

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, March 6, 2007.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, March 6, 2007, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. James Hardymon, chair, called the meeting to order at 1:00 p.m. and asked Ms. 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, Jonah Brown, Penelope Brown, Dermontti Dawson, Jeff Dembo, Ann Haney, James Hardymon (chair), Pamela May, Billy Joe Miles, Sandy Patterson, Phillip Patton, Erwin Roberts, Frank Shoop, Myra Leigh Tobin, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, and Ernie Yanarella. Absent from the meeting was Barbara Young. Ms. May reported that a quorum was present.

The university administration was represented by President Lee T. Todd, Jr., Provost Kumble Subbaswamy, Executive Vice President for Finance and Administration Frank Butler, Executive Vice President for Health Affairs Michael Karpf, and General Counsel Barbara W. Jones.

The University Faculty was represented by Chair of the University Senate Council Kaveh Tagavi, and the University Staff was represented by Chair of the Staff Senate Kyle Dippery.

Members of the various news media were also in attendance.

Mr. Hardymon announced that he would be making a slight change in the agenda beginning with the committee reports. He was going to have the Investment Committee and University Hospital Committee reports before the Finance Committee report.

C. Consent Items

Mr. Hardymon reported that the consent agenda consisted of the following items:

Minutes – January 23, 2007

Minutes – Special Called Meeting February 10, 2007

PR 2 Personnel Actions

FCR 1 Paul W. Chellgren Pledge

FCR 2 Gifts and Pledges to the Deloitte Professorship Endowment

- FCR 3 Gifts and Pledges to the Earth and Environmental Sciences Endowed Alumni Professorship
- FCR 4 Gifts and Pledges to the J. Gary Maynard Professorship in Periodontology and Oral Health Research
- FCR 5 Physical Therapy Richard McDougall Alumni Professorship Endowment Fund
- FCR 6 Gifts and Pledges to the John R. Mink Chair for Pediatric Dentistry and Oral Health Research
- FCR 7 Anonymous Pledges to the Multicultural Studies Endowment in the Center for Research on Violence Against Women
- FCR 8 Anonymous Gift to the Pharmaceutical Science Professorship and Research Endowment
- FCR 9 Gifts and Pledges to the Marie Rich Endowed Professorship
- FCR 10 The Shumate Family Foundation Gift and Pledge
- FCR 11 David B. Stevens, M.D. Gift
- FCR 12 Toyota Motor Engineering and Manufacturing North America, Inc. Pledge
- FCR 13 Gifts and Pledges to the Emery A. Wilson, M.D. Dean's Chair

He noted that the chair of the Finance Committee would do a summary of the gifts and pledges in her report and called for a motion for approval of the consent agenda. Dr. Yanarella moved approval. His motion, seconded by Mr. Dawson, carried without dissent. (See the consent items at the end of the Minutes.)

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

Before calling attention to various items in PR 1, President Todd mentioned Dance Blue, a totally student-run operation that took place after PR 1 had been written. He reported that the students raised \$241,514.64. This is a phenomenal event that started at Penn State some years ago. Penn State raises millions of dollars, but the first year that Penn State had it, they did not raise as much as UK students did last year, \$120,000 plus. The UK students have doubled that amount this year, and the money goes to UK's Pediatric Oncology Clinic. The event is a 24-hour, no-sleep experience, and the students have the children and members of their families at the event the last few hours. This is truly going to be a student-driven annual event.

President Todd mentioned several people in the community and on the staff who support the event: Rhonda Strauss, Pat Terrell, Mark and Susannah Denomme, Jennifer Myneer, Heather Yattaw, and Laura Hatfield.

President Todd recognized the following students from Dance Blue who were in the audience: Amerlee Kempf, Overall Chair; Patrick Craft, Corporate Relations; Nick Phelps, Team Chair; and Rob Oakley, Rules, Regulations, and Operations Chair. President Todd said that he is proud of the students and thanked them for their accomplishment. The students received a round of applause from the Board.

President Todd called attention to the six Great Teacher Award winners listed in PR 1: Jeffrey Osborn, Arts and Sciences; Jeffrey Okeson, Dentistry; Kim Woodrum, Arts and Sciences; Russell Mumper, Pharmacy; Jerry Skees, Agriculture; and John Watkins, Public Health and Arts and Sciences. He said, in his opinion, this is the most outstanding teaching recognition a teacher could ask for because the students have to nominate the recipients. He expressed appreciation to the Alumni Association for sponsoring the award each year.

Fifty UK student-athletes won placement on the Southeastern Conference Fall Academic Honor Roll. Nine of UK's starters in the bowl game were all-academic stars. Seven players on the football team had already graduated when the bowl game was played. This is evidence that the students achieve in the classroom and on the field.

President Todd said that he was impressed with the Top 20 plan that John Nardolillo, Director of the UK Symphony Orchestra, had prepared for his orchestra and presented to him. Dr. Nardolillo had gone through a process of figuring out who the Top 20 orchestras were in public universities in America, how many chairs they had for each instrument, how much floor space they had, and how many scholarships were provided. UK has become one of only a few college orchestras in the nation to sign a recording contract with Naxos, the world's largest classical label. The orchestra was also part of the CD that was developed with Arlo Guthrie last year, and there will be more news about that later.

President Todd called attention to the Fossil Fuel Consortium winning a \$1 million Defense Department contract. Energy is a big issue in Kentucky. This is a \$1 million grant for UK to look at some domestic resources, especially coal for alternative fuels for defense uses. There was an effort on a national level last year that requires the Department of Defense to buy a certain percentage of its fuels as clean fuels. UK has a Fisher-Tropsch process which is the only one in the United States that generates clean liquid fuel from coal. This will be a \$4 million grant eventually, and it is one that could significantly help Kentucky's economy.

Jane Vance is Kentucky's poet laureate for the next two years. The university is very proud of Dr. Vance and all of the good things that she has done over the years. This is quite an honor for someone in her field.

