

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, January 24, 2006.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, January 24, 2006, 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 Ms. Barbara Jones, Assistant Secretary, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira Ball, Stephen Branscum, Penny Brown, Dermontti Dawson, Jeff Dembo, Marianne Smith Edge, 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 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.

Mr. Hardymon announced that a quorum was present. He noted that Mr. Reed may be arriving late; however, Ms. May would not be attending the meeting. He declared the meeting officially open for the conduct of business at 1:03 p.m. and asked the Board to refer to their agenda.

C. Consent Items

Mr. Hardymon called attention to the consent items on the agenda: Minutes of the December 13, 2005 meeting, PR 2 - Personnel Actions, and ten items, FCR 1 through 10, listed under the Finance Committee. He asked for a motion for approval of the consent items. Mr. Miles moved approval. Mr. Shoop seconded his motion, and it carried without dissent. (See PR 2 and FCR 1 through 10 at the end of the Minutes.)

Mr. Hardymon said that there would be a minor modification to the agenda. He said that he was going to have Ms. Wickliffe, Chair of the Finance Committee, make the committee's report last on the agenda. He then called on President Todd for his report.

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

President Todd called attention to PR 1 and said he would highlight a few things for the Board.

- The Clinical Psychology program was ranked 15th in the nation. This ranking is 26 among all public and private universities but 15th among public universities.
- The Task Force on Racial Diversity and Equality has been formed. The Task Force has met, and a report is due to President Todd by the end of December.
- The UK Health and Wellness Program won the Everett Koop National Health Award. UK is one of only three universities to receive such an award since its inception. UK's program has some great statistics. There has been a 53 percent increase in the number of women that are having mammograms. There has also been an increase in the number of people exercising. The innovative program has received measurable results.
- Sixty-four physicians at the Chandler Medical Center have been named to the list of Best Doctors of America. UK has more physicians on the list than any other hospital or medical center in the state.
- A network of Drug Endangered Child teams will be created throughout southern and eastern Kentucky to help ensure the safety of children exposed to drug use and production. This is an example of how the university has used its extension program to do health extension throughout the state. This project is a Commonwealth collaborative looking at endangered children exposed to things such as methamphetamine. UK is working with the 5th Congressional District UNITE program established by Congressman Hal Rogers. UK has received a \$362,128 grant for this project. This shows that if the university selects problems in Kentucky with which the people of the Commonwealth are passionately concerned, the funding will follow.
- UK's School of Journalism and Telecommunications is one of six schools in the country to partner with the Aspen Institute to take part in the U.S. Department of State Edward R. Murrow Journalism Program. President Todd attended a summit meeting that Secretary of State Condoleezza Rice and Secretary of Education Margaret Spellings had in Washington. At this meeting the announcement was made of the six schools being part of this program. The University of Kentucky was in the middle of the six schools announced. President Todd said that it gave him a moment of satisfaction, and he is very proud of that effort.

- Under Dr. Michael Karpf's leadership, the Jack and Linda Gill Heart Institute is partnering with Rockcastle Hospital in Mount Vernon to expand UK's knowledge in patient care throughout the state of Kentucky. The expressed goal of helping those communities is to keep their patients in their home communities. When there are severe problems that the home communities cannot handle, patients come to UK.
- The "Wildcat Watch" program is an effort by Don Witt's organization, the Office of Undergraduate Admission and University Registrar, to try to get faculty and staff to become more involved in the university's enrollment process. This effort may even extend to some Board members because personal touch is important, especially for a lot of the top students that UK wants to get.
- Winter College 2006 is going to happen in Naples, Florida. This is the first time UK has offered Winter College in Naples. Some of UK's top faculty members will go to Naples and offer some courses to many of the alumni and friends of UK who live in Naples. President Todd said that there was a lot of excitement about program, and he is eager to attend it.
- The Integrated Resource Information Systems (IRIS) Project implemented the student accounting module one year ahead of the planned schedule. President Todd said that there are horror stories about the implementation of IT systems throughout other universities where programs do not happen ahead of schedule and within budget. He gave Dr. Phyllis Nash and her team credit for how that situation is being handled at UK.

E. Development Report

President Todd asked Mike Richey, Associate Vice President for Development, to give a report about the development year that ended December 2005.

Mr. Richey said that he was happy to report that the university had a good year in 2005. UK added \$138 million in gifts, expectancies, and pledges to the campaign total. UK now stands at \$862 million, which is well on the way to the \$1 billion goal scheduled to end in December 2007. He noted that it may be possible to finish the campaign a little earlier than that date.

Mr. Richey said he was also encouraged that a five-year annual giving plan had been put in place. The plan started in July 2005, and in the first six months of this fiscal year, which ended December 31, 2005, UK received almost 25,000 in gifts from alumni, friends, corporations, and other sources as compared to 23,000 a year ago. This represents an 8 percent increase.

Mr. Richey said that there is still a lot of work to do. There is about \$36 million on the table for RCTF, and there are a number of proposals out. It is hopeful that by June 30, 2006, most of those dollars, if not all of them, will be committed.

Mr. Richey concluded his remarks by saying that “yesterday is history so we have got to focus upon today and tomorrow. And second, with success come higher and higher and higher expectations for this president and for this Board chairman, but we are o.k. with that because we know UK is worthy.” Mr. Richey received a round of applause.

President Todd thanked Mr. Richey and said that he appreciated the good job that he is doing. He said that Mr. Mobley had pointed out that once you get through the first round of investors it gets a little tougher, but to peak again at this time is just tremendous. This was the largest year in UK’s history.

President Todd said that he had not heard Mr. Richey reset his goals for the end of 2006. Mr. Richey surprised him last year when he raised the goal to \$850,000 and then beat that goal by \$12 million. That is a tremendous achievement, and Mr. Richey and his team are to be congratulated.

