

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,  
Tuesday, June 13, 2006.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, June 13, 2006, 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 1:12 p.m. and asked Ms. Pam May, secretary of the Board, 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, Penelope Brown, Dermontti Dawson, Jeff Dembo, Marianne Smith Edge, Rebecca A. Ellingsworth, Ann Haney, James Hardymon (Chair), Pamela May, Billy Joe Miles, Roy Moore, Phillip Patton, Steven Reed, Frank Shoop, Myra Leigh Tobin, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, and Barbara Young. 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 commented that everyone was present and declared the meeting officially open for the conduct of business at 1:13 p.m.

C. Consent Items

Mr. Hardymon then called attention to the items noted on the consent agenda and said that the Minutes of the April 25, 2006 meeting had been distributed earlier. Other items include: PR 2 - Personnel Actions and FCR's 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.

Minutes	April 25, 2006 (Consent)
PR 1	Personnel Actions (Consent)
FCR 1	Bell Alcohol and Addictions Chair Gifts and Pledge (Consent)
FCR 2	Roger Disilvestro Gift and Pledge (Consent)
FCR 3	William Stamps Farish Fund Gift and Pledge (Consent)
FCR 4	Gifts and Pledges to the E. Preston Hicks Chair for Orthodontics and Oral Health Research (Consent)
FCR 5	Estate of John C. Hubbard Gift (Consent)
FCR 6	Dorothy Nelms Gift and Pledge (Consent)

- FCR 7 Medical Alumni Association Gifts and Pledge (Consent)
- FCR 8 Gene and Deborah Gabbard Charitable Remainder Unitrust Pledge (Consent)
- FCR 9 Estate of Edith H. Harmon Gift (Consent)
- FCR 10 Estate of Anthony Leonard Boaden Wyatt Gift (Consent)

(See PR 2 and FCRs 1 through 10 at the end of the Minutes.)

D. Recognition of Dr. E. Vernon Smith

President Todd said there was a big headline in the *Herald-Leader* that morning about a gentleman who is a true Kentuckian who wants to do something for his university and the people of Kentucky. The gifts from Dr. E. Vernon Smith and those honoring his deceased wife, Eloise C. Smith, will have a significant impact on the university. His gifts trace the history of his personal contact with the University of Kentucky.

President Todd expressed appreciation to Dr. Smith's attorney and good friend, along with Susannah Denomme and Mike Richey, for helping bring Dr. Smith's gifts to the university. It is a great way to end the fiscal year.

President Todd recognized Dr. E. Vernon Smith and gave some biographical information about him. He is from Cincinnati; however, he is a native of Greenup County. He is a 1937 graduate of the University of Kentucky and is a former member of the UK Band. Upon graduation from UK, he completed Medical School at the University of Cincinnati, then spent his career as a highly respected internist in the Cincinnati area.

Dr. Smith was invited to the Board of Trustees meeting to be recognized during the announcement of his \$5.2 million gift to UK. The gift will be matched by the Research Challenge Trust Fund, bringing the total gift to \$10.4 million. Also, Dr. Smith has made estate plans to fund an additional \$1.1 million in undergraduate scholarships for nursing. In addition, the Athletic Association will match \$345,000 of this gift. Hence, the \$11 million plus gift is a headline in the newspaper. Dr. Smith's gift will create two chairs – in macular degeneration and Alzheimer's research. Additionally, Dr. Smith will create a scholarship endowment in the College of Medicine with preference for students coming from Greenup County. Dr. Smith's gifts will also create three professorships in the areas of history, nursing, and macular degeneration and a faculty award in the College of Business and Economics.

President Todd invited Mr. Hardyman to join him in presenting Dr. Smith with his very well earned UK Fellows Presidential plaque. He asked Dr. Smith to come forward and accept the plaque. Dr. Smith received a round of applause and a standing ovation.

Dr. Smith made the following comments:

“I appreciate the opportunity of saying a few words. I don’t think my mission would be complete unless I make this move. I promise you I’ll make it short.

I was somewhat at loss for words when informed that I was to address the Board of Trustees on this occasion. However, I do recognize the occasion as an opportunity to provide a background to promote President Todd’s mandate to grow the University of Kentucky into a Top 20 university.

First, I would like to offer my thanks to Mr. Mike Richey, Mrs. Susannah Denomme, and Mr. Dion Guest for their warm welcome to the campus of the University of Kentucky and to Dean Jay Perman, Dr. William Marksberry, Dr. Andy Pearson, and Dr. Jay Ambati for their introduction to the facilities that support their research efforts in the etiology and cure of macular degeneration and Alzheimer’s disease.

One might ask what triggered my interest in the two fields of diseases under discussion.

First, I lost my dear wife, Eloise, to events related to Alzheimer’s disease in 1997; secondly, I was found to have developed macular degeneration in 1996. As a result, I now have vision in one eye.

So, fast forward, as in the case of all mortal beings, one must make plans where the most meaningful in the allocation of his estate. Following a seemingly daily uphill battle for a professional education after graduating from a small high school in eastern Kentucky, which did not have as much as a chemistry laboratory, I found myself at the University of Kentucky where with and provided by a *Lexington Leader* paper route and four years of academia, I found myself on the threshold of admission to Medical School.

All this, despite the national bank holiday of 1929 which bankrupted my father’s business, and despite the ruin of the 1937 Ohio River flood which ruined my father’s business a second time, and from which he never recovered financially.

All this history followed by four years of military service in the Army Medical Corps, followed by three years retraining in hospitals, obviated any thought of marriage, until meeting my wonderful wife-to-be Eloise. There followed several years of international travel, leading up to her death in 1997.

This event triggered estate planning. I had been extremely fortunate with the stock market after an early introduction, while in high school, by a paternal uncle in Ashland, Kentucky.

With this story as a background, I wanted very much to make a professional education available to the young people of my home county, Greenup, in the hope, with time, they could lift the Village of Greenup to a higher economic level on which a prosperous community could evolve. This, of course, would not occur without lifting the educational level of its residents.

I should say that my gift would probably not have attained this level without the availability of the Commonwealth's Research Challenge Trust Fund as an incentive.

Thus, in conclusion to my remarks to the Trustees of this great university, lobby your respective representatives and senators in Frankfort, Kentucky in the hopes that they will renew the challenge grant funds which will be key to the goal of making the University of Kentucky a Top 20 institution, accomplishing the vision of your president Dr. Lee Todd. Thank you."

Dr. Smith received a round of applause, and President Todd thanked him for his remarks.

E. Recognition of Chair of Senate Council and Chair of Staff Senate

President Todd introduced the newly elected chair of the University Senate, Dr. Kevah Tagavi, who is an engineer. Dr. Tagavi has been at UK since 1985. He was academic ombudsman last year, a post that Dr. Dembo also had a few years ago. Dr. Tagavi was recently elected as the new Senate Council Chair and is very active in his research area with over a 100 technical papers and over \$2 million of grants and contracts.

President Todd then recognized the re-elected Kyle Dippery from the Staff Senate. Mr. Dippery has had an interesting year with issue of salary increases and other things. President Todd thanked Mr. Dippery for his service.

F. Article in Keeneland Magazine

President Todd called attention to an article in *Keeneland* magazine. He said it was a great article and a great magazine about a great Kentuckian. It is a very thorough article on Trustee Dermontti Dawson and his family about the work they have done with his foundation. He expressed congratulations to Mr. Dawson for his great work.

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

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

The Medical Center was judged among the top #15 in the nation for consistent improvement. This is based on five consecutive years. UK is three years into this five-year period, and this ranking is tremendous.

There was a recent ribbon-cutting ceremony for the Center for Pharmaceutical Science and Technology facility. Many Trustees, along with Governor Ernie Fletcher, attended the event for this long-awaited building on campus.

A 74-project initiative to renovate, repair, and upgrade classrooms on campus was unveiled.

UK was featured as a cover story in a *Chronicle on Higher Education* story. Over 100 copies of the actual newspaper and 1,500 of the reprints were ordered to blanket the nation with the information because it is a substantial story. President Todd thanked the Public Relations staff for an exceptionally good job of getting UK out there publicly.

The first Showcase of Undergraduate Scholars has been described as a success, and it will be highlighted even more in the future. There were approximately 100 projects to showcase undergraduate research. This undergraduate research will have to be stressed in recruiting because it is vitally important to differentiate UK from some of the other institutions.

The fourth annual President's Awards for Diversity were presented to six individuals and one unit within the university.

E.ON U.S. and UK recently announced a three-year research partnership to study technology that could improve air quality worldwide. E.ON U.S. is committing \$1.5 million grant to UK's Center for Applied Energy Research. These energy companies typically give to a research foundation that does research for the entire industry. This gives UK an opportunity to help with some of the environmental conditions for coal in state.

President Todd said there were many other good things in the report.

#### H. Introduction of Kumble R. Subbaswamy and Update of 2006-09 Strategic Plan

President Todd reported that extremely good progress had been made on the new Strategic Plan. Originally, there was a three-year Strategic Plan, and that plan is being updated. President Todd said he felt that it was important that Dr. Kumble Subbaswamy, the new provost, have his fingerprint on this plan because he is going to be the academic driver for it. He welcomed Dr. Subbaswamy to his first appearance at a Board of Trustees meeting and asked him to come forward and give his presentation. Dr. Subbaswamy received a round of applause.

Dr. Subbaswamy thanked President Todd and members of the Board for their confidence in him by giving him this important position. Since this is his first opportunity to speak to the Board, he said he would take a moment of personal reflection.

This is the fourth position that he has obtained through a national search. In the three earlier positions he started out as a stranger, and his employers had fairly moderate expectations about his job performance. He could only go one way from there. In coming back as somebody who is a known quantity at UK, the expectations seem to be running so high that he is quite anxious about which way the performance will be judged. He said that he will definitely give UK his 1,000 percent effort and abilities.