Dr. William R. Markesbery, Director of the Sanders-Brown Center on Aging and the Alzheimer's Disease Research Center, will be the local host of the March 8 directors meeting for the National Institute on Aging and the National Center on Complementary and Alternative Medicine. National leaders in aging will be on campus for this meeting, and this pushes UK's reputation forward.

The *Kentucky Kernel* won the 2006 General Excellence Award for college and university newspapers in the Kentucky Press Association's annual competition. The *Kernel* and its staffers won 39 awards out of 83 given in the college/newspaper category. The *Kernel* continues to have a legacy.

Bob Wiseman, vice president for facilities management, has been meeting with the sustainability task force. He will attend the April Board meeting and give a report on the presidential committee that will be appointed.

E. Report on IRIS Project

President Todd reported that Dr. Phyllis Nash, who has been leading the IRIS project, was ill; however, she has sent in her place an outstanding stand-in from the College of Dentistry, Dr. David Hardison. Dr. Hardison had been the technical leader under Dr. Nash's leadership for two years, and the IRIS project has been phenomenal.

The project was in discussion prior to July 2001 but was pulled because there were so many horror stories about similar projects at other universities being over budget, etc. Some very good decisions were made subsequently on how this project would be led, and Dr. Nash has done a great job. President Todd invited the Board to stop by the IRIS office on Broadway and visit the high-energy people working in the building. He noted that the employees are there at all hours of the day and night. He expressed appreciation to Dr. Hardison for his willingness to give the presentation to the Board and asked him to come forward.

Dr. Hardison said it was a privilege to attend the meeting. Dr. Nash sends her salutations and regrets for not being able to be with the Board.

He reported that the Integrated Resource Information Systems project (IRIS) was initiated to replace the university's diverse core administrative systems with an integrated software solution. After a negotiation and bid process, work was launched in March 2004 after SAP was selected as the vendor. A budget of \$16 million was set aside for the project, and there is a team of about 75 UK staff members and 30 consultants. The IRIS team really is the entire university community because anything that is accomplished through the system comes about as the result of everyone participating and being involved in it. The IRIS office has the privilege and honor of being able to be there, sit together, and work together on a daily basis.

Dr. Hardison gave a PowerPoint presentation showing what has been done to date, what is going on, and what the future plans are. The presentation also covered some of the challenges that the university has faced.

After beginning to blueprint the university's needs and possible changes within its business processes, the IRIS team began to implement various pieces and parts of the system. In 2005 after months of work with a dynamic team, the following areas were implemented:

- Financials (single chart of accounts)
- Faculty Effort System
- Business Warehouse

Student Accounting (implemented a year earlier than original schedule)
Grants Management
Accounts Payable
Procurement and Procurement Card Management

In 2006, the team continued implementation by addressing these areas:

Hospital Inventory
Kentucky Medical Services Foundation (KMSF)
Human Resources (includes Personnel Administration, Organizational
Management, Benefits, Payroll, and Time Management)
Financial Aid
Visitor Center
Budget Preparation

In December 2006, they brought up the events-planning module, and on February 26, they brought up the major part of the campus management module replacing the Student Information System (SIS). It included:

Admission
Registration
Class Schedule
Grading and Progression
Academic Work
Academic Calendar
Front-end features for students and faculty (myUK)

Dr. Hardison noted that Merit Weekend incoming freshman students will register for classes using the new system on March 10, and the remainder of students will register using it on March 26. He highlighted some of the many opportunities and unique features available to the students and faculty with the new system.

Dr. Hardison addressed some of the system's general accomplishments and features and elaborated on each of them:

myUK portal (a web gateway) which uses a single sign-on
User-friendly look and feel
Business process improvements
Master data shared across applications
Audit trail for all transactions
UK identification number (UKID) employed now, rather than
social security number
Project within budget

Dr. Hardison shared the numbers for development, conversion, and training.

Development: 35 portal applications and 2,116 custom programs, including 175 interfaces, during implementation of IRIS

Conversion: Over 500,000 financial records, 40,000 accounts and related documents, 530,000 employee records, 20,000 vendor records, 25,000 materials records, and the records of 330,000 students, which include 2,800,000 academic records

Training: 84 classes developed, with 1,553 offerings of these classes made available to campus users; individual training plans for each employee; 17,554 instances of individual instruction

This spring the IRIS team will be bringing up the plant maintenance module, which includes work orders, equipment, and facilities, as well as inventory management and bar-coding technology for campus.

Dr. Hardison talked about the plan for the next 14 months, through June 2008. He pointed out that improvements will continue to be made for the next few decades as the university moves forward with this software. We are building a foundation that allows us to improve it as we build the business of the university.

He acknowledged some of the challenges faced in implementing the project.

Reporting – There was an initial focus on meeting the regulatory and statutory demands for reporting for the university. As the system continues to move forward, IRIS staff wants to do more to reach out to the colleges, business units, and departments to meet their needs. They recognize that they have to continue to try to adapt their strategy in order to do this.

Knowledge Transfer – The IRIS team has been blessed to have full partnership with some great consultants. But it is now time to move the consultants on, kick them out, and make sure the local team knows what the consultants know and can do what they can do to achieve the level of self-proficiency that UK wants to achieve. Some help from some of the partners will always be needed. The team has the responsibility to make this truly UK's system: to own it, to operate it, and to manage it.

Integration – The data pools or silos of information have now been broken down, and that has required some changes in thinking. The business of sharing information actually will help move UK forward into a more unified structure.

Dr. Hardison summarized his report by stating that a lot of work has been done by a lot of people to implement a complex and enabling set of administrative systems. The campus has embraced the new system, not always without voicing concern, but they have embraced it and great things have been accomplished. The team is great, and it has had

great support from all levels of the administration. He said he would be happy to take questions.

President Todd thanked Dr. Hardison for his report. That project has been a tremendous amount of work and has resulted in a lot of change. The faculty and staff have been actively involved, and that has been a key factor in its success. He congratulated the IRIS team on where they stand. He said the faculty and staff have really made some sacrifices to try to give up all the individual systems that they had relied on for years and start moving to the new system.