F. Update on President Lee Todd’s Objectives

President Todd said that he wanted to give the Board a six-month update on his objectives for the academic year 2005-06. He then reviewed and elaborated on the objectives.

Objective 1. Continue working toward the achievement of the six goals that were established in the Strategic Plan

Goal I was to reach for national prominence. He reported that four of the five indicators for this goal have been achieved, with only one remaining, and that is the SAP [IRIS] implementation, which is moving along.

Goal II was to attract and graduate outstanding students. UK’s composite score last year for the freshman class was 24.6 on the ACT, the highest in over a decade. This is even in light of the fact that UK has about 1,000 more students in the freshman class than a decade ago.

Preliminary results also show that the first-to-second-year retention rate improved from 78.4 percent to 78.9 percent. Those retention rates are challenging to move up, but they were 77.1 percent in 2003. This is a testament to some of the activities to make this big place feel smaller.

Goal III was to attract, develop, and retain a distinguished faculty. With the Board’s, the Governor’s, and the legislature’s help last year, UK was able to provide a 3.7 percent increase in faculty salaries. This increase will help keep

some of the distinguished faculty. He referred to a hospital report that had been sent out recently from Dr. Karpf. The report lists faculty hired in the Medical Center. Five are from Harvard University, and others are from additional distinguished universities. President Todd said that he would give a more definitive report about faculty near the end of the year.

Goal IV was to discover, share, and apply new knowledge. At the end of December, Dr. Baldwin indicated that UK is up 2 percent over last year's research funding total, which is pretty phenomenal. UK is down 6.5 percent in federal funding, but with NIH budgets being cut and NSF budgets being cut at the national level, to be anywhere close to last year's percentage is very good progress. At the end of December, UK had done \$171 million worth of grants and contracts, up 2 percent in total.

Goal V was nurturing diversity. There is a piece of good news here. UK has received the preliminary status report from the Council on Postsecondary Education on its Equal Employment Opportunities (EEO) objectives. UK did not achieve the EEO objectives last year. Based on the 2004-05 year, UK appears to meet six of the eight objectives, therefore, being eligible for implementing new programs.

President Todd noted that the formation of the Task Force he previously mentioned represents another effort to achieve Goal V. Several offers are out to African American faculty. UK did receive acceptance of an offer in the College of Law from an African American female who is an attorney with the Job Core in Washington, DC. She will be joining the faculty next year, and there are several other efforts in place.

Goal VI was to elevate the quality of life for Kentuckians. President Todd said that the twenty-four Commonwealth Collaboratives announced will be led by some very distinguished faculty that will be reaching out across the state. He said that he had asked the staff to make a map to show where these collaborators will begin in Kentucky.

This goal also includes some intellectual property activities. UK granted 20 licenses over the last twelve months, doubling the number of licenses a year ago. This shows signs of improvement.

President Todd referred again to Goal V to talk about recruiting African American students. He reminded the Board that eight new positions in recruiting and admissions have been created. Six of those positions have been filled. The seventh is in the final stages of being filled, and the eighth position is the support position for the seventh position. Those positions should close near the same time.

Those eight positions are targeted toward the African American student recruitment. There has been an additional \$500,000 implemented in diversity scholarships this year. These scholarships have enhanced some of the scholarships that UK offers to make it more competitive and to offer some additional scholarships.

Objective 2. Manage costs to ensure UK performs to the budget. That is an ongoing process, with special oversight of the hospital. Those who attended the University Hospital Committee meeting on Monday could see that the hospital is in good shape.

Objective 3. Provide oversight to the Athletics Department. It does not say anything about wins and losses or victories. It just says avoid major NCAA violations, and that has been done. That one is always ongoing.

Objective 4. Fill the provost position. The Board should have read all the positive comments that show the faculty and staff feel extremely good about the appointment of Dr. Kumble Subbaswamy as provost. Dr. Subbaswamy could not attend the Board meeting because of pressures with his current job. He will be coming to campus about one day a week starting fairly soon. His appointment will begin on July 1 officially.

Objective 5. Improve communications with the Board, faculty, staff, and students. President Todd indicated that he was not sure he had all the details on this objective, but major initiatives have been made with this objective this year. There have been small groups and individual Board of Trustees members receiving briefings on the Top 20 Business Plan and on the hospital expansion plans.

President Todd reported that he has met with the faculty and staff of ten colleges. He meets with the entire faculty, mainly to talk about the Top 20 Business Plan and anything else they want to talk about. In addition to these meetings, he and his wife, Patsy, have hosted four breakfast sessions at Maxwell Place. Thirty faculty and staff have been invited to attend each session. The faculty and staff are nominated by the deans. These sessions include 30 minutes of social time and an hour talking about the university.

President Todd said that he had attended ninety-five faculty meetings and forty-seven student-related meetings and activities, as well as a lot of others. His time involved with faculty and staff activities is being tracked better than last year, and he is doing a lot more.

Objective 6. Lead the various groups in resolving the Hilary J. Boone Center restoration questions. President Todd said that he will be getting more active on that issue. He has put it on his list of needs that was sent to Frankfort, but somehow it got dropped off of the list that was proposed by the Governor. He believes that was a

technical issue, along with all of the other food projects that were dropped off the list, too. The staff is now trying to get it back on the list as a technical amendment.

The request was to do two phases of the center's renovation. Phase one is to enhance the footprint of the facility by cleaning it out and putting it back on square to give better seating, better accommodations, and electronic displays, and to make it more appealing so that it will be at least a breakeven situation, if not profitable. His thinking now is to go forward with phase one on that project. He said that he has numbers for it, and he would give the Board a more definitive presentation, probably in another month.