Another observation is that this is the second time he has attended a meeting of the UK Board of Trustees in his entire life. The last time he attended was some two decades ago, and he attended in his capacity as an elected member of the faculty senate. He noted that he was sitting on the other side of the room at that time and was actually there to protest some action on the part of the Board of Trustees. As they say, what goes around comes around. It will not be too long before there will be some young member of the faculty senate on the other side criticizing something that he has done.

Notwithstanding these anxieties, he said he is truly excited to be at UK. One of the main reasons is his boss. He has never met a more visionary, single-minded, tireless university president than Dr. Lee Todd, Jr. He said he felt like he is jumping on a train that is headed at full speed. The development of the 2006-2009 Strategic Plan is a case in point. After he agreed to become UK's next provost, he told President Todd that he would be glad to lead the strategic planning effort. He innocently assumed that meant starting the process in July when he officially starts his UK job. He was wrong. President Todd wanted to start immediately and never mind his full-time job at Indiana University.

In March President Todd appointed a University Committee on Academic Planning and Priorities (UCAPP). This committee has representation from all sectors of the university. This committee, along with the Council of Academic Deans, has worked throughout the remainder of the spring semester to develop the framework for the 2006-2009 Strategic Plan consistent with the agenda outlined in the Top 20 Business Plan. Dr. Subbaswamy emphasized that it is the faculty and staff who will help UK achieve its Top 20 aspirations. Accordingly, the goals, objectives, and action plans have to be developed in close consultation with the stakeholders. UK must act quickly but not at the cost of leaving behind the important stakeholders.

Dr. Subbaswamy presented a slide which shows the schematics of the Top 20 strategic plans. The Top 20 Business Plan which the Board has approved sets the financial parameters for achieving Top 20 goals. The strategic plans for the academic enterprise and the UK Healthcare Services will in fact work within these parameters and be informed by each other.

Basically, UK has come out of the starting gates ready to race, and academic enterprise looks to do the same. Once the university-wide academic plan is adopted, the college, center, institute, and clinical programs will have to update their strategic plans consistent with the Top 20 goals, as would the clinical programs because there is a strong overlap between the activities of the two. The administrative and support units will also

update their strategic plans to support the academic units and the clinical programs to achieve the Top 20 aspirations.

Dr. Subbaswamy talked about the process and the timeline for completing the university-wide plan.

He reiterated that UCAPP and the deans have worked on developing the Strategic Plan, and it is now being circulated to the stakeholders. The faculty, staff, Board of Trustees, and administrators want to make sure that the plan is consistent with the Council on Postsecondary Education guidelines and expectations; therefore, responses will be solicited to make sure it is consistent with some of the state-wide guidelines. Based on that input, the committee and the Council of Deans will revise the plan and develop the key indicators and action plans. This will be done early in the fall and certainly by October this year.

The Strategic Plan is built around eight themes referred to as the four E's and the four I's.

**Excellence** has to be a habit. As Aristotle said, "It's not an act, but it is a habit." Everyone must begin to think and behave like Top 20 universities, notching up the standards a couple of notches every year. That is how many notches it will take in 14 years to get to the Top 20 status. That is going to be the general message that will be given to every unit.

**Expansion** is another part of it, and that certainly comes from the parameters of the Top 20 Business Plan – more faculty, more students, more support staff, and increasing the volume and quality of the research and creative work that the university undertakes.

**Engagement** means increasing collaboration with communities UK serves and bringing UK research to bear on improving the quality of life for Kentuckians.

**Entrepreneurship** refers to the fact that 40 percent of the financing for this ambitious goal must be self-generated by the university. That requires entrepreneurship, and all levels must be instilled with an entrepreneurial spirit to increase private and federal support for university missions.

**Innovation** is a key to success in any enterprise and also in an academic enterprise. We have to increase experimentation. We should encourage risk taking and get out of complacency.

**Integration** is very rich in its academic offerings with a full range of schools and programs. We need to find additional collaborations among all the support units. Given the wonderful leadership that Dr. Todd has assembled at the University of Kentucky, this will happen and already is beginning to happen.

Supporting interdisciplinary studies and inter-professional training is the way of the 21<sup>st</sup> Century, and that will continue to be emphasized. UK already does a lot of this very well.

**Inclusivity** involves embracing and nurturing diversity in all its dimensions, and this is a critical part of living in the 21<sup>st</sup> Century. UK has undertaken a great many initiatives and will be consolidating them, examining what works, and what does not work, and making sure that specific goals are achieved. This will be shared with the Board when the key indicators are developed.

Placing responsibility and accountability at every level and in every process is important for achieving the goals. As long as these are left as vague goals that only some central offices are responsible for, results will not be seen. We want to make inclusivity a part of a culture at every level. Every leader and every department head will have to embrace and push for achieving the diversity goals.

**Internationalization** involves increasing the international exposure for students through curricular and co-curricular experiences. It is important to increase UK's international presence and visibility. Partnerships are also a critical part of what UK wants to achieve.

This gives a general outline of what the committee and administration are trying to do. The document shows the achieving consensus thus far by working with the committee and the deans. Solicitation of input from the Board, the faculty, and the staff community at large, as well as some external stakeholders, will begin.

Dr. Subbaswamy thanked the Board and received another round of applause.

President Todd said that he looked forward to having Dr. Subbaswamy on campus. He also expressed appreciation to Dr. Scott Smith for the progress and accomplishments that have been made at the institution during the past year. Dr. Smith has done a superb job serving as agricultural dean and the interim provost at the same time. Dr. Smith received a round of applause.

Mr. Hardymon said that he, too, really enjoyed working with Dr. Smith.

I. Appointment of Dean of the College of Nursing (PR 3)

President Todd asked Interim Provost Scott Smith to come forward and announce a new dean.

Dr. Smith said it was a pleasure to have the honor of introducing the new dean of the College of Nursing. Before introducing the new dean, he noted that Dean Carolyn Williams will return to the faculty on August 14. He expressed appreciation to Dean Williams for her years of service and the progress that she led in the College of Nursing. Dean Williams received a round of applause.



He reported that there was a rigorous and aggressive national search for a new dean of the College of Nursing, and there was a very competitive pool. The star of that pool was Dr. Jane Marie Kirschling who accepted the position. Dr. Kirschling will take office on August 14. She is currently Dean of the College of Nursing and Health Professions at the University of Southern Maine. She also has Indiana connections as does Dr. Subbaswamy. He thanked Dr. Subbaswamy for sealing the deal with Dr. Kirschling near the end of that process. Dr. Smith expressed pleasure in having Dr. Kirschling at the meeting and asked if she would like to say a few words. Dr. Kirschling received a round of applause.

Dr. Kirschling thanked everyone and said she was honored to have the opportunity to address the Board. She also thanked them for the opportunity to be the next dean of the College of Nursing. She is looking forward to working with the exceptional faculty, students, and staff. The college has a very strong national reputation, and she will help in moving forward to the goal that has been set for the college.

Dr. Kirschling thanked Dean Williams. Through her leadership, the college has achieved so much the last couple of decades. She leaves a large set of shoes. Dr. Kirschling received another round of applause.

On motion made by Dr. Moore, seconded by Mr. Shoop and carried, the appointment of Dr. Kirschling as the Dean of the College of Nursing was approved. (See PR 3 at the end of the Minutes.)

J. Proposed Amended Revision to the Governing Regulations (PR 4)

President Todd said that PR 4 is a proposed amended revision to the Governing Regulations. It was received for preliminary consideration by the Board of Trustees on April 25. It is being presented at this time for approval. The Commission on Colleges of the Southern Association of Colleges and Schools (SACS) revised their standards in 2001. PR 4 is to bring this particular section of the Governing Regulations in alignment with SACS standards.

Mr. Hardymon called for a motion. Ms. Smith Edge moved approval. Ms. Tobin seconded the motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

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

President Todd said that PR 5 is the recommendation for the reappointment of two members to the Board of Directors of the University of Kentucky Research Foundation. Anne-Frances Miller is a faculty member who has served a three-year term, and her reappointment is for a second three-year term. Richard Kurzynske is a public member and a business leader who has been in this area for quite some time. He is very

active in industry. His reappointment is for an additional three-year term as well. President Todd noted that the Board had received biographies on these individuals.

Mr. Hardymon called for a motion. Mr. Branscum moved approval. Ms. Haney seconded the motion, and it carried without dissent. (See PR 5 at the end of the Minutes.)

L. Investment Committee Report

Mr. Hardymon said that he was changing the order of the agenda and called upon Mr. Wilcoxson to give the Investment Committee report.

Mr. Wilcoxson, chair of the Investment Committee, reported that the university endowment had a market value of \$752.2 million as of May 31. In May, \$50 million was added to the hospital quasi-endowment and was invested among the various endowment investment managers. This hospital quasi-endowment was established in March with an initial \$100 million transfer from the hospital's reserve funds invested at the state. The \$100 million was also invested among the various endowment investment managers.

For the fiscal year, eleven months ended May 31, the endowment investment pool had an absolute return of 10.02 percent.

Mr. Hardymon thanked Mr. Wilcoxson for his good report.

M. Academic Affairs Committee Report

Ms. Tobin, chair of the Academic Affairs Committee, said there were two items on the committee's agenda. The first is a recommendation that the trustees approve the a change in the name of the College of Agriculture's Bachelor of Science in Agriculture, Education, Communication, and Leadership with a major in Agriculture Education, Communication and Leadership to Bachelor of Science in Community Communications and Leadership Development with a major in Community Communications and Leadership Development.

The second recommendation is to create a Plan B option to the Master of Science in Dentistry. This will provide those who are seeking a Master in Dentistry the opportunity to do more clinical work and not to write a thesis.