F. College of Pharmacy Report

President Todd asked Dean of Pharmacy Ken Roberts to give the Board a report on the College of Pharmacy. Dr. Roberts is on the verge of having a new building. He has been putting together a world-class program and is another one of the university's outstanding deans.

Dean Roberts said that he appreciated the invitation to speak to the Board. He recently celebrated his seventh anniversary as the dean of the College of Pharmacy of the University of Kentucky. He said he was pleased to have the opportunity to report some of things that have transpired over the last few years.

Dr. Roberts presented an overview of the college, noting there are 389 Kentucky residents among the 454 enrolled in the Doctor of Pharmacy program. Admission applications have continued to rise, from 167 in 2000 to 840 for fall 2006, with only 132 openings available.

Groundbreaking for a new \$120 million Pharmacy Building will take place on April 13 from 1:30-2:30 p.m. on the site at Limestone Street and Leader Avenue. When completed in 2010, the building will have the capacity to admit up to 200 students per year and will have a 75 percent increase in research laboratories as well as an 80 percent increase in classrooms and teaching labs.

The college's expansion plans include establishing clinical education centers throughout the state for the final year of the professional program as an incentive for students to return to their home regions to practice. The first site is set to open in Louisville in the fall, with final negotiations ongoing for a second site in Owensboro. Other sites under consideration include Paducah, Madisonville, Bowling Green, Hazard, Pikeville, Morehead, and northern Kentucky. Dr. Roberts emphasized throughout his report that his college is the University of Kentucky College of Pharmacy for Kentucky.

President Todd thanked Dean Roberts for his report, and Dean Roberts received a round of applause.

G. University Staff Emeritus be Conferred upon Brenda J. Greiner (PR 3)

President Todd said it was a pleasure to ask once again that the Board approve another staff emeritus position. PR 3 is a recommendation that Mrs. Brenda Greiner be named University Staff Emeritus in recognition of her many years of service, dedication, and loyalty to the University of Kentucky. He asked Mrs. Greiner to stand as he read the background information. He recognized her husband Garry who had accompanied her to the meeting and noted that Mr. Greiner had repaired Dr. Patterson's clock, which is now in his office, and had it in working order.

Mrs. Greiner began her career in the Office of the Controller on June 17, 1963 and retired effective December 31, 2006 as the Senior Administrative Staff Officer in the Office of the Treasurer. During her service of 43 plus years, Mrs. Greiner continuously gained in experience and knowledge with increasing responsibilities providing direct support to the Controller and the Treasurer and their entire staffs.

Mrs. Greiner faithfully dedicated her successful career to the University of Kentucky and was a principal resource to the entire campus with her detailed knowledge of policies and business processes. Mrs. Greiner was well known as the example of a professional business officer eager to share her knowledge and expertise with others. Her willingness to help in any way earned her the highest respect from all areas of campus.

Over the years, she has faithfully executed her duties and responsibilities and always exceeded the expectations of her position. Her dedicated years of service, generosity, and kindness have made her one of the most loyal and deserving employees to be conferred the honor of University Staff Emeritus by the Board of Trustees.

Mr. Hardymon called for a motion, and Ms. Haney moved that the PR 3 be approved. Ms. Tobin seconded her motion, and it carried without dissent. Mrs. Greiner received a round of applause. (See PR 3 at the end of the Minutes.)

H. Appointment of Board of Directors University of Kentucky Gluck Equine Research Foundation, Inc. (PR 4)

President Todd said that PR 4 is the recommendation that the Board approve the appointment of Tom Goncharoff, Robert Strout, and Art Zubrod to the Board of Directors of the University of Kentucky Gluck Equine Research Foundation for four-year terms, ending December 31, 2010.

The Nominating Committee of the Gluck Equine Research Foundation has recommended these appointments. The dean of the College of Agriculture, who is a member of board, and the provost also recommended the appointments, which must be approved by the Board.

President Todd pointed out that the individuals being recommended are white males. There are two additional appointments, however, that are under consideration, and the people in charge of the nominations are looking for a Japanese member because that area is so important to the equine industry; as well, they are looking for an appropriate African American for the board.

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

I. University Research Professorships (PR 5)

President Todd said that it is the time of year when the university recognizes some of its most outstanding research professors. In April of 1976, the University Senate recommended to the president the establishment of one-year University Research Professorships and that priority be given to the goal of establishing permanent Research Professorships as funds became available.

President Todd noted that these individuals are selected through a very difficult criterion. They are the university's best. He said that it was indeed a pleasure for him to recommend that the Board approve the naming of Professors Jayakrishna Ambati, Department of Ophthalmology and Visual Science; Richard Kryscio, Department of Statistics; Peter Little, Department of Anthropology; and Peter Nagy, Department of Plant Pathology as University Research Professors for 2007-08. President Todd recognized Professors Nagy and Kryscio in the audience and asked them to stand. Professors Ambati and Little are out of the country, and therefore could not attend the meeting. President Todd said that the University Research Professorships give these professors a chance to have a wonderful year of academic progress and self revitalization.

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

J. Naming of Building – Joe Craft Center (PR 6)

President Todd said that PR 6 is a recommendation that the Board approve naming the new basketball practice facility the Joe Craft Center. Joe Craft III was born in Hazard, Kentucky and graduated from Hazard High School in 1968. He received his Bachelor of Science in Accounting degree and a Juris Doctor from the University of Kentucky.

Mr. Craft donated \$6 million recently to the new practice facility. During that ceremony he said, "I'm from Kentucky so I understand that the University of Kentucky athletic program means a great deal to the people of the state. Athletics plays a big part in the development of young people, and I believe strongly in the work currently being

done by the coaches, staff, and student-athletes at UK.” Mr. Craft knew Coach Tubby Smith when Coach Smith was at the University of Tulsa.

