come from athletics operation revenues or from the pledges that are already secured and will be raised in the future.

Mr. Wilcoxson said that Mr. Owen's statement was important to know.

Mr. Shoop asked if this was very similar to projects in the past and was not an unusual way of handling projects of this kind.

Mr. Owen said that it is unusual in a sense that athletics is using some of the pledge flow over the next 5 to 6 years out of 8 years to repay the debt service.

Mr. Williams said that he has the most concern about the financing scheme that Mr. Owen explained. He thinks it is a planning issue and a timing issue if there is a cash flow issue. Maybe the Board was premature in doing what it has done up to this point without committed funds to do the project. He said that he has a problem adding to the university's debt service and certainly to the amount of \$11.4 million. That is a significant amount of money and a lot of other things could be done with it. He said that he intended to vote against FCR 12.

Mr. Wilcoxson said that he would like to hear President Todd's comments on this issue.

President Todd said that he certainly supports the Athletics Department. UK's Athletics program is one of only 40 in the United States that makes money and provides any funding to the university. Mr. Barnhart is correct in that they have stepped up recently to allow five more Singletary Scholarships. Less than 5 percent of the \$811 million that has

been raised for the university has been raised for athletics. The rest has been raised for academic purposes, for endowed professorships, scholarships, buildings, and facilities. He pointed out that UK has a major debt service on the Pharmacy Building, the BBSRB building, and the Health Sciences building that was finished last year. This is just the way that you build facilities.

He explained that there is a priority question. However, when you look at the university from afar, there are a lot of alumni who stay attached to the institution because of the strength of athletics. Approximately 31 percent of the athletics donors also give to academics. It is not an either/or situation. Some of UK's major donors give to both athletics and academics. It is a part of the university that is attracts a lot of alumni to UK. The bonding issue has been thought through, and there are competitive and timing issues. He encouraged the Board to vote positively for FCR 12.

Mr. Shoop said that it is unfair and unwarranted that the Board single out the Athletics Department with a project that is already started. The Board voted for the hospital project because the hospital showed positive funding to be able to pay on the new hospital renovation. Mr. Barnhart has showed that the Athletics Department can pay for this out of their funds over a period of years. In his opinion, the Board needs to honor the previous commitment it made to do this project and to move on.

Mr. Hardymon said that he believed the Board had discussed this issue pretty thoroughly, and he called for a show of hands vote. Twelve members voted to approve FCR 12 and four members opposed it. Those opposing the vote were Judge Patton, Dr. Dembo, Dr. Moore, and Mr. Williams. Ms. Haney had to leave the meeting early and was not present for the vote. (See FCR 12 at the end of the Minutes.)

S. Amendment to 401(a) Qualified Pension Plan (FCR 13)

Ms. Wickliffe said that FCR 13 is an Amendment to the 401(a) Qualified Pension Plan. This is a retirement plan that was approved by the Board of Trustees in January 2004. The Plan was adopted for employees whose salaries exceed the annual limits for tax-sheltered retirement benefits for contributions under the 403(b) Retirement Plan, which is the University's basic retirement plan.

A Favorable Determination Letter for the 401(a) Plan has been received from the IRS permitting pre-tax treatment for employer contributions but post-tax treatment for employee contributions.

Approval of the amendments to the plan will allow the university to obtain a Private Letter Ruling from the IRS that will allow the employee contributions to also be made on a pre-tax basis. On behalf of the Finance Committee Ms. Wickliffe moved the adoption of FCR 13. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

Mr. Hardymon said that someone mentioned in the Finance Committee meeting that this is probably something that belonged in the Human Resources Committee area. He asked Mr. Butler to carefully review the items placed on the Finance Committee agenda, since the committee often has 15 to 30 items on it, and to refer items to another Board committee when applicable. This would help get another Board committee active and also take some of the load off the Finance Committee.

T. Approval of Lease (FCR 14)

Ms. Wickliffe said that FCR 14 is the approval of a lease between the university and the Sterling Road LLC. This is an extension of the current lease for additional space to accommodate the hospital finance department and a few other offices during the construction period. On behalf of the Finance Committee, she moved the adoption of FCR 14. Ms. Tobin seconded her motion.

Mr. Hardymon noted that this is a building that already has some university offices in it. He asked Dr. Karpf to comment about the administrative functions that will be in the building.

Dr. Karpf said that they are trying to make sure that they maximize the space for patient care on campus. Therefore, they are looking for space where they can move programs and functions that do not need to be absolutely contiguously located with the patients and consolidated them for saving dollars and for oversight. They now will have a substantial amount of space at the facility that intersects Alumni and Circle Four. That facility will essentially become corporate headquarters for things that need to be connected electronically but not visibly. This will maximize the use of the space on campus for patient care activities.

Mr. Hardymon called for a vote, and the motion carried without dissent. (See FCR 14 at the end of the Minutes.)

U. Approval of the 2004-05 Endowment Match Program (FCR 15)

Ms. Wickliffe said that FCR 15 is the approval of the 2004-05 endowment match program. The Council on Postsecondary Education requires the Board to approve an annual report on the Endowment Match Program, and this is the annual report. The Endowment Match Program is part of the Research Challenge Trust Fund.