The third recommendation is to change the name of the College of Engineering's Master of Science with a major in Computer Science to Master of Science in Computer Science with a major in Computer Science.

The background for these changes is to provide for consistency with curricula standards accepted at the national level and to more clearly identify the programs for prospective students.

These proposals have the approval of the Undergraduate Council or Graduate Council, Senate Council, and University Senate, and the Interim Provost of the university supports these recommendations.

Ms. Tobin moved that the Board accept these academic degree changes. Dr. Moore seconded the motion, and it carried without dissent. (See AACR 1 at the end of the Minutes.)

N. Change in Name of an Interdisciplinary Program (AACR 2)

Ms. Tobin said that AACR 2 is a change in name of an interdisciplinary program. The recommendation is that the Board of Trustees approve a change in the name of the College of Arts and Sciences' Women's Studies Program to Gender and Women's Studies Program, effective in the summer 2006 semester.

The background for this change is the consensus that the addition of gender to the program title is more inclusive, accurate, and institutionally progressive than the current program title. It will also aid students in understanding the importance of the issues of gender in their lives and to their programs of study.

The proposal has been approved by the program faculty and the Arts and Sciences College Council. It has been reviewed and recommended by the Senate Committee on Academic Organization and Structure and recommended by the University Senate. The Interim Provost of the university supports this recommendation.

Ms. Tobin moved that the Board of Trustees accept this change in name of an interdisciplinary program. Ms. May seconded the motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

O. Finance Committee Report

Ms. Wickliffe said that FCRs 1 through 10 are consent items. These are gifts and pledges that total \$8.78 million, all of which are eligible to be matched by the state. With these gifts and pledges, UK will have matched \$40.8 million of state funds from the Endowment Match Program, but there is still \$25.8 million of state funds that can be matched to date.

Dr. Moore said he would like to recognize some people in the audience who played a key role in FCR 8 for the Institute for Rural Journalism. He asked Al Smith and Martha Helen Smith, his wife, to stand and be recognized. He also recognized Janice Birdwhistel, who is the college's development officer, and Dr. Beth Barnes, who is the Director of the School of Journalism and Telecommunications. These individuals played a key role in this new institute, and it is a sizable pledge. Dr. Moore asked Mr. Smith, a television commentator who has his own show on KET, to say a few words.

Mr. Smith said that the election of Dr. Todd as the President of the university also made possible the creation of the Institute for Rural Journalism. A group of journalists around the country, who are friends, had been working on this project, and the University of North Carolina was making a bid for it. Several deans at Chapel Hill had said they could do it if they could get their president to put up the money. Mr. Smith said that he thought maybe UK's president could trump it, and Kentucky could trump several deans at Chapel Hill. He then went to President Todd who offered his support if he and his colleagues could find the money.

Mr. Smith reported they got the money, and the purpose of this action is to see the University of Kentucky, through its College of Communications, become first a regional, then a national, and then an international support medium dealing with the affairs of rural America. The issues are basically to move educational resources from the campuses of UK and its 14 academic partners that are in the program out to rural media in communities where some 63 million people are outside of metro America. The focuses are on education, healthcare, environment, and sustainable economic development.

Mr. Smith thanked the Board for supporting this, and he received a round of applause from the Board.

President Todd said that it was a great day when Mr. Smith came to the office because things have gone at a very accelerated pace to be able to have a \$3 million endowment in something that was merely a concept not so long ago. This is phenomenal.

President Todd expressed appreciation to Mr. Smith for his support, and thanked Dr. Barnes and her staff for their good work. He told a story about the first time he met Mr. Smith at a breakfast with Mr. Earl Wallace and Dr. Thomas Clark and talked about a friendship that he and his wife, Patsy, have enjoyed with Mr. and Mrs. Smith for a long time.

P. Renaming of Verizon Endowment and Transfer of Funds within Endowments of the Center for Research on Violence Against Women (FCR 11)

Ms. Wickliffe said that the renaming of the endowment reflects the enhancement of the endowed faculty position from a professorship to a chair. In order to elevate the position to chair status, \$500,000 in additional funding was needed, which is being provided through a transfer of funds from the center's existing endowment. This change assists the center in achieving its goal to establish and endow five chairs of study on violence against women, which will position UK to have the preeminent center of its kind in the nation.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 11. Ms. Tobin seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

Q. Approval of Leases (FCR 12)

Ms. Wickliffe said that FCR 12 is the Approval of Leases. The first one is a lease between the University of Kentucky Injury Prevention/Dentistry and B & C Investments. It is for 9,176 square feet of office space, at an annual rate of \$116,994. The second is a renewal lease between the University of Kentucky Department of Anthropology and Carl B. White of Nicholasville for 21,600 square feet of space for a price of \$113,400.

On behalf of the Finance Committee, she moved the adoption of FCR 12. Ms. Haney seconded her motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

Mr. Hardymon reminded the Board that under the updated regulations the Board is responsible for approving leases that have a value of over \$100,000 annually. These two leases qualify for that amount even though they are renewals.

R. Authorization to Lease up to 3,491 Acres Located to the South of the Plant Sciences Building to the United States Department of Agriculture (FCR 13)

Ms. Wickliffe said that FCR 13 is the Authorization to Lease up to 3.491 Acres Located to the South of the Plant Sciences Building to the United States Department of Agriculture. Under the terms of the agreement, the USDA will construct a research building and greenhouse on the property for USDA and the College of Agriculture scientists. The lease is for 50 years with an option for a 25-year extension. All construction and maintenance costs for the life of the lease will be paid by the USDA. This does not cost UK anything, and UK gets to reap the benefits from it.

On behalf of the Finance Committee, she moved the adoption of FCR 13. Mr. Branscum seconded the motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

S. Approval of Lease – Lot 14A at Coldstream (FCR 14)

Ms. Wickliffe said that FCR 14 is the Approval of Lease for Lot 14A at Coldstream. This is for approximately 6 acres on Lot #14 at Coldstream for 100 years at \$59,500 annually. The Lessee will build a 40,000 square foot, two-story facility for the headquarters of a software development firm.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 14. Ms. Haney seconded her motion, and it carried without dissent. (See FCR 14 at the end of the Minutes.)

Mr. Hardymon stated that the Board has to be pleased with Coldstream, and President Todd agreed.

T. 2006-2007 Operating and Capital Budget (FCR 15)

Ms. Wickliffe said that FCR 15 is the adoption of the operating and capital budget, and President Todd would make a presentation about it.

President Todd said that it brought him great pleasure to provide the Board with the 2006-2007 Operating and Capital Budget. He thanked Frank Butler, Angie Martin, and the team that worked with them, along with the deans and provost (past and present) who put it together. It is a major accomplishment. He said that he wanted to go through the document and summarize a few things.

It is good for us to look back at the accomplishments since the year 2000 in some of these areas. We have increased the freshman class substantially. The number of students who are participating in the Governor's Scholars and Governor's School for the Arts has tripled. Enrollment has increased by 11 percent. Our six-year graduation rate has gone up 4 percent to where it is basically 60 percent. The total number of degrees is up by 425. Our researchers were at a record \$274 million last year, an 84 percent increase since 2000, and are running ahead of that for this year. When House Bill 1 was passed in 1997, UK's endowment was under \$200 million. If you take out the \$100 million that you just put in there from the hospital, it sits at \$670 million and to go from under \$200 million to \$670 million is a great accomplishment. Terry Mobley and Mike Richey deserve a tremendous amount of credit.

I was really fascinated as I went around and spoke to the colleges this year about the Top 20 Business Plan. When I mentioned that we needed to grow 6,000 undergraduates, every one of them asked if we are going to maintain our quality. I think they have seen an improvement in quality. They do not want to give that up, it is important.

The enrollment growth is a goal, as I mentioned, driven by the plan. Competitive faculty and staff salaries and benefits are important. It is our human capital. It is the students, the faculty, and the staff that we have to invest in. We will continue to increase our research expenditures and make the strategic investments, which are really in people again. It is hiring more faculty and making those proper investments.

The challenges we face are the Commonwealth's ability to fund our plan. They have really stepped up for year two of this biennium. We will be presenting the other half of it next year. They proved this year that they can look at UK as the flagship university, as the major land-grant university for the state, and treat us differentially and invest in the mission that we have been challenged to undertake.

Our population trends are difficult because we are not seeing a massively increasing undergraduate population at a time when we say we need 6,000 more students. What that says to every university in the state of Kentucky is that we have to engage with K-12 to get those 8<sup>th</sup> graders who are not thinking about going to college right now to

begin thinking about it, to encourage them, to motivate them, and get them to enter our doors because that is the thing that will change the state.

Affordability is clearly an issue. We have had to jack up tuition by double digits every year that I have been here. I am looking forward to next year because with the support that we got from Frankfort this year, we will not have to do that.

The federal research budget is under pressure. I met last week with Margaret Spellings, the Secretary of Education, and also with Dr. Mark Marberger, who is the president's science advisor, along with some other business leaders, trying to tell them that at this time in the country's history, especially if you look at the competition from India and China that is coming about, we have to invest in research, and we are hoping to push that up, but right now it is a challenge for us because the budget has flattened.

We made a run at trying to get bonding authority. In order for this university to be able to make the timely decisions on building dormitories, using our own funds to build the facilities, we must be able to issue revenue bonds. We are going to have to go back to Frankfort and continue to push on that lever because it is something that we desperately need. So, those are the challenges.

Just a couple of things about the student enrollment – if you look on the left hand side of the slide, this is one good feeling I get when I think about affordability. Since 2000, we have seen increased enrollment from 72 of Kentucky's 120 counties, 16 of which CPE designates as the 29 underserved counties in Kentucky, and 27 of the 55 Appalachian counties, and among the Pell-Grant-eligible students. As we have discussed several times, when we have increased our tuition, we have generally found ways to improve our scholarship position so that we do not close our doors to those students who still need to come here.