Objective 7. Continue to develop relationships with Kentucky State Government segments. President Todd reported that he had met with over 100 legislators on the Top 20 issue and the Top 20 Business Plan in particular. He met with a lot of them on the preliminary side of it, and several of them after it had been done. In many cases, he has met with them in a one-on-one session throughout the last six months.

Over 70 legislators, along with 45 staff members, attended the University of Kentucky Advocacy Network (UKAN) meeting in Frankfort a few weeks ago. All of the members of the house leadership attended the meeting as well as all but one of the members of the senate leadership. It was quite a marvelous event. President Todd thanked Steve Byars and Rachel Webb for their successful efforts with the event because the legislators had to be bused from the state Capital over to the History Center. It was one of those things that the legislators could easily have chosen not to do.

President Todd reported that he had several meetings with the Governor and several of his cabinet members on the Top 20 issue in particular and the Top 20 Business Plan. He noted that he has spent a lot of time in Frankfort. He mentioned that he would be speaking to the Economic Development Committee the Wednesday morning at 8:00 a.m. if any of the Board members wanted to attend.

Objective 8. Work with the Development Office to increase endowment dollars and expand the donor base. President Todd said that Mr. Richey had covered the donor base earlier in the meeting. With regard to the endowment, it is now at \$587 million, which is a significant increase if you look back prior to HB 1 and the formation of the "Bucks for Brains" program, when the endowment was under \$200 million.

To be close to \$600 million and triple the endowment in a tough financial time is a real commendation, not only to Mr. Richey and Mr. Mobley but also to the Investment Committee. This achievement was noted earlier with respect to the decisions that the Investment Committee has made in the last several years, and the way the money has been invested. A lot of credit has to be given to Mr. Wilcoxson and the team for getting the endowment where it is today.

Objective 9. After working with outside consultants, Board members, and internal personnel, present to the Board in 2005-06 a plan for obtaining Top 20 status. President Todd said that he has been extremely pleased with the way the business plan

has entered into conversations throughout Frankfort and the state. He mentioned several instances in which that occurred. Even while he was Christmas shopping, people stopped him to make positive comments about the Top 20 Business Plan. He said that he had an interview with *Bloomberg News*, and meetings are set up with the *Wall Street Journal*, the *New York Times*, and *The Chronicle of Higher Education* in February. He expressed appreciation for the faculty and staff support and said it had been tremendous. He will continue his work in selling the plan in Frankfort.

Objective 10. Complete a Strategic Plan for 2006-09 during this year. President Todd reported that he is working with Interim Provost Scott Smith and Vice President Connie Ray in putting together five subcommittees that will represent the engagement arena as well as the four domains that are being measured in the Top 20 Business Plan. Those groups will be asked to develop strategies that close the gaps in retention, that close the gaps in research, and that close the gaps in the other parameters that have been measured. That plan should be completed by the end of June, and a presentation will be made to the Board.

President Todd expressed pleasure in providing the Board with an interim report about his objectives and said he appreciated for the opportunity to do it. He asked for any questions about any part of his report, and there were no questions.

Mr. Hardymon reminded the Board of the evaluation process. The Board decided to have this mid-year report. Each Board member will be asked to give written or verbal comments to him on the objectives as the year comes to a finish. That will be sometime prior to the June meeting. President Todd will send a letter to the Board commenting on how he has done because the Board will use these 10 objectives for the evaluation for his bonus. Mr. Hardymon said that he will summarize the Board's comments and present them to the Executive Committee. The Executive Committee will report back to the Board. That is the Board's process, and it is going well. He commented that he feels good about the process.

Mr. Hardymon noted that the Board has to start thinking about next year and other objectives. Some of these objectives like number one may stay on the list. He thanked President Todd for the report.

G. College of Medicine Report

President Todd asked Dean Jay Perman, College of Medicine, to give a report about the college. He mentioned that this is a continuing series of deans' appearances and expressed appreciation to Dean Perman for taking the time to come to the Board meeting.

Dean Jay Perman provided the Board of Trustees with an overview/update on the College of Medicine (COM). He pointed out that the college is dependent on an outstanding group of people numbering approximately 3,500 -- faculty, staff, resident physicians, and students -- to advance its three missions of education,

research/scholarship, and clinical care and service. The college is fully intent on being a "triple threat" medical school which excels in all of the missions. The college, in other words, will not sacrifice any one mission for the sake of the other two. Dean Perman then reported on progress and challenges in advancing each of the missions.

Education. The college oversees postgraduate (residency) training for approximately 500 trainees in diverse medical specialties. The college has recently achieved full five-year accreditation from the Accreditation Council for Graduate Medical Education (ACGME) for its residency programs. In undergraduate medical education, entering medical students have an average MCAT of 29.4, a number which has steadily risen over the last three years. In addition, the medical students on average exceed national first-time pass percentage and scores following the first two years of medical school and perform near average after the fourth year of medical school. Despite more than acceptable performance and subsequent success of the medical students based on national measures, COM faculty are in the midst of a complete reassessment of the curriculum to be certain that it addresses the question "What does it mean to be a doctor?" The faculty is particularly looking for more optimal ways to integrate basic and clinical sciences; to seek as many opportunities as possible for longitudinal learning experiences with specific patients and families across the four years of medical schools; and ways to assure that they are teaching medical students to be nice.