Mr. Craft has also been a supporter of the university’s academic programs. He is the head of Alliance Coal and has been very helpful to the university in approaching the coal industry of eastern Kentucky by getting them to offer mining scholarships. This is a wonderful example of an individual who touches both sides of campus; athletics and academics.

Mr. Hardymon called for a motion. Mr. Branscum moved approval of PR 6. Ms. Haney seconded the motion, and it carried without dissent. (See PR 6 at the end of the Minutes.)

K. Conditions of Merit for Honorary Degrees (PR 7)

President Todd said the PR 7 is in regard to awarding honorary degrees and its alignment with the Administrative Regulations and Governing Regulations. He noted that PR 7 had not been brought before the Academic Affairs Committee and recommended that PR 7 be assigned to the Academic Affairs Committee for discussion. He noted that this will not keep the Board from authorizing the honorary degrees that are on the agenda.

Mr. Hardymon said the justification to pull PR 7 from the agenda was a good reason, and PR 7 was withdrawn from the agenda.

L. Honorary Degree Recipients (PR 8)

President Todd said that PR 8 includes the honorary degree recipients that have gone through the process and are being recommended to the Board. He recommended that the Board approve awarding the degree of Honorary Doctor of Letters to Nick Clooney, Honorary Doctor of Letters to Juanita Fleming, and Honorary Doctor of Letters to Virginia Fox, as approved and recommended by the University Faculty. He noted that their biographies were distributed to the Board.

Mr. Hardymon called for a motion. Mr. Shoop moved approval of PR 8. Mr. Williams seconded his motion, and it passed without dissent. (See PR 8 at the end of the Minutes.)

M. President’s 2006-07 Goals Update

President Todd said that this a good time for him to verbalize the goals that were set out for him for 2006-07.

1. *Finalize the 2006-09 Strategic Plan and work toward the achievement of those goals.*

President Todd said that he would not enumerate all of those goals because they are in the Strategic Plan. The University Committee on Academic Planning and Priorities (UCAPP) that was formed is really focused on this process. It is being led by Provost Subbaswamy. Measures of progress have already been established. Domain subcommittees are working on some of the university-wide issues reflected in the business plan, and the college plans, which were to be tied together, are due March 15. The administration is in line with moving that process forward.

2. *Work to implement the Top 20 Business Plan and maintain the momentum established in its rollout.*

Continue to improve the level of research funding

President Todd reported that as of last month, the university is 3.5 percent behind last year at this point in time. That is not a big surprise because most all of the federal agencies funding levels are either flat or declining. You have to be in the top percent in order to get a National Institutes of Health (NIH) grant right now. The university is close to where it was before, at around \$200 million in awards, but it is slightly behind. He said that he is proud of the work that researchers have been able to do.

President Todd noted that the university has not tracked an intermediate point on how other universities are doing at this time, but those who are heavily dependent on health care research or medical research are going to have similar issues, if not greater than those of UK. UK has been able to maintain a lot of NIH funding because of the additional hires that have been made.

Continue to improve enrollment quality and the level of diversity in our student body

President Todd reported that the university has made some major changes to improve enrollment and the level of diversity this year. Additional personnel positions have been added to assist in the admissions process. Diversity of the staff has been addressed in the Visitor's Center. The university had a record increase in African American freshman and a record number of Hispanic students in the fall of 2006. He noted that he did not brag a lot about that record because the university had such a shortfall the previous year. The university is probably on track to where it should have been. Sustainable change has been put in place that will assure that the institution can move forward.

President Todd recalled Mr. Roberts' mentioning the Black Achievers banquet in Louisville in which the University of Kentucky's Parker Scholarship was awarded to some very outstanding students. Two years ago, that would not have happened. The university is making great changes in this area, and there are a lot of people to thank for that.

Accelerate faculty hiring to improve the student/faculty ratio

President Todd reported that the university tried to hold first-time student enrollment to 3,700; however, it is a pleasant surprise to report that the yield went up from 80 to 85 percent, and the final count was 4,200. As a response to that increase, instead of hiring 27 new faculty positions this year as called for in the Business Plan, the university is in the process of adding 54 faculty positions. This will help with the student/faculty ratio. Twenty-seven new faculty positions are being considered for next year.

In addition, the College of Medicine is doing so well that it is adding 30 to 40 positions. Thus, the university has national searches going on for 100 new faculty positions, in addition to openings for replacements. Some outstanding applications have been received. The University of Kentucky's national ad for 100 positions is getting some attention in the industry.

Review staff/faculty pay and develop an improvement plan based on benchmark and market compensation

President Todd reported that several HR benefits committees had been set up. Those committees are now completing their work and making recommendations from their comprehensive review of employee benefits to the Employee Benefits Committee and the Work-Life Advisory Committee. Consultants from Mercer have come to look at the university and do a study of the market. There is a commitment to doing a lot of work in the HR area, and that is going on. He said that he anticipated that report to be given to the Board by budget time.

Ensure capital construction projects are on target and the planning schedule is maintained

President Todd reported that Vice President Bob Wiseman assures him that the projects are on target. In addition, Mr. Wiseman is keenly aware of the issue of sustainability, and sustainability discussions are impacting those projects. Several construction projects are in progress or beginning to happen, including the Student Health Center, the Pharmacy Building, and the new hospital.

President Todd said that one thing that he probably should have had as a goal is the successful expenditure of \$6.7 million that was put into campus improvements this last year instead of the \$1 million budgeted. As you walk around the Patterson plaza, you will see that all of the broken concrete has been replaced. Several classrooms have been improved, and headway has been made on some smaller projects as well as on big building construction.

3. *Manage costs to ensure UK performs to budget in 2006-07.*

President Todd reported that he has regular sessions with Vice President Angie Martin, and the university is in good shape in this regard.

4. *Place a high level of attention on communications with Board, faculty, staff, and students.*

President Todd reported that he and Mrs. Todd are hosting breakfasts with staff and faculty at Maxwell Place. He pointed out that the deans have to nominate staff and faculty members to attend. Approximately 30 to 40 are present for each breakfast. For the seven-month period, there have been two for staff and two for faculty. Another one for faculty is scheduled for March 20.