I had a very refreshing talk with Charlie Reed today who heads the system of California State Colleges. They are seeing the problem out there that I think we have in Kentucky. A lot of kids do not know what it takes to get into colleges, and they make poor decisions starting around the 8<sup>th</sup> grade. They see double-digit tuition increase headlines so frequently now that their parents, who are not familiar with the financing methods for college, just assume that they cannot make it. He had Boeing invest in 500,000 posters printed in seven different languages, and they are putting them in the middle schools of California. The posters say this is what it takes to go to college, and this is what you can get in the way of financial assistance. That is what we have to do. We are doing a pretty good job of it, but that is the real promise of Kentucky.

From 2000 to 2005, you can see that we have grown by about 1,000 first-time freshmen students. Our ACT average is the highest it has been in a decade. To have that high average with that increase is very good. We have taken the Governor's Scholars and School for the Arts from basically 100 to 300. We have taken the valedictorians numbers from 86 to 137. I am looking forward to what this class brings this year.

When we had our short fall in African American students, I think the papers did a very good job of positioning the fact that, if you look at our graduation rate, it is the highest in the state of Kentucky for a public university by quite a bit. We can be proud of first-year retention rates and graduation rates, but there is still work to be done. Our goal to be a Top 20 university is to get our graduation rate to 72 percent. The private colleges are up in the 90's, but that is because mom and dad had plenty of money. It is just a different game there, and the caliber of students that they restrict themselves to.

If you look at research, we have realized phenomenal growth. Bucks for Brains has clearly helped us a lot. And, many of our faculty who were here in 2000 and 2001 have been extremely competitive and productive. What I am impressed with, as I said earlier in the finance meeting, is the \$274 million of research grants, which was a record last year. We are at \$274 million at the end of May. We have the entire month of June to increase the number. We will beat last year's number, and that is a question for a lot of universities around the country who are sweating out the NIH budget because they are so heavily dependent on NIH funding. We are right now at an 8.5 percent increase over last year, including a 5 percent increase on federal grants, which is spectacular.

We did take some risks by putting the Top 20 Business Plan on the table. I remember someone asking me when I was being interviewed by one of the national publications, what is your backup plan? I said I do not talk about backup plans until the legislature goes home because I do not want them to think I have one. But the talk about 5.5 percent salary increases for faculty over a six-year period is something that has not taken place at this institution. We were not able to quite make it this year because the financing in the first year of this biennium is low, but we need to get this number up. We feel we can do 5.5 percent for the next six years and get to the median of our benchmarks.

Our budget position is changing quite a bit. We have gone from a \$1.2 billion budget in 2000-2001 to a \$1.8 billion budget. I remember in one of my early years I said that is was the first time that the hospital was providing more money to the university's budget than the state. In 2000, it was very close. Now, the state is providing 17 percent, and the hospital is providing 32 percent of our revenues. The affiliated corporations have come up substantially with the research foundation doing a lot of that. The tuition and fees percentage is up because of the increases that we had to make there.

The state funds should continue to drive down. Not because the state is giving us less, but because we are generating more revenue. We want them to continue to make their investment here, but this is an awfully good aggressive picture about how this university has grown in those years.

If we look at the state appropriation that we got this year, and this really is the driver for our budget, the Council on Postsecondary Education requested \$13.7 million for UK in the first year of the biennium and \$13.6 in the second. Our Top 20 Business Plan said that we needed \$4 million more than that the first year and \$5 million more than that the second year.



The Governor proposed \$4.6 million the first year and \$2.5 million the second year. The House, given the tough constraints it was under in this first year of this biennium, held the first year at the Governor's proposed level. The night that Steve Byars called me and said the House just came out with this budget, and they put a \$9 million increment in for UK's Top 20 Business Plan, was a good night not only because of the money, but also because strategically it endorsed what we were trying to say that we are on a path to do something different. That went across to the Senate. David Williams saw me in Philadelphia at one of the tournament games and said that we would like the Senate budget, but he would not tell me what it was. I had to wait two days. The Senate came across the isle with \$24 million. Alice Kerr did us a very good service, and she was able to announce on the Senate floor that the Senate wants to fund the UK business plan fully in the second year. It went into conference, and we ended up with \$21 million. That is recurring money in our base budget, and that is very significant. It is a huge increase for us. What we have to do now is make sure that everybody knows that is the first-year down payment on the 14-year plan because we need a 5.8 percent increase for the next 6 years to stay on target. You will have to help us sell that, but we did get a lot of that message across.

If you look at what is happening, and this is just not here at UK but across the nation in higher education, the standard rate of overall inflation is quite a bit less than the rate of higher education inflation because we depend so much on equipment.

We said we needed \$17.7 million of state funds this first year. We got basically \$4.6 million. That left us \$13 million short of the aspiration that we had for salaries, hiring, and so forth. Instead of the 9 percent tuition increase we had projected, we increased tuition by 12 percent, which generated \$3 million more. That left us \$10 million short in what we needed. We chose to not give the faculty the 5.5 percent increase for the full year. We did 3.5 percent for the first part of the year, and then we will have a catch up fund at 1.5 percent starting in January.

For the staff, we have an enhancement fund of \$5 million (FY 2007-08). Instead of a 3 percent increase for the staff, we chose to put in a 3.5 percent increase for the staff this year.

In addition, we put a .5 percent faculty fighting fund in the budget like the last time. Salary increases were made as best we could because that is the most important thing that we have to do to secure our faculty and hire new ones. We had \$3 million to hire more faculty. We are going to hire 27 new faculty lines this year and 27 new faculty lines next year to try to get our student-faculty ratio to where we need it to be before we start increasing the undergraduate population. That is a very significant addition to our faculty, and it is extremely exciting.

We increased student scholarships by \$2.7 million. When we increase tuition, scholarship money has to be increased. A lot of our fundraising emphasis will be for scholarships after we finish this round of Bucks for Brains because we have got to get competitive.

There is \$1.5 million for the IRIS project, which is moving along extremely well. I am very proud of the work that Dr. Phyllis Nash and her team are doing in that regard.

Those are the implementation points and where the money goes to implement this plan. If you look at the operating budget overview in general, where that \$1.8 billion comes from, and if you compare it to the original budget which was slightly revised later in the year, there has been a significant general fund increase. Auxiliary funds and others have not changed that much, but the main increase has come from this \$161 million from the Hospital, the state, and the students.

The investment income that we have is coming in better. Some of the auxiliary services are coming in higher. We have an additional \$18 million that the university has contributed, but University Hospital revenues have contributed an additional \$120 million. That is why we are beginning to see a squeeze on the 17 percent of our budget that the state is giving us because of the hospital. They are now hitting about their 2012 projections. They are a little ahead of schedule right now, and we are all for that.

What we said when we wrote this plan was that we were going to cover 40 percent of the increase of the Top 20 Business Plan. The university is actually putting in 86 percent to cover the increase. The students are putting in 11 percent, and the state is putting in 3 percent. Mr. Hardymon has said that is not quite fair. The hospital is doing an awful lot of that. We excluded the hospital to see what part of this increase we are carrying. If you look at what we asked for in the plan, we were going to do 26 percent and we are now doing 45 percent. Again, that is because the state was only doing 13 percent versus 34 percent. We have really sucked it up, but we have done it in such a way that we can continue to invest in the faculty for this institution.

The undesignated general funds are where you have the cash to give salary increases, and that is where you have some flexibility. Much of our revenue is designated or it is restricted in some way through the Bucks for Brains or to the auxiliary services because they generate the revenue.

Given our needs, the way we look at our decision package is to put in salary increases that we need first, along with the new faculty positions and the student support services and improvements.

Our coal bill is going up \$3.5 million this year. That is a real expense. That is \$3.5 million that we are going to have to find.

Scholarships are going up \$2.7 million. The IRIS project increase is \$1.5 million. The state funded some earmarks for some good things such as: \$1 million for healthy Kentucky and mining scholarships.

The total funding needs are \$28.5 million.

Looking at revenues, you have the state appropriation. There is the \$1 million worth of earmarks. Then you have the state grant for research that came through the CPE budget and the tuition increase. We have other income from investments and so forth, and then we have cost savings.

Next year we are going to have a substantial increase in our state funds, and that is going to allow us to keep our tuition down and give the types of salary increases that we talked about originally. We will do some of the things in the Top 20 Business Plan.

In the capital budget, it was just a spectacular year for us. We have 18 major capital projects under way that total \$754 million: the Biological Pharmaceutical Complex, the patient care facility, the IRIS computing system, the Student Health Facility, and the expansion of Memorial Coliseum. We have a lot of things going on.

I am amazed by the progress of the past. I am also amazed at the aspirations that we have. The only thing greater than the challenge that we face is the strength of resolve of those of you on this Board and of many people in the state. It has been extremely pleasing to me to hear the conversation that took place in the legislative session this last time and around the state.

I knew we had something with this Top 20 Business Plan when I went shopping about three days before Christmas, and the owner of the Mousetrapp came up and said, "You know, I really like this business plan." The *Herald-Leader* that Sunday had done a two-page spread about the business plan. I then went to Artique in the Lexington Green Mall. I had never met the owner of that business, but he walked up to me and said, "You know, I really like this business-plan approach you are taking." And then the next night, Patsy and I took someone to eat at Portofino's, and the owner said, "I really like this business plan." It has entered the national conversation.

It is a amazing that the people voted for this in the House and the Senate this year. Steve Reed questioned whether we think that we really had a one-year change or a long-term change. The Legislature invested a significant amount of their time listening to the pitch and thinking about it. Then they integrated that into their vocabulary and took action. So, this is a pivotal year for us. 2020 is not that far away. It was a year for us to say: "Are we in or are we out?" Unfortunately, this year is tough, but we are making it. The next year is going to get us on the path.