Research. Total contracts and grants have grown from \$70 million in 2001 to \$122 million in 2005. Percentage-wise, these numbers represent 40.5 percent and 44.5 percent of the total contracts and grants dollars of UK. Thus, the COM understands and is committed to its responsibility to the overall university's ambition to be a Top 20 research university. The College of Medicine has demonstrated, using the metric of NIH dollars, that Top 20 status is absolutely achievable by the institution. Five basic science and four clinical departments (out of 22 total departments) currently enjoy Top 20 status. Furthermore, COM moved from 35th to 31st among public medical schools this past year in total NIH dollars awarded. It is important to realize that, when measured by total NIH dollars per full-time faculty member, the COM already exceeds the level obtained by the 20th-ranked public medical school. Since total NIH dollars is the metric used in ranking medical schools, the COM will grow in stature principally by adding NIH-funded faculty. This represents a principal recruitment strategy. In the past 18 months, NIH-funded investigators have been recruited from Penn, Michigan, University of North Carolina, Penn State, Maryland, Johns Hopkins, and other prestigious medical schools.

Clinical. A number of initiatives, all intended to provide patients with an ideal experience, are under way. In turn, it is expected that enhanced patient satisfaction will further enhance the clinical services, education, and research. COM is embarking on major changes in practice infrastructure such as scheduling and phone services to enhance user-friendliness to patients and referring physicians alike. Changes are under way to develop into a mature group-practice organization geared to optimal service and revenue cycle activities.

Facilities of the future. Dean Perman laid out a vision shared by the six health science college deans of a Health Sciences/Biomedical Education and Research Commons which will provide combined state-of-the-art education and research facilities. This complex is necessary because of the planned demolition of the College of Medicine and College of Dentistry as the Chandler Medical Center clinical facilities are replaced. Apart from replacement, however, these facilities are necessary to make the College of Medicine fully competitive for the best clinicians, investigators, and students going forward. They are also envisioned as a way to teach students of the future the importance of collaborating in taking care of patients by educating physicians, nurses, dentists, pharmacists, and therapists in a common learning environment. This is a bold vision which can be achieved incrementally and probably at savings to the Commonwealth through the concept of shared facilities.

Dean Perman thanked the Board for their attention and said that he very much appreciated all the support that he has received since coming to the university, especially from the leadership and the Board. Dr. Perman received a round of applause.

President Todd thanked Dean Perman for doing a great job.

Mr. Hardymon asked if anyone had any questions or comments for Dean Perman. He commented that Dean Perman loves his work with a passion. He then asked President Todd to continue with his report.

H. Appointment of Provost (PR 3)

President Todd said that PR 3 is a recommendation for the appointment of a provost. He recommended that the Board of Trustees approve the appointment of Dr. Kumble R. Subbaswamy as provost, effective July 1, 2006. He noted that Dr. Subbaswamy's background is mentioned briefly in the background section.

Many people already know Dr. Subbaswamy because he was at UK for 18 years as a physics professor and also in an administrative role in the College of Arts and Sciences. He went to the University of Miami in 1997. He has been at Indiana University for the last several years. He was one of the three announced finalists for a position at the University of Wisconsin at Madison. Dean Jeannine Blackwell, Dr. Fred Debeer, and their committee did a superb job of bringing him to UK. President Todd said that he would be glad to take any questions about Dr. Subbaswamy and his appointment.

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

President Todd said that this is an extremely significant appointment, and he is very excited about it.

I. Proposed Amendment to the Governing Regulations (Ethical Principles and Code of Conduct) (PR 4)

President Todd said that PR 4 is actually the second reading where the Board takes a vote to amend the Governing Regulations. The recommendation is that the attached revision to the Ethical Principles and Code of Conduct section of the Governing Regulations, relating to the internal and external audit functions, as received by the Board of Trustees for preliminary consideration in December, be approved at this meeting. This amendment helps the university do what NACUBO has been suggesting and get more tightly in line with the Sarbanes-Oxley Act mandates that are in effect for public companies today.

Mr. Hardymon reiterated that this is the second time this has come to the Board. The Board received it in December, and this will be the vote of approval if the Board so desires. He called for a motion for approval of PR 4. Mr. Shoop so moved. Ms. Smith Edge seconded the motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

J. Proposed Amendment to the Governing Regulations (Student Affairs Section) (PR 5)

President Todd said that PR 5 is a proposed amendment to the Governing Regulations, and there has been a lot of discussion in the Student Affairs Committee about this recommendation. He said that he would ask for Ms. Smith Edge's leadership in regard to those discussions. The recommendation is that the attached revision to the student affairs section of the Governing Regulations be received for preliminary consideration and at the next regular meeting of the Board be included on the agenda for action. He asked Ms. Smith Edge if she would like to add any details concerning the recommendation.

Ms. Smith Edge said that she would give a quick overview. On January 11th the Student Affairs Committee had a special committee meeting or a work session to review all the regulations. By a majority vote of three to one, the committee is bringing forward the amendment to the Governing Regulations as presented.

As noted in the background, subsequent to the 2005 election for Student Government Association president, Interim Provost Scott Smith charged an ad hoc committee with the task of reviewing and revising the regulations to clarify the relationship between the university and the Student Government Association (SGA). The ad hoc committee was also to recommend the jurisdictional authority that the University Appeals Board should have regarding decisions rendered by the hearing bodies established by the SGA and other registered student organizations. She noted that the ad hoc committee included Barbara Jones, T. Lynn Williamson, Marcy Ches, Richard Greissman, Rhonda Strouse, Tony Blanton, Pat Terrell, and Joe Fink. Throughout the

process of the draft, the regulations were discussed with Student Government Association President Becky Ellingsworth.

Ms. Smith Edge explained that the additions to the Governing Regulations were printed in red. The amendment clarifies that the Vice President for Student Affairs should have administrative oversight of the Student Government Association in matters pertaining to the expenditure of the university's funds. Obviously, the section on Lexington Community College students was deleted. The committee spent a considerable amount of time on Section C, The University Appeals Board, and is recommending changes there. The one thing that the committee thought was appropriate was that the University Appeals Board should distinguish and clarify the different offenses between the disciplinary academic as well as any type of violation.

President Todd asked if there were any comments.