President Todd said that he really enjoys this time with the staff and faculty. He thinks the people who attend enjoy them. The breakfasts last a couple of hours, and they provide a good time to sit and talk about what is happening on campus. He especially enjoys getting input from the people who attend.

President Todd reported that he has now met with all the colleges. All of the colleges did get on the schedule before the end of June 2006; however, he completed those meetings at the beginning of the year. A lot of those meetings were to talk about the Business Plan and its ramifications.

5. *Work with the Office of Development to complete the capital campaign.*

President Todd reported that the university is in good shape with the capital campaign. There are quite a few announcements to make at this meeting, and the university is continuing to raise money. He said that he has no doubt that the university will complete its \$1 billion campaign fundraising operation this year.

6. *Work to enhance the institution's national visibility.*

President Todd reported that he serves on at least two educational, governmental committees of national scope. He is currently an officer of the National Association of State University and Land-Grant Colleges (NASULGC) and is in line to be president of this organization. The only previous president of NASULGC that UK has had was President Patterson. It is a three-year track and is an interesting process that they have to go through. His involvement with NASULGC gives him a lot of opportunities to mix with the leading presidents of the land-grant institutions.

He is also on the executive committee of the American Council on Education (ACE) and serves as head of their Audit Committee.

President Todd said that he has been asked to be the keynote speaker at Ohio State University's Outreach Scholarship Conference on the outreach that UK is doing. He was the keynote speaker at the EPSCoR program of the National Science Foundation hosted in Lexington.

He was asked to give the luncheon speech at the Federal Reserve Bank of Cleveland Conference called "The Research University Driving America's New Economy." This luncheon meeting included about 200 individuals from industries and universities.

He led a session with the Vice President of Boeing at the Business Higher Education Forum called "Growing the STEM Pipeline for Math and Science."

At the ACE annual conference this year, he was a panelist, along with officials from Cornell University and the University of Washington, in a session called "Leading for Change: Structures and Approaches for Maximizing Outcomes."

He reported that he has been asked to be the keynote speaker at the National Association of College and University Business Officers (NACUBO) Conference in New Orleans this summer.

Stories about UK have appeared in at least two national publications. He has written an editorial for *insidehighered.com*, an Internet-based magazine. He reported that he had the opportunity to meet with the *New York Times*, and he is working on getting a story from them. Last year he talked to *Business Week*, *New York Times*, and *The Wall Street Journal*. The articles are not yet printed, but he was happy to have gotten an hour with each one of them. He hopes to see the results soon.

7. Provide oversight to athletics and avoid any major NCAA violations.

President Todd reported that the athletic budget is in very good shape. The basketball practice facility has opened, and the money to pay for it has been secured from generous donors. Nothing from the general fund was needed. The university won a bowl game, which was very gratifying. UK already had two coach-of-the-year awards and two conference championships. Harry Mullins, coach of the Rifle team and Mark Lyden, coach of the diving team, received Coach of the Year awards, and Taryn Ignacio was named diver of the year for the third straight year.

President Todd said that he is proud that athletics had 50 academically outstanding students. He noted that he is working extensively with athletics.

8. Continue developing relationships with federal and state government segments.

President Todd reported that most of what he has done in the state this year is to head the STEM Committee of 110 individuals trying to improve science, technology,

education, and math in Kentucky. He said that he had worked closely with the House and Senate leadership, particularly with Dan Kelly and Harry Moberly who are two very important people, with Rocky Adkins on his energy bill, and with David Williams who is president of the Senate. He said that he had been to Frankfort a lot, and that is primarily where he has put his focus.

9. Emphasize the role of the university in economic development of the state and the key role of Coldstream Research Park.

President Todd reported that three new companies or organizations had located at Coldstream. The number of commercial jobs at Coldstream has increased as has the commercial square footage leased there.

He explained that one of the approaches to this goal was to reorganize the economic development function. The Economic Development Office now reports directly to him. Dr. Len Heller was hired, and he has hit the ground running. He is working hand-in-hand with Lexington's new mayor Jim Newberry and is trying to make sure the university does economic development recruiting along with the city and the county.

President Todd said that he did not get a chance to review for his comments to the Board all of the specific things happening at Coldstream because he had to attend a meeting in Frankfort that morning. He does know that the Extreme Software building is progressing, and they may need to make it bigger than they originally thought. They have 48 openings right now for engineers.

Mr. Hardymon said that the update is important, and it will be in the Minutes. He informed the Board that a copy of the goals and objectives was available if any of the members had misplaced the copy they received earlier. He asked the Board to begin sending him questions regarding additional information that they would need to prepare the evaluation at the appropriate time. He reminded them of some particular situations last year. He wants to make this a more thorough process, one that continues to be more credible.

N. University Hospital Committee Report

In the absence of Ms. Young, chair of the University Hospital Committee, Mr. Wilcoxson gave the committee's report. He reported that the committee met Monday at 4:00 p.m. He said he was happy to report that Medical Center performance is very strong. The volume growth is over 12.5 percent for the year. Year-to-date income is over \$39 million. The balance sheet is also very strong. Cash and investments are \$380 million. Accounts receivable average 37 days now.

The committee received a very informative presentation about the new hospital space and the appearance of the facility. It also received a review by risk management,

which indicated that the program is in good shape and the claims are lower than they appear.

O. Investment Committee Report

Mr. Wilcoxson, chair of the Investment Committee, reported that the Investment Committee met Monday from 11:00 a.m. until about 2:00 p.m. The committee selected Pantheon Ventures to manage a 2.5 percent allocation of the university's endowment assets, which amounts to approximately \$20.5 million, for a private equity fund-of-funds strategy.