President Todd thanked everybody that was a part of the budget and said he would be glad to answer any questions or deflect them to others.

Mr. Hardymon said that the Board had received a pretty thorough insight into the budget. Mr. Butler and Ms. Martin held several budget sessions, and a detailed copy of the budget was provided to each member. He called for a motion of approval for the 2006-2007 Operating and Capital Budget. Mr. Miles moved approval. Mr. Reed seconded his motion. Mr. Hardymon then asked for any comments or questions.

Mr. Williams said that he respectfully intended to vote against the budget for a couple of reasons, not the least of which was seen on one of the slides where there is a differentiated salary increase pool between faculty and staff. He said that he had made it quite clear for months that this is something that he does not agree with, cannot agree with, and cannot get behind. Mr. Williams continued his comments as follows:

“The Board needs to consider a couple of things before they vote for this budget. One, the Top 20 Business Plan calls for the same differentiated pay scale to be in place at least for the next six years. We are not just looking at something that is going to happen once to catch up faculty salaries. This is going to happen over six years. I cannot begin to describe the impact on morale at this institution. The morale is about as low as I have seen it. For the first time in the institution’s history, serious union recruitment has gone on, and we now officially have university employees who are members of the union. Technically, I’m not sure what that means. Culturally for a work place perspective, it means a lot. I am not sure anybody knows the extent of the membership or the future of that membership, but it was this decision that opened the door for those who were ready to come in and start those discussions.

As trustees at this institution, we need to project ahead. It may well be that in ten or fifteen or who knows how many years, this Board may be faced with a vote about whether to recognize a collective bargaining unit or not. I likely will not be on the Board at that time, but we have got to think about future trustees and what they may be faced with. So, I will vote no on the budget, and that is out of no disrespect for the President and no disrespect to the staff members who put together the budget. It is simply for me a matter of principle that I simply cannot compromise and will not compromise. Thank you.”

Mr. Hardymon thanked Mr. Williams for his comments and asked for any further comments.

Dr. Dembo said that he would have to follow Russ and also tell the Board why he was planning to vote no on the budget. He made the following comments:

“I believe a group of people working together and striving towards common goals can create a body or institution far greater than the sum of its parts. However, an institution can never by itself exceed the vision and aspirations of those people working there. I think that right now, to which Russ alluded, there is a growing disconnect between the direction the university intends to go and the willingness and enthusiasm among the people who work here every day.

The budget in its current state is very well formulated, and I do appreciate the thoroughness that Ms. Martin and Mr. Butler consistently use to describe the budget and the rationale behind it. However, a budget is also how we vocalize our priorities for the institution, and there has been notably less effort paid to

prioritizing the goals for the human capital as compared with capital construction, endowments, etc.

I was told at the Association of Governing Boards (AGB) meeting that one of the requirements to be on the board at Home Depot is to make a certain number of anonymous visits to Home Depot stores every year, look around, and speak to people. I would like to encourage my board colleagues to follow suit and walk around on campus and talk to faculty and staff that work here to see if you too might sense what Mr. Williams and I are trying to describe.

Finally, developing the human infrastructure, in my opinion, has notably been less effective than attention given to all other aspects of the budget. And, while I cannot parse out that portion of it, I am forced to cast my one vote against the budget.”

Mr. Hardymon then recognized Dr. Moore for his comments.

Dr. Moore said that he wanted to reiterate what Dr. Dembo had said. He made the following remarks:

“As everyone knows, I am leaving the Board, but I will continue to be concerned about UK because of my commitment as an alumnus of the institution. It is amazing to see how much this university has moved along when you look at the Top 20 Business Plan, the endowment and so on under President Todd’s leadership. I highly commend him. It has been wonderful being on this Board for two years and seeing what has happened. I would caution the university in the future to continue to think about a budget that looks at its investment in human capital -- particularly, benefits and salaries. President Todd has made an enormous effort at trying to get the salaries up. We still have a long way to go even to get to the median -- about \$20,000. I know that is clearly one of his priorities. As UK looks toward the future -- the next two years -- think about what you can do as an institution.

I will continue to be a part of this institution after I leave, and it will always have a special place in my heart. Think about what you can do to improve the morale on campus of staff and of faculty, including how we treat them in terms the benefits and salaries. I hope that you will continue to do more to see this university move forward as a Top 20 institution.”

President Todd said that he would have to comment on some of this, noting that the institution was cut \$90 million in three years. He asked Dr. Dembo how much his health insurance went up, and Dr. Dembo replied, “Not very much.” President Todd said none. He then asked Dr. Moore the same question, and Dr. Moore replied, “Right.” President Todd continued with the following remarks:

“That is human investment. Ask some of the people that you are going to walk around and talk to in industry what happened to their health benefits, if they still get them.

Salaries have been the highest goal that I have put on this list since I have been here. You cannot make salary increases with \$90 million in cuts. We put together a business plan that talks about a 5.5 percent increase in faculty salaries for six years to get this institution up to the median. I do not know what else you can do. We cannot print money. We had a kid in the dorm that tried to do that a couple of years ago, and he is probably in jail now. But, to say that we have not focused on the human capital, I find it personally offensive.

With respect to the 3 percent for staff Mr. Williams, when you do a plan like this you do not have to adhere to it every year. You wait and see what revenues come in. We have said our tuition can go up, or it can go down based on what the state does. I am happy to put more money in people’s pockets; however, when you have 10,000 staff and 2,000 faculty and you know that you are behind in faculty salaries, you do not have enough money to give everybody the same raise, or if you do, you are not going to move up in what is our most competitive area, which is faculty salaries.

We put \$5 million in that budget that nobody wants to acknowledge. That \$5 million was to try to give some additional benefits to the staff. We have got to segment this staff because we have for too many years put into too large a category, and we call all of those people in there staff. You have a wide range of people. Some are nationally competitive, and some are locally competitive. We need to have a market driven compensation plan that will allow us to pay people according to the market that they are in. I do not believe in paying people more than what they can demand in the market place. You do not do that anywhere else and I am not going to do it here. We are not going to make any headway.

There has got to be some kind of a short course we offer on one-time money versus recurring money. I hear complaints about putting money into capital projects. \$10 million into a capital project will not give you very long salary increases because it is one time and it is gone. But, you have to have capital projects if you are going to grow. The biggest impediment that Dr. Michael Karpf, Dr. Jay Perman, and Dr. Wendy Baldwin will tell you in hiring faculty is lab space and facilities. We put a plan together that talks about academic space. It talks about lab space. It talks about medical space. It talks about salary increases, and I think it is a hell of a budget. End of comment.”

Mr. Hardymon then recognized Mr. Tobin for comments.

Ms. Tobin asked the Board to turn to page 79 of the budget. She referred to the Office of International Affairs which is something near and dear to many people’s hearts, and it is only a question of money. This is one area where the budget is \$845,000. If we

are going to reach this goal that was on Dr. Subaswamy's chart of internationalism in future budgets, the Board needs to think about this. In her mind, a minimum of this budget should be \$10, 845,000. The development efforts need to keep going strong after some scholarships in this area to support the Office of International Affairs. To move that line item of the budget forward will mean a lot to this institution.

President Todd said that he had met with Dr. David Bettez of the international office, and he brought a business plan for what he thinks UK needs to do in the international office. The nation has set a target. It is the Lincoln Project of having a million American students studying overseas by next year or the year after. Peter McPherson, who was at Michigan State, put a high premium on international work. He was the chairman of that group.

This institution does need to improve that area. It may or may not be able to get to \$10 million next year, but that area is vital for us, especially since a lot of the students and parents in Kentucky have not traveled.

Mr. Hardymon noted that people will not get to higher levels in the corporate world any more without international labor in the corporations. The boards look at overseas assignment, education, and so forth. He said that Ms. Tobin made a good point.

Ms. Wickliffe said that she wanted to publicly thank the staff at the university for putting this budget together, especially Ms. Martin, Mr. Butler, and Mr. Clay Owen for the time that they put aside to brief each and every one of the Board members who wanted to attend a budget session and get questions answered. They never fail to answer her questions regardless of when she calls, day or night, and they always help her get prepared so she can serve the Board better.

Ms. Wickliffe then directed the Board's attention to the last page of Dr. Todd's introduction in the front of the introduction. She read the following paragraphs from that page:

"This budget represents both renewal and change. For the ninth year, we have written a budget for this institution in the shadow of the historic postsecondary education reform of 1997. The budgets of previous years have under-written dramatic progress across a host of measures of this institution's quality.

But today we enter a new phase. In December 2005 the Board of Trustees approved the University of Kentucky's Top 20 Business Plan. Since that time, the Kentucky General Assembly has embraced that Plan, providing for substantial increases in funding over the next two years. They have done what we have asked. We now must do what we have promised. The Plan contains a series of goals to be achieved in the short and the long term. And the budget you review today provides the first installment in implementing that Plan and achieving those goals.

This is a moment we dare not take for granted and an opportunity we dare not let pass. We must prove today and every day that we are worthy of the investment Kentucky is making in us and that we are capable of providing the leadership necessary to move Kentucky forward.”

Having said that, Ms. Wickliffe moved the question.

On motion previously made by Mr. Miles, seconded by Mr. Reed and carried, the 2006-2007 Operating and Capital Budget was approved. Dr. Dembo and Mr. Williams voted against the approval of FCR 15. (See FCR 15 at the end of the Minutes.)

President Todd asked the Board for a round of applause Ms. Martin, Mr. Butler, Mr. Bill Swinford, Dr. Connie Ray, and the staff for their efforts and support for this budget. He expressed appreciation for the work they did on the budget.