Ms. Ellingsworth thanked the members of the committee for including her in the discussions. She noted, however, that there is one part that was added back in the Student Affairs Committee on January 11th. She referred to Section C 3(c). It basically deals with the authority of the University Appeals Board and Student Government elections. She said that there was a part added that she did not agree with and the University Senate Council agreed to strike it. Student Government and the University Senate caucus also do not agree with it. It is the second to the last line where it says that they have the authority to affirm or void an election. She said that she wanted to read part of an opinion that she wrote in the Kentucky Kernel because she feels like it expresses her concerns with this adequately:

The results of last year's student government elections have prompted many administrators to clarify the relationship between the student government and the university understandably. Currently, the Governing Regulation allows for a delicate balance in which student government is responsible to the university when it comes to fiscal matters, yet, independent when it comes to representing the entire student body on policy issues. In particular, it allows the student government to create, amend, and interpret its own rules for composition. Even more specifically, it allows the student government to have final oversight of its elections, which keeps the final determination of the student trustee in the hands of students.

Ms. Ellingsworth said that she understands that the administration wants to avoid another lawsuit, but she feels that this part of the proposed amendment is disappointing at best. She noted that she served on that board for two years. The University Appeals Board members are recommended from various entities of the university but are ultimately appointed by the president. The board consists of at least five faculty members and up to three students. She pointed out that they have to have at least one student to serve on a case, but there does not always have to be three for each of the cases heard.

This proposed amendment to the Governing Regulations would give the University Appeals Board, in cases where a student alleges that his or her rights have been violated, the authority to affirm or void the entire student government election. This is in itself the most crucial problem with the changes that the Board will be voting on because although not directly specifying the winning candidate, it does not protect the sanctity of the Student Government's ability to interpret its own rules and to determine when an election should be affirmed or voided, even taking into consideration whether or not students rights have been violated. It also removes any form of protection to the elected student trustee seat from any error on the part of the University Appeals Board. The court opinion did say that regardless of the question of jurisdiction, the University Appeals Board did act arbitrarily and capriciously.

The relationship of the Board of Trustees with the president of UK is one of steward and employee, and neither the president of the university nor members of his administration should have a role, no matter how minor, in selecting the stewards of the university. Neither the charter nor the legislature ever contemplated the University of Kentucky president being able to affect the election of trustees. This holds true for the student member, the faculty members, the alumni members, and the staff member. Should such changes be made in regard to students, the same changes need to be made in regard to the alumni, faculty, and staff elections. Anything short of that would amount to a diminution of the students' representative. If those changes are made, then the very fabric of the relationship between the trustees and the president will forever be torn. There no longer will be independence for the composition of much of the Board of Trustees.

No matter what conflict occurred with the election this past year, the Circuit Court affirmed that the Student Government Supreme Court got it right. The Student Government election proceedings worked, and as Judge Gary Payne ruled, proved "the worth of the Student Government process." The student seat on the Board of Trustees, in her opinion and in many others' opinions, needs to remain in the hands of the students. She said that she hoped that the Board recognizes their responsibility to protect this basic right of the student body.

Dr. Dembo said that he deeply respected Ms. Ellingsworth's courage of conviction because she has consistently presented the point of view that she has. He agreed with her wholeheartedly that the Senate Council, which is a group of elected faculty and students, did discuss the issue and came up with slightly different wording than the Student Affairs Committee finally agreed upon.

From a personal perspective as a faculty member, he is acutely sensitive to the needs of students for autonomy. The college experience extends beyond just classroom activities, and the learning that occurs from extracurricular activities is a part of the college experience and part of becoming an adult in a very complex world.

On the other hand as a trustee, he has a slightly different perspective. Since the Student Government Association president sits on the Board and because there is such a

small amount of time that the president's term will be able to help the Board of Trustees do its work, he felt it was vitally important that the Board have every assurance that the Student Government Association election result in a trustee that can be seated in a timely fashion without any quarrels or questions about the process. That is one reason why he feels that the proposed wording, including the ability to void the election, was important. The second reason as a trustee that he voted in favor of the wording is because of public perception -- he does not think that the public reading the headlines always understands that the issues are specifically related to the Student Government Association or the student body. Public perception, in his opinion, was that bad things were going on at UK. That is a university-wide issue, which as a Board member he feels deeply concerned about. The wording approved by the Student Affairs Committee, in his mind, gives him some reassurance that UK will not be tainted again with broad brush strokes like it might have been before.

Ms. Ellingsworth asked if she could respond to Dr. Dembo's comments. She said that she very much understood his viewpoint about seating a student trustee in a timely manner. She agrees with that, but she also thinks it is very important that the correct trustee is seated, and that it is not just done in order to get someone seated and rush them in the position.

Mr. Williams said that he agreed with Dr. Dembo's comments, and he would say that the next step is not being discussed in the argument. If an election is voided, it is sent back to student government to correct the error. The students will indeed still have total control over who their elected officials are and who their student trustee is. As a matter of fact, the Governing Regulations specifically says that this University Appeals Board cannot determine the president and thus the trustee to be. So that power still remains, and the committee was very sensitive in its discussions that such power would remain in the hands of the Student Government Association.

Ms. Ellingsworth gave an example of a student who takes the claim all the way to the [SGA] Supreme Court, and the Supreme Court says that it is not going to allow the student to submit X and Y documents because it does not think the documents are relevant to whether a student's rights have been violated. The student then takes the issue to the University Appeals Board. This basically takes the matter out of the hands of student government instead of sending it back and saying you need some of these documents to be resubmitted, if they find that the student's rights have been violated. If the University Appeals Board is allowed to affirm or void the election, it takes the matter out of the Student Government's hands and how they go about dealing with and fixing a problem when a student's rights have been violated. If an election is voided, it takes away the Student Government's ability to interpret when an election should be voided and when it should be affirmed, which takes away the Student Government's ability to interpret its own constitution, which, in her opinion, needs to remain in the hands of the [SGA] Supreme Court.

