

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, September 9, 2008.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, September 9, 2008, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Ms. Mira Ball, chair, called the meeting to order at 1:00 p.m. and asked Ms. Barbara Jones, General Counsel, to administer the oath of office to the newly appointed Trustees who had not taken the oath of office at a public meeting.

B. Oath of Office

Barbara Jones, General Counsel, administered the Oath of Office to the following members:

Edward Britt Brockman, appointed by Governor Steven L. Beshear to replace Billy Wilcoxson, for a term ending June 30, 2014.

Jo Hern Curris, appointed by Governor Steve Beshear to replace Myra Leigh Tobin, for a term ending June 30, 2014.

Everett McCorvey, elected by the faculty to replace Jeffrey B. Dembo, for a term ending June 30, 2011.

W. Tyler Montell, who will serve as Student Trustee for the 2008-09 academic year.

Frank Shoop, reappointed by Governor Steven L. Beshear for a term ending June 30, 2014.

A round of applause was given to the new members of the Board.

President Todd acknowledged the enthusiasm of the new Board members and said he was appreciative of their willingness to serve. He introduced Dr. Constantine “Deno” Curris, the husband of new member Jo Curris and a graduate of the University of Kentucky, who was in the audience and asked him to stand and be recognized. Dr. Curris received a round of applause. President Todd informed the Board that Dr. Curris is the president of the American Association of State Colleges and Universities (AASCU) in Washington, D.C. and has really done a good job for the University of Kentucky. He said that Dr. Curris has been a nice mentor for him on a number of occasions and noted that Dr. Curris gave the university’s Commencement address a few years ago. He welcomed Dr. Curris back to campus.

C. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira Ball (chair), Stephen Branscum, E. Britt Brockman, Penelope Brown, Jo Hern Curris, Ann Haney, James Hardymon, Pamela May, Everett McCorvey, W. Tyler Montell, Sandy Bugie Patterson, Phillip Patton, Charles R. Sachatello, Frank Shoop, JoEtta Wickliffe, Russ Williams, and Ernest Yanarella. Teleconferencing was provided for Erwin Roberts because he could not be present at

the meeting. Absent from the meeting were Dermontti Dawson and Billy Joe Miles. 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 David Randall, and the university staff was represented by Chair of the Staff Senate Bart Miller.

Members of the various news media were also in attendance.

D. Board Dates and Institutional Goals and Objectives for President Lee T. Todd, Jr. for Academic Year 2008-09

Ms. Ball called attention to the 2009 schedule of the Board meetings in the agenda book and noted that the dates were discussed at the Board retreat.

She said that the institutional goals for President Todd were also reviewed and discussed at the retreat. She asked for official acceptance of those goals which were included in the agenda book. Mr. Branscum asked for clarification that they were the same goals presented at the retreat. He then moved approval of the goals. Ms. Patterson seconded the motion, and it carried without dissent.

E. Consent Items

Ms. Ball called attention to the items on the consent agenda and asked if there were any corrections or additions. Mr. Shoop moved that the consent items be approved. Ms. Haney seconded the motion, and it carried without dissent. (See consent items listed below at the end of the agenda.)

Minutes – June 17, 2008

Retreat Minutes – August 19, 2008

PR 2 Personnel Actions

FCR 1 James and Gay Hardymon Pledge (Consent)

FCR 2 Martha B. Reynolds Estate Gift (Consent)

F. Nominating Committee Report

Mr. Shoop, chair of the Nominating Committee, asked Ms. Ball to step aside as chair and appoint a Board member to receive the Nominating Committee's report. Ms. Ball asked Mr. Hardymon to receive the report. Mr. Hardymon then asked Mr. Shoop for his report.

Mr. Shoop, chair of the Nominating Committee, reported that the Nominating Committee met September 4 to discuss the nomination of officers of the Board and the members of the

Executive Committee as well as two action items. On behalf of the Nominating Committee, he submitted the nomination of Mira Ball for chair and moved approval of the nomination. Dr. Sachatello seconded the motion, and it passed without dissent. There were no nominations from the floor.

Ms. Ball returned to the chair's seat and asked Mr. Shoop to continue his report.

Mr. Shoop said the vote in the Nominating Committee was for Steve Branscum to be vice chair of the Board, and he moved approval of the nomination. Mr. Montell seconded the motion, and it carried without dissent. There were no nominations from the floor.

On behalf of the Nominating Committee, Mr. Shoop submitted the nomination of Pam May for secretary and moved approval of the nomination. Dr. Sachatello seconded the motion, and it carried without dissent. There were no nominations from the floor.

Mr. Shoop reported that it has been the practice of the Board to appoint the general counsel of the university as assistant secretary of the board, and the Nominating Committee nominates Barbara Jones as assistant secretary. He moved approval of the nomination. Ms. Haney seconded the motion, and it carried without dissent. There were no nominations from the floor.