U. Providing for the Authorization, Issuance, and Sale of Approximately \$24,565,000 General Receipts Obligations (Student Health Facility Project) of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005 (FCR 16)

Ms. Wickliffe said that FCR 16 provides for the authorization, issuance, and sale of approximately \$24.5 million General Receipts Obligations for the Student Health Facility Project. The bond issue of approximately \$24.6 million will be sold competitively in mid-August by the Office of the Treasurer. The Student Health Facility Project was authorized by the 2005 General Assembly and was approved by the Board of Trustees in May 2005. The treasurer of the university will be authorized to determine the sale, the date, and the acceptance of the lowest bid. The bonds will be designated General Receipts Bonds, 2006 Series A.

On behalf of the Finance Committee, she moved the adoption of FCR 16. Mr. Shoop seconded her motion, and it carried without dissent. (See FCR 16 at the end of the Minutes.)

V. Plan for the Distribution and Use of Professional Income Under the University of Kentucky Center for Manufacturing, Lean Manufacturing Program(FCR 17)

Ms. Wickliffe said that FCR 17 is the Plan for the Distribution and Use of Professional Income under the UK Center for Manufacturing, Lean Manufacturing Program. The Board approved a pilot plan in December 2004 to run through June 30, 2006. The major changes in the plan are highlighted on the second page of the FCR. They include the establishment of an Annual Anticipated Remuneration for faculty directly participating in the plan, distributing any supplementary plan income based on actual received revenue (excluding accounts receivable), and a larger share of the supplementary income returns to the Center.



On behalf of the Finance Committee, she moved the adoption of FCR 17. Ms. Haney seconded the motion, and it carried without dissent. (See FCR 17 at the end of the Minutes.)

W. Capital Projects (FCR 18a)

Ms. Wickliffe said that FCR 18 had been divided into two parts. FCR 18a is capital projects, and this is the completion of the Biological/Pharmaceutical Building to be funded with State Bonds and three health care projects to be funded by the University Hospital. On behalf of the Finance Committee, she moved the adoption of 18a. Ms. Ball seconded the motion, and it carried without dissent. (See FCR 18a at the end of the Minutes.)

Ms. Young reported that the University Hospital Committee reviewed these projects and approved them.

X. Renovate and Expand the Hilary J. Boone Center (FCR 18b)

Ms. Wickliffe said that FCR 18b is the renovation and expansion of the Hilary J. Boone Center. She noted that the Board received a thorough explanation on this at the Finance Committee meeting. She asked for questions or comments. On behalf of the Finance Committee, she moved the adoption of FCR 18b. Mr. Shoop seconded her motion.

Ms. Wickliffe clarified that the motion was to approve FCR 18b as amended in the Finance Committee meeting. The last sentence of the background paragraph should read: The project, authorized by the 2006 General Assembly in House Bill 380, will be funded with private gifts, Pepsi contract revenue, and a renovation clearing account.

Dr. Dembo made the following comments:

“In conversation with Bill Schweri, the chair of the Boone Center Advisory Board that has recently been reinvigorated in its discussions, the board says that they are working on a business plan that could be ready in six weeks. Dall Clark, Director of Capital Construction, says that there is little harm that could come from postponing this or delaying this until the next Board of Trustees meeting. I see little harm in postponing a vote on this until that time so we have more information since that was a concern raised originally.”

Mr. Hardymon asked if there was a reply to Dr. Dembo’s comments.

Ms. Wickliffe said that there was a motion on the floor.

Mr. Hardymon called for a vote, and the motion passed. Dr. Dembo, Ms. Ellingsworth, Dr. Moore, and Mr. Wilcoxson voted against the approval of FCR 18b. (See FCR 18b at the end of the Minutes.)

Y. 2005-06 Budget Revisions (FCR 19)

Ms. Wickliffe said that FCR 19 is the 2005-06 Budget Revisions. These budget revisions total \$51.4 million and will increase the university's 2005-06 budget to \$1.7 billion. The budget revisions include a \$49 million increase in University Hospital revenues from inpatient and outpatient services and the sale of CHA. The funds will be used by the hospital for current operating expenses and investment in facilities. The budget revisions also include authorization for the UK Athletic Association to use \$2 million of reserves towards the basketball practice facility, and that board also passed that provision.

On behalf of the Finance Committee, she moved the adoption of FCR 19. Ms. Haney seconded the motion, and it carried without dissent. (See FCR 19 at the end of the Minutes.)

Z. Authorization for Disposal of Surplus Personal Property - Fiscal Year 2006-07 (FCE 20)

Ms. Wickliffe said that FCR 20 is the authorization for the disposal of surplus personal property for fiscal years of 2006 and 2007. This will allow for the timely disposal of surplus personal property having values of less than \$10,000 per item during the fiscal years of 2006 and 2007. The surplus personal property may include minor equipment such as vehicles, livestock, and other materials that are no longer needed by the university. All disposals will be in accordance with the Administrative Regulation which is AR II-1.3-3, previously approved by the Board. This is a routine matter for the Board, and each June prior to the beginning of the new fiscal year, the Vice President for Facilities and the Treasurer have oversight responsibility for disposal of property under the Administrative Regulation.

On behalf of the Finance Committee, she moved the adoption of FCR 20. Ms. Smith Edge seconded her motion, and it carried without dissent. (See FCR 20 at the end of the Minutes.)

AA. Capital Construction Report (FCR 21)

Ms. Wickliffe said that FCR 21 is the Capital Construction Report. This is a quarterly report covering the period from January 1, 2006 through March 31, 2006, and there were four new contracts in this quarter:

Kentucky Swine Development and Training Center Feed Mill. There is a \$267,000 contract with Denham Blythe to construct the feed mill facility at the Woodford County farm.

A \$360,000 contract with EOP Architects of Lexington to provide the initial design services for the Biological Pharmaceutical Complex Building. It was

noted by Mr. Clark that ultimately the full design costs will exceed \$8 million dollars. Future quarterly reports will document the full designs that are under contract.

A \$5.3 million contract with WS Construction to fit-up the 32,750 square feet of “shell space” on the fourth floor of the BBSRB building, and a separate significant purchase of casework will be involved with this project and will be noted in future reports that will be brought to the Board.

A \$959,000 contract with the Wagner Company for expansion of the Cancer Infusion Suites into the 2nd floor of the Whitney Hendrickson Building.

One project was completed during this quarter, the CPST Building by Messer Construction on the Coldstream Research Campus.

There were three change orders during this quarter in excess of \$25,000, which makes them have to come to the Board:

A \$104,000 change order to provide concrete pads and piping at the CPST building to meet required equipment needs supplied by a vendor outside the main Messer contract.

A \$66,000 contract adjustment to reflect the actual length of drilled piers for the Basketball Training Facility.

A deductive change order of \$25,000 for this same training facility that was donated from the Harrod Concrete and Stone Company.

It was also noted that the Training Facility Practice gyms are on track for opening shortly after Christmas.

On behalf of the Finance Committee, she moved the adoption of FCR 21. Dr. Moore seconded her motion, and it carried without dissent. (See FCR 21 at the end of the Minutes.)

Mr. Williams said that the capital construction format is terrific. He requested that there be one location in the report for change orders over \$25,000 if not already in the report. A summary of the change orders would be helpful.

Mr. Hardymon said that it would be duly noted.

BB. Amendment to Long-Term Disability Plan (HRCR 1)

Mr. Patton, chair of the Human Resources Committee, reported that the Human Resources Committee met and heard from Mr. Butler about a proposed revision to the Long-Term Disability Plan. A review of the plan had revealed that UK’s benefits greatly

exceed those offered by its benchmarks, and the revised plan, which the committee adopted and recommends to the Board, still will exceed industry standards. Disability benefits will be 100 percent of salary for six months followed by 60 percent of salary for the duration of eligibility. Social Security disability benefits once received will then act as an offset.

Employees may purchase further supplemental coverage if they wish. This revision will save three-quarters of a million dollars annually, and that savings will be used to help fund retiree health benefits. The amendment will be effective October 1. People currently receiving benefits will not be affected by the amendment.

On behalf of the Human Resources Committee, he moved the adoption of HRCR 1. Ms. Smith Edge seconded his motion, and it carried without dissent. (HRCR 1)

Mr. Hardymon noted that there were a number of committee meetings this time and said he was personally pleased with that. He said that it would be interesting to see a count of how many people reported to a committee over the last few days. The Board has had an opportunity to see quite a few people in action.

CC. Student Affairs Committee Report

Ms. Smith Edge said that she was not bringing any items for action from the committee; however, she did have an update on some of the student issues and activities over the past year. First, the committee has heard concerns at times about dining services. It pleased her to report that the dining service, under Jeff Demoss's leadership, reported that there will be changes in the current meal plan in the coming year as a response to the students. One change will be that it does include flex dollars, and this will make students happy. The heart healthy issues have also been addressed. There will be more "grab and go" food options for students. There will be new food venues in the Student Center Food Court as well as the William T. Young Library. A new Starbucks going in at the library will be the fourth location on campus. There is a new convenience store going in at the Student Center. Health concerns are being met by cooking exclusively with oil having no trans fat. There is a new Living-Learning Community in Holmes Hall which involves green living, learning community, and using Kentucky-grown produce.

The Student Center renovation is taking small steps, but due to funding from the President's Office, there will be some redecoration expansion of the Cats Den and the Student Organization Center.

ATM machines will be moved to a new exterior location. The UK Credit Union within the Student Center is also relocating to renovated quarters.

One of the programs to be aware of and very excited about is the Genesis program. Genesis began as a coalition of 40 fraternities and sororities nationwide to address high-risk alcohol use on campus. UK was one of the two universities in the

nation to participate in a pilot program to address alternatives to drinking, and conversations began with students in the fall of 2004. There is now a Genesis student organization on campus.