In May of 2005, the committee approved a total commitment of 5.0 percent of the endowment assets to a private equity fund-of-funds strategy with a goal of increasing the total return and providing additional diversification in the portfolio. At that time, Commonfund Capital was the manager the committee selected for the first 2.5 percent of that 5 percent total commitment. Then the committee followed this year with committing the second 2.5 percent to Pantheon Ventures. Eight firms responded to the last request for proposals, and Pantheon Ventures was selected based on the quality of their proposal and the interview that they held with the Investment Committee.

Mr. Wilcoxson reported that the endowment had a market value at the end of December of \$820.8 million, resulting in an increase of \$74.7 million for the fiscal year. The increase of \$74.7 million was the result of gifts and matching Research Challenge Trust Funds of \$9.7 million and investment earnings of \$78.7 million, less spending withdrawals of \$13.7 million to support the UK programs.

For the seven months ending January 31, 2007, the endowment returned 11.0 percent compared to the benchmark return of 11.8 percent.

For the calendar year 2006, the endowment posted a strong, absolute return of 13.3 percent. The endowment continues to meet the primary objective of generating returns equal to or greater than the sum of the spending allocations, inflation, and the cost of managing the investments.

Mr. Hardymon encouraged the Board members to attend any of the Investment Committee meetings because he thought they would be pleased with the oversight.

P. Academic Affairs Committee Report

Myra Tobin, chair of the Academic Affairs Committee, said that AACR 1 deals with candidates for degrees at Bluegrass Community and Technical College. On July 1, 2004, a Memorandum of Agreement among the University of Kentucky, KCTCS, and Lexington Community College states that LCC students who were or would be officially enrolled on or before September, 2004 in an Associate Degree program approved by the UK Board of Trustees and who complete the associate degree program on or before August 31, 2010 shall have their degrees conferred by the UK Board of Trustees.

Following the passage of this agreement, the Lexington Community College name was changed to Bluegrass Community and Technical College.

There are 184 students on the list, and the Academic Affairs Committee recommends that the president be authorized to confer upon each individual whose name appears on the list the degree to which he or she is entitled upon certification by the Kentucky Community and Technical College System Board and the University of Kentucky Registrar that the individual has satisfactorily completed all requirements for the degree for which application has been made and as approved by the elected faculty of University Senate and by the Academic Affairs Committee of the Board of Trustees.

Ms. Tobin moved approval of AACR 1. Ms. Haney seconded her motion, and it carried without dissent. (See AACR 1 at the end of the Minutes.)

Q. Creation of the Department of Neurosurgery (AACR 2)

Ms. Tobin said that AACR 2 deals with the creation of the Department of Neurosurgery. This proposal received initial impetus from the strategic planning process initiated by the Executive Vice President for Health Affairs, resulting in a recommendation that Neurosciences be a focus of clinical expansion and that the creation of a freestanding department of Neurosurgery was material to that expansion. The college, UK HealthCare, and the university must be competitive in its structure when competing for the best neurosurgical faculty.

The proposed change has been approved by the faculty of the department and the Faculty Council of the College of Medicine; reviewed and recommended by the Senate Committee on Academic Organization and Structure and the Senate Council; and recommended by the University Senate. The provost and dean of the College of Medicine of the university support this recommendation. It is recommended that the Board of Trustees approve the creation of the Department of Neurosurgery by separating the current Division of Neurosurgery from the Department of Surgery, effective July 1, 2007.

Ms. Tobin made a motion that AACR 2 be approved. Ms. Ball seconded her motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

R. Proposed Amendments to Administrative Regulation: Non-Resident Fee Committee (AACR 3)

Ms. Tobin said that AACR 3 has to do with the proposed amendment to the Administrative Regulation: Non-Resident Fee Committee. A revised copy of the proposed amendment has been distributed. There were no substantive changes in the revision, merely an update of edits that were necessary.

The background for this is that the Kentucky Revised Statute 164.020(8) requires the Council on Postsecondary Education to determine tuition and approve the minimum qualifications for admission to a state-supported postsecondary educational institution and authorizes CPE to set different tuition rates for residents of Kentucky and for nonresidents.

The Kentucky Revised Statute 164.030 requires the governing board of each of the state postsecondary educational institutions to make changes in the rules and regulations affecting their schools as are necessary to carry out the rulings of the Council on Postsecondary Education in regard to entrance fees and qualifications for admissions. The noted revisions to the regulations are as follows:

The title of the committee is changed from Non-Resident Fee Committee to Residency Review Committee to conform to the regulations of the Council on Postsecondary Education and to clarify the committee's purpose.

Two of the four required committee members are changed from ex-officio members to at-large members of the faculty and staff to allow the provost more flexibility in appointing the committee and to conform to current university organization.

Formatting changes are needed to update the regulation and make it consistent with other university Administrative Regulations.

Ms. Tobin made a motion that the Board of Trustees approve the revisions to AR III-1.1-4, Non-Resident Fee Committee. The proposed revisions are intended to make the Administrative Regulation more consistent with regulations promulgated by CPE and with current university organization.

Dr. Dembo asked the Board to turn to page 2, section III-F of the attachment. While there are no changes in the wording, he wondered if there was something missing. It reads, "Three members shall be necessary for Committee action, and three members shall constitute a quorum. A majority of the Committee members present shall be necessary for any decision." He wondered if the second sentence should read "A majority vote of the Committee members....."

Mr. Hardymon asked Ms. Tobin if she wanted to make her motion with the change suggested by Dr. Dembo. Ms. Tobin moved that the motion be changed to include the word *vote*. Mr. Branscum seconded her motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

Ms. Tobin reported that the committee had some visitors at its meeting. The Paul Chellgren Center for Excellence was discussed by Dr. Philipp Kraemer, the associate provost for undergraduate education. He informed the committee that a chair is being recruited for the center, and two endowed professors have been named. She said that one of them is fellow board member Ernie Yanarella, and he received a round of applause.

The other endowed professor is Joanna Badagliacco. Ms. Tobin said the committee was very please with that news. She noted that there will be two more endowed professors named.