On behalf of the Nominating Committee, Mr. Shoop submitted the following nominations for members of the Executive Committee and moved approval of the nominations:

Mira Ball, Chair
Steve Branscum
James Hardymon
Sandy Patterson
Phillip Patton
Pam May, ex officio

Dr. Yanarella seconded the motion, and it carried without dissent. There were no nominations from the floor.

Mr. Shoop congratulated the officers and the Executive Committee on their appointments and asked the Board to join him in giving the officers and Executive Committee a round of applause.

G. Appointment of Trustee to University of Kentucky Gluck Equine Research Foundation, Inc. Board of Directors (NCR 1)

Mr. Shoop said that NCR 1 recommends that the Board approve the appointment of Everett McCorvey as a trustee member to the University of Kentucky Gluck Equine Research Foundation Board of Directors for a four-year term ending December 31, 2012. The Nominating Committee of the Board is to submit nominations of Trustee representatives to the Board for approval, and the bylaws of the foundation require that the Board of Trustees approve

appointments to the Board of Directors. On behalf of the Nominating Committee, he moved approval of NCR 1. Mr. Branscum seconded the motion, and it passed without dissent. (See FCR 1 at the end of the Minutes.)

H. Appointment of Trustee to The University of Kentucky Research Foundation Inc. Board of Directors (NCR 2)

Mr. Shoop said that NCR 2 recommends that the Board approve the appointment of Penny Brown as a trustee member to the University of Kentucky Research Foundation Board of Directors for a three-year term ending December 31, 2011. The Nominating Committee of the Board is to submit nominations of Trustee representatives to the Board for approval, and the bylaws of the foundation require that the Board of Trustees approve appointments to the Board of Directors. On behalf of the Nominating Committee, he moved approval of NCR 2. Ms. Haney seconded the motion, and it passed without dissent. (See NCR 2 at the end of the Minutes.)

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

President Todd began his report by introducing Dr. Judy "JJ" Jackson. This is Dr. Jackson's first Board meeting as vice president of institutional diversity at the University of Kentucky. He and others are glad to have her at the university, and they look forward to her contributions.

- Rodney Andrews made a presentation at the Board retreat and told about the Center for Applied Energy Research receiving a \$1.2 million grant in an international research competition conducted by utility giant E.ON. There were 50 international universities and institutes from 11 countries that submitted proposals, and the University of Kentucky was the only U.S. institution to win an award. This grant is to develop some capacitors to store wind and solar energy. While it gets UK into an arena where there is a lot of wind and solar work going on in Kentucky, it is something that will have international impact.
- A group of UK's College of Engineering students built a car and got it certified through a process for a solar car race, which was very difficult to do. The ultimate winner of that race was the University of Michigan. The University of Michigan students raised about \$3 million to build their car. The UK students had probably less than \$100,000 to build their car. The race began in Dallas, Texas, and the finish line was in Calgary, Alberta, which was 2,400 miles in a car with solar energy. It was a great project for the students, and they came in 11 out of 15. Making the race was a big opportunity for the students, and they will continue to improve on that position.
- According to a new study published by Ellen Hahn, professor at the College of Nursing, and several colleagues, asthma visits to the emergency room have decreased since the enactment of the smoke-free legislation. The study was to

look at emergency room visits due to asthma and other breathing conditions that could be brought on by secondhand smoke. The rate of decline in asthma visits to the emergency room was 24 percent for adults and 18 percent for children. This is one of those measurable impacts in a reasonably short period of time. Professor Hahn has also been working with a lot of communities throughout Kentucky. She had a conference about two or three months ago where approximately 150 people came from around the state to learn how to position their communities to be smoke-free communities. She is to be applauded for her efforts in this study.

- Congressmen Hal Rogers and Representative Geoff Davis visited campus recently to unveil more than \$1.426 million in federal funds to support research at the UK Center for Applied Energy Research on refining coal into liquid transportation fuels. The university has a pilot plant at the center to do that, but this allows the university to enhance that plant and at the same time look at some carbon sequestrations to make that plant more environmentally acceptable. There is another \$1 million earmark lined up behind that, and in addition, the Secretary of Energy and Environment Cabinet Len Peters contributed \$350,000. The university now has a good amount of money to go after that issue.
- The UK Center for Computational Sciences that Dr. John Connolly has headed for a number of years has won a grant from the National Science Foundation for \$2.7 million. This is a consortium with the University of Florida, the University of Illinois, and the University of Maryland for the grid's cyberinfrastructure. Appearing in contracts with those types of universities with that level of funding should be drawn to the Board's attention.
- The "Class of Kentucky" was greeted on the football field at a recent football game. This is an initiative that was a brainstorm with Kelley Bozeman and Catherine Edelen. The concept was to approach the high school counselors in every high school in Kentucky and ask them to nominate their top sophomore. Those sophomores are invited to campus during the summer for a campus tour. There is a luncheon, a motivational speaker, and the students are given a certificate. Many times the students bring their parents, grandparents, aunts, and uncles. It is the first time that many of them have been on a college campus. The students and their parents are then invited back for a football game. A class of these students graduated from high school, and 25 percent of them came to UK. This initiative is a success, and it is something that will definitely continue.
- Former Dean Kay Clawson and former Board member Robert Clay had an idea to start the Henry Clay Center for Statesmanship which involves Transylvania University and the University of Kentucky. The senior senator from each state would nominate a student to come to Lexington for a week