Both SGA and Genesis will work together to offer late-night transportation this fall. Everyone needs to be aware of a non-alcohol event being planned for Monday, August 21. As many of you remember, two UK students died tragically on the Monday before classes started for the last two years. This event is being held to encourage safety. The Genesis motto is to have fun, be safe, and be responsible. Dr. Terrell has provided additional money from her budget to continue to fund this project.

The committee heard an update on the new university health facility. UK Student Health Services is sending out a press release about the mumps outbreak that occurred in the Midwest. The press release will encourage MMR immunization.

UK has taken the lead to initiate a Kentucky Leadership Academy. This involves all the public universities, student leaders, and administrators across the state. The leadership academy occurs after the spring semester and was held in mid May.

Ms. Smith Edge said that she was pleased to introduce the new president of the Student Government Association, Jonah Brown. At the request of Mr. Hardyman, she distributed Mr. Brown's initiatives on Student Government for 2006 and 2007 that were presented at the committee meeting. Many of the issues tie in with the university's Strategic Plan and the Top 20 Business Plan. They deal with evening bus transportation, diversity issues, and some of the other major issues such as safety. Mr. Brown is definitely committed to improving all areas.

Ms. Smith Edge thanked Dr. Patricia Terrell and the staff. They have been great support and have definitely kept the Board informed. She thanked the committee of Phil Patton, Jeff Dembo, Russ Williams, and Becky Ellingsworth for a very aggressive and busy year of activities.

DD. University Hospital Committee Report

Ms. Young, chair of the University Hospital Committee, reported that the committee had a hospital retreat on June 8. It was an all-day retreat at the Marriott Hotel in Lexington. It was a very informative, good day. She thanked the members of the Board who attended. The retreat included the University Hospital Committee, the advisory committee, administrative medical staff, and many others.

The committee spent the full day reviewing the current status and the envisioned future of the UK medical enterprise and voted on a number of items.

EE. Agreement between University of Kentucky and Kentucky Medical Services Foundation (UHCR 1)

Ms. Young said that UHCR 1 requires board action and concerns the revised Agreement between the University of Kentucky and the Kentucky Medical Services Foundation (KMSF). The committee is now presenting to the Board of Trustees these revisions and modifications of the existing KMSF contract for Board approval. For those of you who are not familiar with KMSF, it bills and collects on behalf of UK doctors.

The revised agreement reflects modifications of existing contracts that better reflect the marketplace and operational realities. The revised agreement contains the following modifications to the 2006-07 agreement:

- Revision of Section 6D to establish new reimbursement rates for Pathology and Laboratory Medicine services under the agreement.
- Revision of Section 5E to clarify the university making the SAP accounting system and on-going support available to KMSF for a one-time fee of \$300,000.
- The deletion of paragraph 9C detailing maintenance and distribution of Intergovernmental Transfers. Funds now go directly to departments.
- Updates for organizational changes and other matters.
- Other changes for clarification purposes.

The full document of the revised contract is available upon request.

Ms. Young reported that the committee reviewed the modifications and changes and recommends approval. Mr. Miles moved approval of UHCR 1. Ms. Smith Edge seconded his motion, and it carried without dissent. (See UHCR 1 at the end of the Minutes.)

Ms. Young said that the 2006-07 hospital budget represents 32 percent of the total university budget compared to the 25 percent in the 2000-01 budget. This represents a 28 percent increase which by any standard is really quite remarkable in such a short period of time.

Ms. Young commended Dr. Karpf and his staff for the amazing progress at the hospital. It has been a collaborative effort. Everybody is involved in the process, and it is combined with the business plan. The university is moving, and people are taking notice.

FF. University Relations Committee Report

Ms. May, chair of the University Relations Committee, reported that the committee met. They had an informative meeting, but there was no action to take. The

committee heard reports about the following:

- Radio station, WRFL
- A new marketing study being done.
- Increase the size of the freshman class:
  - How to reach students?
  - How to get the information out?
  - Do you get the information to the parents or students?
  - What does it take to get the students to UK?

By 2008, UK will be able to bring students in that meet the quality standards while also meeting the increased numbers. This was very encouraging.

There was a discussion about whether Board members are getting the level of information they now want. Previously, there was some discussion about the Board seeing too much information and the desire to downsize it. The question now is whether they have downsized it too much? If there are no comments from the Board, the Public Relations staff will continue sending the articles out when they feel they have a grouping of articles that make sense.

#### GG. Executive Committee Report

Mr. Hardymon, chair of the Executive Committee, said that it is his duty as chair of the Executive Committee to follow the KRS requirement in reporting the proceedings of the Executive Committee that met that morning.

Mr. Hardymon provided some background information because he did not want to be accused of rushing through something this important. When President Todd came to the University of Kentucky, part of his initial compensation was a bonus. The Executive Committee was given the task of setting the maximum amount given. It was given the task of giving the exact value each year.

The committee discussed how to do the bonus and give the process credibility. The bonus is used as an incentive, which is what bonuses are supposed to be about. The committee has worked through this for a number of years, and for the first time, there is more individual input from various constituents and a more definite type of assessment. Sometime during last summer, ten goals were developed for the President for 2005-06. Those goals were presented to the Board in the fall, and approval was given by the Board for the final document. The Board has been following up on those goals periodically through the year with a major follow-up after about six months. The goals have been mentioned at almost every meeting. A mailing was sent to the 20 trustees, the University Senate, the Staff Senate, and the Student Government Association through their chairs and presidents. Those individuals were asked to provide input from those groups' assessments.

Mr. Hardymon explained his sensitivity to the word credibility and reported that he asked for input on the process. He said that he was very pleased with the comments. They were very positive that the goals added credibility to the process. There is now a system that the Board can build on. He noted that he also was told that he did not give them enough time to complete the rating, and he will correct that. Another correction that needs to be made is not to have goals that seem to be timed to where they are reached right at the end of the year of the 2005-06. He mentioned particular situations this year where additional input was received on accomplishments of the goals after the mailing. The mailing included not only the goals, but it included also a large report from the President on how he was doing on the goals. Because of ongoing things, the President's report could not be complete when it was mailed to Board. Thought will have to be given to this situation when preparing the goals for next year.

Mr. Hardymon reported that his self-addressed, stamped enveloped from the Board of Trustees included in the mailing provided for confidentiality of the process. He said that, for anonymity, he shredded the materials as soon as he tabulated the responses. There were a number of comments from the various organizations and some from the individual trustees. He tabulated the responses, added them across the line, got a total, and divided the total by the number of responses. He then added the total down the page. He presented that information to the Executive Committee with all the Board present as well as representatives from the groups that were involved.

Mr. Hardymon reported that the maximum bonus the contract will allow is \$125,000; therefore, a percentage of that \$125,000 would be given. The Executive Committee approved 92 percent of the \$125,000 because this was a very excellent year. Mr. Hardymon said that he considered it a very high grade because some of the goals are very difficult. The Executive Committee recommended the President's bonus be \$115,000 which is 92 percent of the maximum allowed.

Mr. Hardymon reviewed some of the 2005-06 goals:

- Budget
- Athletic Department
- Filling the provost position
- Continue to develop relationships with Kentucky state government segments
- Top 20 status of the business plan.
- Top 20 Business Plan
- Strategic Plan

Those were in the 100 percent category.

Mr. Hardymon talked about the communications goals. He said that he knew nobody was going to give 100 percent on communications. It had to be one of the goals because last year the assessment showed that the Board wanted the President to work harder in this area. It would be very hard for anybody to receive 100 percent on this goal unless they dropped everything and talked to every individual. There were some good,



positive comments that communications had improved. There were various constituents who wanted more two-way dialogue, and President Todd will continue to work on this one.

Mr. Hardymon commented about the final report on the Strategic Plan which the Board heard at the beginning of the meeting. He noted that there were several favorable comments on diversity issues, and there was recognition that more measurable items will be coming out in the next month ahead.

Ms. Tobin moved that the Executive Committee report be accepted. Mr. Shoop seconded the motion, and it carried without dissent.

President Todd thanked Mr. Hardymon for the work he put into the assessment process and those who responded. He said that he certainly appreciated their support and endorsement whether they agree or not on all issues. It has been a good year.

HH. Resolution for Rebecca A. Ellingsworth

Mr. Hardymon called upon Ms. Brown to read the resolution for Ms. Ellingsworth, and Ms. Brown read the following resolution:

WHEREAS, Rebecca A. Ellingsworth, a spring 2006 Bachelor of Science degree recipient from the University of Kentucky College of Communications and Information Studies, has earned academic honor and distinction by graduating Magna Cum Laude and is a member of the Alpha Lambda Delta Honor Society, and

WHEREAS, Rebecca Ellingsworth has served her fellow students through holding a variety of elected positions in UK Student Government throughout her four years at the university, including serving on the freshman representative council, as a student government senator, and as student body president, and

WHEREAS, Rebecca Ellingsworth has served as the elected student representative to the UK Board of Trustees for the 2005-06 academic year, including being a member of the Student Affairs Committee and a member of the University Relations Committee,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its heartfelt thanks and congratulations to Rebecca A. Ellingsworth and wishes her continued success in all of her future endeavors.

Ms. Ellingsworth received a round of applause.