Since the Trust Fund's inception in 1998, the university has received gifts and pledges from over 9,400 donors, including individuals, foundations, and corporations. There have been three rounds of the Endowment Match Program, or as some know it, the "Bucks for Brains" program. The university has been allocated \$66.7 million of state funds each round and has fully matched and endowed all the funds allocated from the first two rounds.

As of June 30, 2005, the university has received \$151.9 million of state funds, of which \$138.6 million has been matched with gifts received. The university has only \$13.3 million of outstanding pledges or 8.7 percent of the total state funds received.

The university matched with gifts and pledges \$14.5 million of state funds in 2004-05. The endowments created through this program had a market value of \$307.6 million as of June 30, 2005.

During the 2004-05 fiscal year, the university used the investment income from these endowments to provide 421 graduate scholarships and fellowships and to create 16 endowed chairs and professorships. As of June 30, 2005, the program had funded 238 endowed positions, of which 152 have been awarded.

Ms. Wickliffe said the university has done a very good job with the funds that have been received. On behalf of the Finance Committee, she moved the adoption of FCR 15. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

V. University Hospital Committee Operating Rules (UHCR 1)

Ms. Young, chair of the University Hospital Committee, reported that there were two items to consider. The first is the revision of the University Hospital Committee Operating Rules. She informed the Board that the committee had its first reading of this recommendation for the operating rules at their September meeting. The revision basically strengthens oversight, adds two additional advisory members to the committee, and also allows the appointment of up to five outside advisory committee members. On behalf of the University Hospital Committee, she moved the adoption of the operating rules. Ms. Wickliffe seconded the motion.

Mr. Williams asked if the advisory committee is separate from the Board committee and wanted clarification that this is not the issue of adding non-Board members to the University Hospital Committee.

Ms. Young replied that these are hospital management personnel as opposed to the University Hospital Committee, which is a different situation. She noted that there were a few, small typographical errors in the operating rules, and said these errors will be corrected after the final presentation.

Mr. Hardymon called for a vote, and it passed without dissent. (See UHCR 1 at the end of the Minutes.)

W. University Hospital Bylaws of the Medical Staff (UHCR 2)

Ms. Young presented UHCR 2, the University Hospital Bylaws of the Medical Staff. The bylaws have been thoroughly vetted by the medical staff and approved by the

University Hospital Committee. On behalf of the committee, she moved the adoption of the Bylaws of the Medical Staff.

Mr. Hardymon asked if this item had an amendment to it.

Ms. Young said that Dr. Dembo had pointed out that Article II, Section 3A, has an amendment involving dentists. She asked Dr. Dembo to explain the amendment.

Dr. Dembo said that it has been the practice to have both physicians and dentists on the hospital staff for decades, and elsewhere in the bylaws, it refers always to physicians and dentists. The qualifications for the medical staff membership wording as it is currently written would prohibit dentists from joining the medical staff. There are a few words that can be added to alleviate this inconsistency. The wording has been reviewed by Kevin Nelson on the medical staff and Harry Dadds in the Legal Office. Both agree with the wording on the amendment.

Ms. Young said that a copy of the amendment had been distributed to the Board. She thanked Dr. Dembo and moved approval of the bylaws as amended.

Ms. Wickliffe seconded her motion, and it carried without dissent. (See UHCR 2 at the end of the Minutes.)

Ms. Young reported that the University Hospital Committee had a very good meeting, and the *Herald-Leader* had printed a very good overview of the meeting. She suggested the Board read the article in the *Herald-Leader* if they had not already done so.

The hospital continues to do extremely well. Sergio Melgar, Chief Financial Officer for the hospital, is in New York to sell \$104 million worth of bonds. It is a very good time to go, with the revenues of the hospital in such good shape.

Ms. Young talked about the hospital expansion of Phase I going from \$375 million to \$450 million. Included in that is \$27 million of contingency funds. It is important to allow some flexibility in the plan. Hopefully, all of it will not be used, but it is nice to have a little cushion there.

Ms. Young said that the project is already under way. Buildings have been torn down, the site is being prepared, and construction is scheduled to start in January 2006 with completion by March 2007. Huguelet street widening construction is set to begin in February 2006 with completion in September 2006. This will be a fairly swift project once it is under way.

Ms. Young said that the emergency room has been a real source of trouble because it is too crowded and getting old. That area is undergoing a major renovation because it cannot wait for the new facility to be completed. That construction will start in March 2006 with a scheduled completion date in February 2007. That renovation will at least form a bridge between the antiquated facility and the new one that is going up.

Ms. Young reported that an exciting, quality safety and patient rights program has begun. The funding has come from a \$300,000 gift from the Sarah Scaife Foundation, \$200,000 from UK Hospital, and a match of \$500,000 from the RCTF.

X. Resolution Supporting President Todd

Ms. Ball moved that the Board pass a resolution to support and endorse the efforts of President Todd on the importance of the diversity issue. Mr. Hardymon thanked Ms. Ball for her motion and called for a vote. The motion passed unanimously.

Y. Meeting Adjourned

Mr. Hardymon thanked the Board for coming prepared and for their participation in the meeting. He said that he could not ask for anything more. With no further business to come before the meeting, Mr. Hardymon adjourned the meeting at 2:40 p.m.

Respectfully submitted,

Pamela R. May  
Secretary, Board of Trustees

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