Mr. Hardymon called for a motion to receive PR 5. Dr. Dembo moved approval to receive the document, and Ms. Smith Edge seconded the motion. The motion passed.

Ms. Ellingsworth voted against the approval of PR 5. Mr. Hardymon noted that the document will be one of the agenda items at the next Board meeting, and at that time, additional discussion will be welcomed, if appropriate. (See PR 5 at the end of the Minutes.)

K. Report on Results of Alumni Election (PR 6)

President Todd said that the term of Marianne Smith Edge as alumni member of the Board of Trustees will expire on June 30, 2006. It is his recommendation that the report of the Secretary of the Board of Trustees on the results of the election by the Alumni Association be received and put to record, and that the Secretary be authorized to certify to the governor the names of the three persons receiving the largest number of votes, from which list a successor to Ms. Smith Edge will be appointed. The three receiving the highest number of votes were Sandy Patterson, Tim Skinner, and Mike Burleson. Ms. Haney moved approval of PR 6. Her motion, seconded by Ms. Smith Edge, carried without dissent. (See PR 6 at the end of the Minutes.)

L. Honorary Degree Recipients (PR 7)

President Todd said that PR 7 is a recommendation for approval and awarding of honorary degrees for Doctor of Humanities to Raymond Betts, Doctor of Letters to Seamus Heaney, Doctor of Letters to Abby Marlatt, and Doctor of Letters to Louise McIntosh Slaughter. The Committee on Honorary Degrees met and received nominations. They have recommended to the Graduate Faculty and the University Senate that the degrees be awarded to these individuals. The three bodies have expressed their approval of this recommendation, and it is coming to the Board for approval. Ms. Wickliffe moved approval. Her motion, seconded by Dr. Moore, carried without dissent. (See PR 7 at the end of the Minutes.)

M. Investment Committee Report

Mr. Wilcoxson, chair of the Investment Committee, said that preliminary results indicate that the endowment investments had a market value on December 31, 2005 of \$587.2 million. This compares to an actual market value at the end of September of \$571.3 million.

The endowment return was 2.4 percent for the quarter ending December 31, outperforming the policy benchmark return of 2.1 percent. Based on the preliminary results, the endowment return was 7.3 percent for the calendar year of 2005, compared to the policy benchmark return of 7.6 percent.

Mr. Wilcoxson reported that the committee met that morning and reviewed the results with the consultants. One of the things interesting to pass on to the Board is that presently UK has approximately \$44.5 million in the estimated value in the real estate market. The real estate investment was added in March, and in that short period of time,

UK has picked up \$5 million. This is a testimony that the committee does work and that it continues to explore all investment options to enhance total returns.

N. Student Affairs Committee Report

Ms. Smith Edge, chair of the Committee, gave a brief update on the January 11 meeting and the meeting held that morning prior to the Board meeting. She reported that the committee received an update on the dining service meal program and the proposed facilities renovations. Most important, the committee heard a presentation by Dr. Ruth (Topsy) Staten and Meg Quarles, who are working with high-risk alcohol usage and prevention at the University of Kentucky, which is obviously important at this time. UK is taking its commitment seriously to work on this nationwide issue. In 2004 the Genesis Group was formed. This group is an initiative that began when a coalition of 42 national and international fraternities banded together to support the persistent problem of binge drinking among college students. Two universities nationwide were chosen to pilot this program, DePauw University and the University of Kentucky. This past fall they implemented several different programs to address this issue. Dr. Staten and Ms. Quarles gave the committee a good overview of some of the statistics regarding usage at UK and how to work at reducing the numbers, especially the high-risk for drinking.

There are many initiatives going on. The committee learned that there are two issues nationwide. One is that more students have started drinking at a younger age and are coming to college and, two is that even after aggressive initiatives there had been little change.

A few of the recommendations in the report written by Dr. Peter Lake were highlighted. Dr. Todd will be looking at Peter Lake's report as UK proceeds to establish a campus safety coalition, adopt environmental management as a governing principle, and develop an overall integrated strategic communication plan for informing key constituents on issues related to high-risk alcohol use.

Ms. Smith Edge said the committee received an excellent update, and on behalf of the committee, she commended Dr. Staten and Ms. Quarles for their efforts in this endeavor. She mentioned that Ms. Ellingsworth also gave the committee an overview of projects in Student Government and said that Ms. Ellingsworth will have a more detailed report at a later meeting.

O. University Hospital Committee

Ms. Young, Chair of the University Hospital Committee, reported that the committee met Monday. Murray Clark gave an update on operations and construction. Hospital expansion is on schedule. Bids for the garage came in as expected, and the construction should begin in March 2006. The bid for Huguelet Drive should be in by the end of the month.

She reported that a number of Board members were present the previous week to review the early renditions of some possible designs for the hospital expansion. She thanked Dr. Karpf for involving the Board in an early input of this project because she thinks it is important to involve the Board. It will also help the architects as well in pleasing the Board.

The committee had an extensive report on hospital safety, quality, and ethics issues. The program became very proactive in this area with the appointment of Dr. Joseph Conigliaro and is basically bringing the hospital in line with benchmark institutions.

In following through with the committee's desire to keep the Board informed, she asked Mr. Sergio Melgar to give a brief update on the six-month financials.

Mr. Melgar distributed a summarized report of the December 31 financials for the hospital. He noted that a more in-depth report is available and is mailed to the Board on a regular basis.