II. Resolution for Marianne Smith Edge

Mr. Hardymon asked Ms. Haney to read the resolution for Ms. Smith Edge. She read the following:

WHEREAS, Marianne Smith Edge of Owensboro, a University of Kentucky graduate in dietetics who continues to bring great honor and distinction to her alma mater through her various volunteer service activities and outstanding professional career, and

WHEREAS, Ms. Smith Edge is a past elected president of the American Dietetic Association, the nation's largest organization of food and nutritional professionals, and

WHEREAS, Ms. Smith Edge is a UK Fellow, a past president of the UK National Alumni Association as well as the recipient of that association's Distinguished Service Award, and a member of the UK School of Human Environmental Sciences Hall of Fame, and

WHEREAS, Ms. Smith Edge now serves on the U.S. Department of Agriculture's National Agricultural Research, Extension, Education, and Economics Advisory Board, which advises the U.S. Secretary of Agriculture and land-grant colleges, and

WHEREAS, Ms. Smith Edge has served as an alumni representative on the UK Board of Trustees since 2000, chairing the Student Affairs Committee, serving as a member of the University Hospital Committee and the University Relations Committee,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its heartfelt thanks and congratulations to Marianne Smith Edge and wishes her continued success in all of her future endeavors.

Ms. Smith Edge received a round of applause.

Ms. Haney said she and Ms. Tobin were delighted that they would still get to work with Ms. Smith Edge in the Alumni Association, and Mr. Hardymon noted that Ms. Smith Edge had been a valuable member of the Board.

Ms. Smith Edge said that it was six quick years. In 2000, which was the beginning of her term on the Board, she started with the Administration Building on fire, athletics under fire, and the hiring of a new president. She said that she was thrilled to say that President Todd lit a fire in the university. Even though she will not leave her involvement with UK, it is exciting to know that the university is moving in a wonderful

direction, and the Top 20 goal is no longer a dream but definitely a strategic direction. She said that she looked forward to a continued association with the university.

JJ. Resolution for Roy Moore

Mr. Hardymon asked Dr. Dembo to read a resolution for Dr. Moore. Dr. Dembo said that it is much easier to read now that he has forgiven Dr. Moore in his heart for leaving Lexington. He read the following resolution in honor of his good friend and colleague:

WHEREAS, Roy L. Moore, a longtime University of Kentucky faculty member, has brought great honor and distinction to UK through his teaching, research, outreach, administrative activities, and national reputation, and

WHEREAS, Professor Moore has touched the lives of countless students at the university through his expertise in communications law and related fields, and in another -- and perhaps more significant -- manner by serving as an advisor and mentor to many students over many years, and

WHEREAS, Professor Moore has additionally served the College of Communications and Information Studies, the School of Journalism and Telecommunications, and the university in a variety of leadership positions, including Acting Director of Journalism and Telecommunications, Associate Dean for Graduate Studies, Chair of the University Appeals Board, and Executive Director of the First Amendment Center; and

WHEREAS, Professor Moore has served as an elected faculty leader in his role as Chair of the University Senate Council, where his integrity and sensibility helped effectively lead the academic community during challenging times, and

WHEREAS, Professor Moore is currently serving as an elected faculty representative on the Board of Trustees, including membership on the Executive Committee, the Academic Affairs Committee, and the Nominating Committee, and, in these capacities, has effectively enriched the Board in its activities and deliberations,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its heartfelt thanks and congratulations to Roy L. Moore and wishes him continued success in all of his future endeavors.

Dr. Moore received a round of applause.

Dr. Moore said that there had certainly been differences on the Board in terms of voting on issues, but he did not think anybody serving on any board anywhere could find a board that has more integrity and acts more out of principle, fairness, and belief than this board. It has been an absolute pleasure working with every Board member.

He said that he and President Todd obviously had differences from time to time but not very often. In terms of leadership of this institution, President Todd has taken this very much in the direction of being a Top 20 public university. Thanks to his leadership, there is no doubt that UK will attain that goal.

During his ACE Fellowship, he had the opportunity to work with President Todd, and he saw in President Todd the vision that ultimately resulted in the Strategic Plan and in the Top 20 Business Plan as well. Everywhere you go around the state, you will hear very positive comments, not only about the university but also about President Todd.

Dr. Moore said that Mr. Hardymon is the epitome of someone who knows how to serve and lead the Board as a leader and as a true role model. Mr. Hardymon works very hard behind the scenes, and he really does care about what people think. He really does do whatever he can to help the Board reach consensus.

Dr. Moore said that it has been a pleasure to work with this Board. He leaves the Board with a very special place in his heart for the university. He extended an invitation to the members of the Board to come to see him in Georgia.

#### KK. Athletic Association Board Report

Mr. Shoop reported that the Athletic Association Board of Directors met on May 1, 2006. President Todd began the meeting with a congratulatory salute to the accomplishments of UKAA, namely:

- SEC Coach of the Year awards to Craig Skinner, Mickie DeMoss, and Mike Lyden
- NCAA Championship in Diving
- Courage award given to Mike Lyden at the fourth annual Catspy's for his battle with cancer
- Coach John Cohen leading his baseball team to a phenomenal season, currently ranked 11<sup>th</sup> in the nation (highest ranking in school history)
- Kentucky's leading the SEC honor roll with 52 student-athletes during Fall 2005
- Athletics' contributions to the campus efforts to fight violence against women

Rob Mullens presented the FY07 budget to the Board for approval. UKAA is 100 percent self-supporting, and 25 percent of its funds are actually spent back on the University of Kentucky's campus.

The next meeting of the Board will be held September 15, 2006.

LL. Gluck Equine Research Foundation Board Report

Mr. Shoop reported that the Gluck Equine Research Foundation had two meetings during fiscal year 2005-06. The meetings were held on December 8, 2005 and May 25, 2006.

At the December meeting, the Board listened to various presentations. The first presentation was by President Todd on the university's progress towards becoming a Top 20 university, and he requested the Board's support in this endeavor. The Board approved the recommendation on the allocation of funds from a \$6 million request.

Dean Scott Smith said plans were ongoing to hire a new executive director for the foundation in the near future. There will be a national search for a new director of the Gluck Center and chair of the College of Veterinary Sciences. Dr. Peter Timoney recently stepped down from both positions. Dr. Ernie Bailey of the Gluck Center has been appointed interim director. There were a number of other committee reports. Basically, all is well at the Gluck Center.

Mr. Hardymon asked if there were any comments or questions about the Athletic Association Board or Gluck Equine Research Foundation Board reports.

MM. The Fund for Advancement of Education and Research in the University of Kentucky Medical Center Report

Ms. Ball reported that this fund was established in 1959 and is a non-profit corporation to promote, advance, and support the educational, research, charitable, and other purposes of the University of Kentucky Medical Center. The Board met on May 23. The Fund is a corporate entity that accepts and insures accountability for the unrestricted revenues associated with the professional services provided by the faculty who are members of the practice plan in the College of Dentistry, Health Sciences, Nursing, and Pharmacy and by the physicians in the University Health Service.

The revenues are used for payment of staff and the operating and capital expenditures directly associated with providing these services as well as for faculty research and professional development, scholarships, academic support, and various other program enhancements.

The Fund also accepts unrestricted gifts and grants. In the 2006-07 the unrestricted fund budget, as approved by The Fund Board at its annual meeting on May 23 and included in the university's annual operating budget, is \$14.2 million. Of this amount, \$11.1 million or 78 percent is generated by clinical programs in the College of Dentistry with the remaining amounts generated by the University Health Service, the College of Pharmacy, Nursing, and Health Sciences, pilot research, and interest earnings.

The 2006-07 restricted fund budget is \$3.44 million, and \$3.36 million or 98 percent is donated from KMSF to the College of Medicine for purposes of enhancement of programs in that college.

Mr. Hardymon asked for any questions about the report.

NN. University of Kentucky Research Foundation Report

Ms. May reported that the University of Kentucky Research Foundation Board met on May 25. One of the things important for the Board to know as trustee members is how the corporations are doing. There are two audits done of this group because this is the group through which many grants come, involving a lot of federal money. It is very important that the Trustees know that there was an audit done of all the organizations. The Board received a clean opinion on that, meaning all the monies they handled were handled appropriately. A second audit was done of only federal grant money to make sure that UK is meeting all the criteria with those grants. The Board received a clean opinion on that audit. Audit results are very important because of the amount of money that flows through that organization under Dr. Baldwin's guidance.

The Board received the financial highlights for 2004-06 showing the remarkable growth in grants. Mr. Henry Clay Owen went through the report and gave the financials. He explained that operating revenues were up almost 15 percent in 2004-05. They continued to increase this year. In 2004-05, this organization generated \$25 million that went back into the academic part of the organization. Upon completing his report, his final comment was, "Our finances are not too shabby." His was a very good comment describing the entire organization.

The Board saw that the university is continuing to grow. Dr. Baldwin alerted the Board of the concern that National Institutes of Health (NIH) funding is decreasing. Less and less money comes for grants, but fortunately, the university, through its grant applications, has money coming in not only from the National Institutes of Health but also from the National Science Foundation, the Department of Agriculture, the Department of Energy, the Department of Education, the Department of Defense, NASA, the Department of Justice and the Small Business Administration. Having a diverse grant base will help UK go forward, and this diversity will make UK's future safer.

OO. Comment by Myra Tobin

Ms. Tobin said that she had been to Springfield, Missouri recently and had lunch with Dr. Mike Nietzel, president of Missouri State University and former provost at the University of Kentucky. He asked her to bring greetings to the Board members. She said that she could very proudly report that he took her on a tour of Missouri State University campus. He hit the ground running when he became their president and works 24-7 just like Dr. Todd. He asked to be remembered to all of the Board members.

PP. Meeting Adjourned

Mr. Hardymon reminded the Board that at the last meeting he indicated this meeting might go to 3:30 p.m. He noted that it was 3:30 p.m. and thanked the Board for their patience. On motion made by Mr. Shoop, seconded by several members, and carried, the meeting adjourned at 3:30 p.m.

Respectfully submitted,

Pamela R. May  
Secretary, Board of Trustees

(PR 2, 3, 4, and 5; AACR 1 and 2; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18a, 18b, 19, 20, and 21; HRCR 1; and UHCR 1 which follow are official parts of the Minutes of the meeting.)