Ms. Tobin said that Provost Subbaswamy reported to the committee on faculty recruitment and retention. He was accompanied by Dr. Heidi Anderson, the associate provost for faculty affairs. Dr. Anderson brings a new face for the provost's office to relate to and interface with the faculty. She told the committee of some of the things that she has been doing, including an enhancement of the current website that is very user friendly for people who might be looking at the university as a place of employment.

Dr. Leon Sachs, Department of Modern and Classical Languages, Literatures, and Cultures, and his wife Dr. Pearl James, Department of English, also attended the committee meeting. They are two new faculty members, who are both Yale University graduates that have just arrived on the UK campus. They shared their experience of coming to the university and emphasized how the university was accommodating to hire both a husband and wife team. It was very enjoyable to hear from them and to hear the nice things they said about their first impression of the University of Kentucky.

S. Finance Committee Report

Ms. Wickliffe, chair of the Finance Committee, said that FCRs 1 through 13 were consent items. They involve gifts and pledges that total \$3,003,161, all of this amount is eligible to be matched by the state. With these funds, UK will have matched \$64.18 million of the state funds from the Endowment Match Program. The university still has \$2.48 million funds left to match.

T. Acceptance of Interim Financial Report for the University of Kentucky for the Six Months Ended December 31, 2006 (FCR 14)

Ms. Wickliffe reported that through December 31, the university has realized 53 percent of the revenue estimate and expended 45 percent of the approved budget. The balance sheet is strong with assets of \$2.9 billion and liabilities of \$677 million. Fund balances of \$2.1 billion represent a nearly 72 percent equity position in total assets. Revenues of \$915.9 million and appropriated fund balances of \$85.4 million have exceeded expenditures to date by \$142.1 million, creating a strong cash position and balance sheet as of December 31, 2006. At the end of the first six months of the 2006-07 Fiscal Year, financial operations are consistent with the budget plan, and the university's financial condition is excellent.

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

U. Capital Projects (FCR 15)

Ms. Wickliffe reviewed the following projects:

- Renovate Central Vivarium: This project will renovate the animal care section of the Vivarium in the Central Division of the Animal Laboratory Resources Facility. It is located under numerous buildings in the Medical Center area of the campus. The renovation will include upgrading equipment, finishes, mechanical and electrical systems, and fire sprinklers, and it will address code deficiencies, and generally provide for more efficient use of space. The renovation is expected to cost approximately \$650,000, well within the authorized scope of \$1.5 million, and will be paid with capital renewal and replacement funds and funds from the University of Kentucky Research Foundation.
- Equine Isolation Facility: This project will design and construct a new equine isolation facility at UK's Main Chance Farm. The isolation facility is needed by the Gluck Equine Center to enable faculty to perform a range of infectious disease research that requires greater biosecurity. The project is expected to cost approximately \$1.1M, of which \$706,000 is from private gifts and the remaining amount from funds received from the Equine Trust. Contingent upon the Board's approval, the project will be submitted to the General Assembly's Capital Project and Bond Oversight Committee and the Council on Postsecondary Education for interim authorization.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 15. Dr. Yanarella seconded the motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

V. Appointment of Successor Trustee (FCR 16)

Ms. Wickliffe reported that on October 18, 2006 all outstanding bonds of the UK Housing and Dining System were refunded, and funds were escrowed to support full defeasement of the bonds. As a matter of efficiency, the U.S. Bank National Association has agreed and is recommended to be appointed as the successor trustee to Farmers Bank and Capital Trust Company. Besides simplifying the process, the change will save the university \$12,000 per year.

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

W. Patent Assignment Report (FCR 17)

Ms. Wickliffe said that the Patent Assignment Report was given to the committee by the provost, and he did an excellent job. Some very interesting patents and patent

work are being done by the university researchers. It is heartwarming to know this type of research is being done at UK.

The report includes 9 patent applications for the period November 1, 2006 through January 31, 2007. UK has received \$425,627 of patent income this fiscal year.

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

X. Capital Construction Report (FCR 18)

Ms. Wickliffe called upon Bob Wiseman, Vice President for Facilities Management, to give the Capital Construction Report.

Mr. Wiseman reported that the university has in general terms over \$650 million to \$700 million in capital construction in progress on campus, and the volume is extremely high right now with construction, reconstruction, and renovations. This report covers the period October 1, 2006 through December 31, 2006. There were four new contracts entered into; three contracts were completed; two contracts were amended; and three change orders over \$25,000 were approved.

The four new contracts include:

- A \$4.25 million contract with Messer Construction for expansion of the Central Utility Plant that serves the new hospital project. That project was initially budgeted at \$12 million. The bids that came in on that project were very pleasing.
- A \$276,000 contract with Staggs and Fisher to replace central steam and condensate piping across various parts of campus.
- A \$155,000 contract for design for the \$1.55 million project to fit up the shell space that is on the ground floor of the Gill Heart Institute for a cardiology center diagnostics and clinical research program.
- A \$112,875 architecture contract to fit-up the third floor that is currently shell space in the Lucille Little Library. That is one of the efforts to try to recapture underutilized space within the central campus for academic purposes.

The three contracts completed include:

- The \$269,073 contract for the Kentucky Swine Development and Training Center Feed Mill project in Woodford County.
- The \$1.04 million contract with The Wagner Company for the Expansion of the Cancer Infusion Suites within the Markey Center.
- An \$819,748 contract with Woodford Builders for the renovation of another portion of the vivarium that was approved in FCR 15, but this is another portion of that vivarium.

The two contract amendments entered into include:

- A study of effluent from our Livestock Disease Diagnostic Lab at Coldstream.

The project is for a redesign/study on tissue digester effluent and its impact on the LFUCG Town Branch Wastewater Treatment Plant.

- The addition of the traffic signal warrants analysis for the closure of Rose Street for \$4,500.