He began his presentation by calling attention to the revenue in the hospital. After six months, revenue is approximately \$257 million. The hospital is clearly well on its way to approximately a \$500-million year. That is a significant increase over results that the hospital has seen in the past. Compared to last year, the hospital has had an increase in net revenue of \$40 million. When you look at last year's growth of approximately \$70 million, you can see that over one year and a half, the hospital has had an increase in revenue of \$110 million, making it extremely successful from an operating point of view. Clearly, the big increase has come about due to the volume increases of roughly 25 to 30 percent in the last two years. Capacity within the hospital has been increased by having more beds available, and the physicians have been very successful in attracting patients from throughout the state into the hospital.

Mr. Melgar talked about total operating income. The hospital's income after six months is about \$27 million with almost an 11 percent operating margin. This is quite strong in academic health centers today. Compared to other academic health centers around the country, University Hospital would be ranked among the top.

Last year's income was about \$60 million. Income is now approximately \$12 million higher in operating income than at the same time last year. The operation has done quite well in keeping the cost in line so that there is a marked improvement over last year's results.

Total income for the hospital is roughly \$36 million after six months. The hospital has had a very good year on its investments, and the investment in CHA has done very well this year. CHA is having a very positive year.

The hospital is nearly \$20 million ahead of where it was last year, and last year was a very successful year. It is clearly on track having the best year the hospital has ever seen.

Mr. Melgar highlighted, on a quarterly basis, the last 12 months (the later part of 2005 and the first two months of 2006) and noted that the hospital is now in a run rate of about a \$48-million year. In looking at the prior schedule, the hospital is basically on track to do that when 2006 is finished, based on the \$36 million made after six months. There will be inflation coming up and clearly some operational issues. The hospital should still be able to realize at least \$48 million moving into the year 2007.

Mr. Wilcoxson asked about the operating margin percentage in the first and second quarter of 2004-05 compared to the first and second quarter of 2005-06.

Mr. Melgar said that typically the second quarter of any year is the most unpredictable. The Thanksgiving and Christmas holidays have a great impact on volume. If you look at last year, the second quarter turned out to be close to the lowest of the quarters. The second quarter of this year is a particular concern. On its own merits, a quarter with a \$10-million income from operations and an 8 percent operating margin would be considered quite strong.

Mr. Melgar then discussed the balance sheet. One of the key strengths of the hospital has been its financial position on the balance sheet. There is significant cash at \$267 million compared to about \$249 million a year ago. Therefore, it has been possible to increase the cash balances of the hospital while at the same time investing heavily in capital, both for operating capital and for the new project.

He noted the restricted cash of \$109 million. Most of this is the proceeds from the initial debt issuance on the new project that was issued in November. None of the proceeds from the debt have been used yet. They will begin to be used very soon as parking structure properties are leveled so that the structure can begin to go up in a couple of months.

Total net equity or assets of the hospital are roughly at \$493 million compared to \$445 million a year ago. Equity has gone up about \$48 million, a very strong result. The hospital is almost at the \$500-million equity level.

Mr. Melgar stated that part of the hospital's success is shown in the balance sheet and in the income statement with its increase in revenue of \$110 million. Accounts receivable did not change between years, and part of that is driven by the fact that the hospital has been very successful in continuing to improve collections. In the current year, accounts receivable finished the last quarter at 38 days. The gold standard is about 40 days. He said that he did not know of anyone that is below 40 days other than those in the academic health center industry. The hospital is doing very well in this area.

Mr. Melgar discussed the hospital's growth. The volume represents discharges that were seen based on payers. He pointed out the percentage basis where the hospital is compared to where it was last year. Medicaid is slightly higher on a percentage basis than last year. Medicare is close to the same percentage. Blue Cross is slightly less on a percentage basis. This is evidence that the hospital has seen more patients in the system. The hospital is not taking patients from any particular payer grouping. Basically, all payer groupings are going up proportionally. The hospital is keeping the doors open to all of the payers out there.

Mr. Melgar reviewed discharges based on the major discharge grouping, the specialty that sees patients from medicine, surgery, etc. From a historical view, medicine has had significant growth over the last two years. After six months, there have been approximately 3,000 discharges. This specialty group has had about a 50 percent growth in their volume. Surgery over the last two years has grown by 700 discharges. That is significant growth, and certainly it is more than the growth that the community has seen. The hospital is bringing in a significant number of patients from the entire state in order to achieve these numbers. OB has grown. Pediatrics has had a significant increase, up about 200 discharges over the last two years. GYN, which is a component of OB and is a department in itself, is very strong with an increase in discharges of 125. Other services not included on the list presented have gone up by 250. Effectively, all of the hospital's services are participating in the growth. It is not skewed for one particular department. It is not just medicine. It is not just surgery. All of the departments within the hospital are growing at a significant rate.

Mr. Melgar concluded his remarks by asking for any comments or questions from the Board.

Dr. Karpf asked if he could comment. He thanked the Board for the confidence they have demonstrated in the hospital administration when they allowed the administration to go forward with the building project. That vote of confidence was based on five-year projections. He said he was pleased to demonstrate at this meeting that the administration is not only matching these five-year projections but substantially ahead of those five-year projections. He said he would keep the Board informed as to how the hospital lines up because it is important that the Board feel comfortable and know that their confidence is well warranted.

He continued to say that it is very important to understand that the growth seen in Mr. Melgar's report really needs to be attributed to the faculty here and the faculty that have been recruited. They have been energized in their clinical efforts as Dr. Perman showed in his report. They are energized in their research effort. It is really to their credit that the hospital is moving forward.

Ms. Young said that concluded her committee report.

Mr. Hardymon thanked Ms. Young and Mr. Melgar for their reports. He said the Hospital Committee was going to devote more time to keeping the Board informed and apprised about the vision for the hospital.

P. Dr. Roy Moore's Resignation

Mr. Hardymon said that he had received a copy of a memo that Dr. Moore sent to President Todd. It pleased him on one side because he is proud of Dr. Moore, but on the other side, he did not like the news that Dr. Moore is leaving the university. He asked Dr. Moore to comment about his departure.