The three change orders greater than \$25,000 include:

- (-) \$39,115 to the Memorial Coliseum Expansion Project to delete ductwork cleaning because it was not needed due to the cleanliness of the job site.
- (+) \$27,365 to the Fit-Up 4th Floor in BBSRB Project to provide power for lights and receptacles in the Penthouse.
- (+) \$206,838 also to the Fit-Up 4th Floor in BBSRB Project to add an organic synthesis laboratory.

Mr. Wiseman noted that the Hilary J. Boone Center project came in a little high on the first bidding this quarter. After going through the value engineering process, it was sent back to the two low bidders and is back in budget. The work started March 5 and will be completed by January 2008.

Mr. Wiseman mentioned that the Biological Pharmaceutical Complex Building groundbreaking will be happening in April.

Mr. Hardymon said that he knew that he subjected the Board to more information than may be normal regarding capital construction, but it is the future of the university.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 18. Mr. Shoop seconded her motion, and it carried without dissent. (See FCR 18 at the end of the Minutes.)

Y. Proposed Amendments to the Administrative Regulation: Policy for Disposition of Personal Property (FCR 19)

Ms. Wickliffe reported that the proposed revisions to the university's Policy for Disposition of Personal Property are a result of the on-going review of all Administrative Regulations. The revisions consist of formatting changes and elimination of direct quotes from the Kentucky Revised Statutes. As this is an Administrative Regulation, a second reading is not required.

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

Z. Student Affairs Committee Report

Mr. Williams, chair of the Student Affairs Committee, reported that the committee met that morning, and all members were in attendance. The committee had the opportunity to spend time with some of the students representing Dance Blue, hear

their perceptions, and give them a lot of praise for what they did over the weekend as well as the past year. It is a phenomenal movement, and one that the Board can probably get involved in next year.

Trustee Jonah Brown gave an update on Student Government activities. There was a Martin Luther King, Jr. candlelight vigil, the first the Student Government had sponsored, with about 350 people in attendance. Mr. Brown represented UK at the Martin Luther King memorial service.

There was a celebration on the plaza for the football team for their victory in the bowl game. President Todd and Mr. Brown spoke at the celebration.

Student Government has been lobbying in Frankfort for some university issues, including the ability for UK to have authority to issue its own bonds. That is an important issue for the students to support.

The Valentine Gala had about 300 people in attendance. The Gala was moved to campus this year, and there was good attendance.

The associate dean of students Tony Blanton, the university's chief disciplinarian, talked to the committee about the kinds of infractions that some students have engaged in, and the university's response. There were some changes to the student code a couple of years ago that streamlined the system, and according to Mr. Blanton, it is working quite well. Probably less than 1 percent of the entire student population ever becomes involved in the disciplinary process.

Greg Moore, University Health Service Director, attended the meeting and was asked about the construction of the University Health Services new facility. The project is on schedule, and they hope to move into their new facility in March 2008.

Dr. Dembo brought up the issue of illegal downloading and mentioned some work that he has been doing with Information Technology and some other people in Student Affairs to see how UK is monitoring that. The Information Technology area is being very active in preventing illegal downloading in music.

Mr. Williams announced that the next committee meeting will be April 24. The time will be determined closer to the date. Bob Bradley of the Center for Academic and Tutorial Services (CATS) in athletics will host the committee for its next meeting. Mr. Williams invited the Board to attend the meeting, especially if they have never been to the CATS Center. This will give everyone the opportunity to see the university's great facilities that help the student-athletes meet their academic requirements.

In closing, Mr. Williams informed the Board that the Student Affairs Gala is scheduled for April 27, and the Board will be receiving an invitation to that event. The proceeds will go to student leadership endowments.

AA. Athletic Association Board of Directors Report

Mr. Dawson reported that the Board met on January 29. President Todd congratulated Athletic Director Mitch Barnhart for several accomplishments the past year, including the Music City Bowl, four Coach of the Year awards, and the men's basketball honorable GPA of 3.0.

Following President Todd's remarks at the Athletic Board meeting, Mr. Barnhart mentioned several highlights:

- Women's soccer coach Warren Lipka led his team to the SEC championship and earned SEC Coach of the Year title.
- The rifle team proved to be extremely successful, sending a couple of its athletes to compete in Europe this year.
- The football coaching staff had a few changes, including promoting Steve Brown to Defensive Coordinator, which made UK one of three Division I-A schools with both coordinators being African American.
- Two new assistant football coaches were hired: David Lockwood and Larry Brinson.
- The Joe Craft Center was completed and opened February 10.
- A new baseball scoreboard has been installed.
- UKAA is hosting several SEC and NCAA tournaments:
 - Men's basketball NCAA First and Second rounds
 - SEC Swimming and Diving championship
 - SEC Indoor Track and Field championship
 - SEC Women's Tennis championship

Mr. Dawson further reported that the contract renewal for Head Football Coach Rich Brooks was distributed and discussed. The renewal was approved by the board.

The Board also received a report from the Finance Committee and approved the following items presented by the committee:

1. The use of \$950,000 of the Athletics Fund Balance to increase the FY07 operating expenditure authority.
2. The use of the \$1.04 million Music City Bowl allowance from the SEC to increase expenditure authority.

Associate Athletics Director Mark Coyle presented the Board with a proposal to adjust ticket prices for the period FY08 – FY10. The plan rewards the loyalty of the season ticket holder, and it keeps UK near the bottom of the SEC in football ticket prices while generating the resources needed to continue the progress toward broad-based excellence. The Board approved the proposal presented by Mr. Coyle.

Following Mr. Coyle's presentation, President Todd commended Mr. Barnhart and his staff for continuing to invest in academics through contributions to the President's Office and the Singletary Scholars.

Mr. Hardymon thanked Mr. Dawson for his report and noted that this is probably the first meeting that he can remember that Mr. Barnhart or Mr. Rob Mullens could not attend. They are out of state attending to a conference. They did inform him and President Todd that they would be absent.

BB. Meeting Adjourned

With no further business, Mr. Hardymon adjourned the meeting at 2:45 p.m.

Respectfully submitted,

Pamela R. May
Secretary, Board of Trustees

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