Dr. Moore said that as of May he will be accepting a position as the Associate Vice President for Academic Affairs at Georgia College & State University in Milledgeville, Georgia. It is a small public liberal arts school. It has about 5,500 students, of which about 1,000 are graduate students.

Dr. Moore pointed out that this is his 20th year at the University of Kentucky, and he is a Kentucky native. One might imagine how difficult it was to make this decision. It is one of those opportunities.

When he did an ACE Fellowship in 2001-02 at the University of Georgia, he spent some time at Georgia College & State University in Milledgeville as well as at the University of Georgia. He was quite impressed with what he saw there. This opportunity came along, and he had to look at it very closely. He mentioned that his lake home in Georgia is within commuting distance of the college, but assured everyone that was not the primary reason for going to Georgia. It will, however, make it easier as far as the move goes. He also wanted to mention that his wife retired last year from Eastern Kentucky University, and everything seemed to fall in place.

Dr. Moore said that he regretted that he would be leaving the Board because serving on the Board has certainly been a tremendous opportunity. It has been great working with the Board members and with President Todd. He noted that he had spent 41 years in Kentucky, but he would be going back to Georgia where he spent 9 years many years ago. He said that the University of Kentucky is a great institution, and he will stay in touch.

President Todd congratulated Dr. Moore, and Dr. Moore received a round of applause.

Q. Gifts and Pledges (FCR 1 through 10)

Ms. Wickliffe, Chair of the Finance Committee, said that FCR 1 through 10 are consent items, and they represent \$3 million of gifts and pledges received by the university which are eligible for state matching funds. With these gifts and pledges, the university will have matched \$28.6 million of the \$66.7 million of available state matching funds.

R. Establishment of College of Agriculture Tobacco Settlement Quasi Endowment (FCR 11)

Ms. Wickliffe said that FCR 11 is the establishment of the College of Agriculture Tobacco Settlement Quasi-Endowment. The College of Agriculture will receive \$785,641 as part of the federal tobacco buy-out program. The college proposes to establish a quasi-endowment with the funds. The funds will be used to match and endow private gifts of \$10,000 or more for undergraduate scholarships. The college will match \$1 for every \$2 of private gifts. On behalf of the Finance Committee, she moved the adoption of FCR 11. Mr. Branscum seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

S. Approval of Lease (FCR 12)

Ms. Wickliffe said that FCR 12 is the approval of a lease. It is part of a federal research project, and the university will lease 4,200 square feet of a secure, underground technology facility in Louisville at a cost of \$729,140 for 19 months. The research project involves testing of new remote financial transaction backup storage systems. The lease will be funded entirely with federal funds. On behalf of the Finance Committee, she moved the adoption of FCR 12. Mr. Dawson seconded the motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

Mr. Hardymon asked Mr. Butler to comment on FCR 12 since it is a larger lease.

Mr. Butler said that the lease clause was a little strange, but it is also a different kind of facility. It is a secure underground facility. They are going to test the resiliency of the university's ability to recover from different kinds of disasters and basically recover financial information, specifically for the banking industry. It is a unique opportunity for the university to participate in this federal project.

T. Sale of an Investment (FCR 13)

Mr. Hardymon asked Ms. Wickliffe to give the Board an overview of FCR 13.

Ms. Wickliffe said that FCR 13 is the sale of an investment. For a number of years the university has held a certain investment, and the university now has been approached about selling this investment. The university management has been advised by a qualified financial adviser that it is the appropriate time to dispose of the investment to receive the optimal return. In order to achieve such maximum return, confidentiality is required. The investment was appraised during the 2005 calendar year, and the investment will not be sold for less than the minimum appraised value.

Mr. Hardymon said that the Board now needs to go into closed session in order to discuss the proposal to sell an investment. He explained that the Board must go into closed session because an open discussion of this proposal would jeopardize the sale. He moved that the committee go into closed session pursuant to KRS 61.810 (1) (g). This

statutory citation is the exception to the open meetings law that permits the Board to go into closed session to discuss a specific proposal if an open discussion would jeopardize the sale of the investment. Mr. Shoop seconded the motion, and it carried without dissent.

Prior to going into the closed session, Mr. Hardymon advised the Board that as a result of the financial disclosure responses each member made to the general counsel, several board members have recused themselves from participating in the closed meeting and from voting on FCR 13 due to a potential conflict of interest. Those board members know who they are, and one of them happened to be him. For that reason, the closed session will be chaired by Ms. Wickliffe, Vice Chair of the Board. When the Board reconvenes, Ms. Wickliffe will be conducting the meeting.

Mr. Hardymon excused the members who recused themselves from the closed session and asked the remaining Board members to go to conference room F and G for the closed session. The Board went into closed session at 2:38 p.m.

The members of the Board returned to the Board Room at 3:17 p.m.

Ms. Wickliffe said that the closed meeting of the Board had concluded, no matters other than the sale of an investment were discussed in the closed session, and no final action was taken. The Board meeting is now back in open session and will proceed with a vote on FCR 13.

Ms. Ball moved that the Board of Trustees authorize the sale of the university's investment identified in the closed meeting of the Finance Committee on January 24, 2006, at a price no less than the minimum appraised value of the investment as of the 2005 calendar year, and that Frank A. Butler, Executive Vice President for Finance and Administration, be authorized to execute the appropriate legal documents and to take such further action as may be necessary or appropriate to sell such investment. Mr. Miles and several other Board members seconded the motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

U. Meeting Adjourned

Ms. Wickliffe said that concluded the board meeting, and the meeting was adjourned at 3:20 p.m.

Respectfully submitted,

Pamela R. May
Secretary, Board of Trustees

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