and learn about the concepts of Henry Clay, which are compromised, and to try to put some civility back into the political process. Classes were held at Transylvania University and UK. Senator Nancy Kassebaum Baker was one of the speakers. Ms. Ball, Justice Sandra Day O'Connor, and Patterson School Director Carey Cavanaugh are on the center's board. While this is good exposure for UK, it also brings back the principles of Henry Clay and of Kentuckians. The idea was deemed a very big success the first time out.

President Todd said that there are other items in PR 1 that the Board should read, especially the student and faculty achievements. He encouraged the Board to read those items at their leisure.

J. Naming of University Building (PR 3)

President Todd said that PR 3 is a recommendation to rename the College of Medicine Office Building to the Medical Behavioral Science Building. The Committee on Naming University Buildings unanimously recommends approval of this name change. On motion made by Judge Patton and seconded by Mr. Shoop, PR 3 was approved without dissent. (See PR 3 at the end of the Minutes.)

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

President Todd recommended that the Board approve the appointment of Stephen M. Reed to the Board of Directors of the University of Kentucky Gluck Equine Research Foundation for a four-year term. Dr. Reed is an associate in internal medicine at Rood and Riddle Equine Hospital. He received his DVM from Ohio State University and is a diplomate of the American College of Veterinary Medicine. Dr. Reed will be a strong addition to the Board. Dr. Brockman moved approval of PR 4. Dr. McCorvey seconded the motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

L. Candidates for Degrees (AACR 1)

Dr. Yanarella was asked to chair the Academic Affairs Committee meeting because the Board term of Chair Myra Tobin expired June 30. He reported that the Academic Affairs Committee had three agenda items for the Board's consideration. AACR 1 is a list of candidates for degrees being completed the summer 2008. The committee reviewed AACR 1 and makes a positive recommendation to the Board. He moved approval of AACR 1. Ms. Haney seconded the motion, and it passed without dissent. (See AACR 1 at the end of the Minutes.)

M. Candidates for Degrees - Bluegrass Community and Technical College (AACR 2)

On behalf of the Academic Affairs Committee, Dr. Yanarella recommended to the Board passage of AACR 2 which involves candidates for degrees for the Bluegrass Community and Technical College. The Board is aware of its continuing responsibility until August 31, 2010 of

conferring these degrees. He moved approval of AACR 2. Dr. McCorvey seconded the motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

N. Termination of the Center for Historic Architecture Preservation (AACR 3)

Dr. Yanarella said that AACR 3 involves termination of the Center for Historic Architecture Preservation. In the year 2000, the Board of Trustees approved this establishment. There were high hopes and aspirations that the center would be able to become self-supporting with grants and contracts. The College of Design made strenuous efforts to find a nationally prominent director to take authority over this center. These aspirations and hopes were not realized, and with a new dean of the College of Design, the college is moving in different directions. Therefore, a request has moved through the dean of the College of Design, the Vice President for Research and the Provost, and the Academic Affairs Committee to the Board for termination of the Center for Historic Architecture Preservation. Dr. Yanarella moved approval of AACR 3. His motion, seconded by Ms. Patterson, carried without dissent. (See AACR 3 at the end of the Minutes.)

Dr. Yanarella reported that Provost Subbaswamy and Associate Provost Heidi Anderson gave the committee an update on the beginning of the semester. He said that the committee was appreciative of the overview and quite delighted with the statistics for this year. As a faculty member, he looks forward to the opportunity to teach these students as they go through their undergraduate career at the University of Kentucky.

O. Finance Committee Report

Mr. Branscum, chair of the Finance Committee, reported that the committee had a very active meeting with 13 reports and action items. FCRs 1 and 2 were consent items. They included gifts and pledges totaling \$1.25 million. Mr. Branscum highlighted FCR 1, which is a \$1 million pledge from James and Gay Hardymon to provide support for the construction projects and related priorities of the new University of Kentucky Albert B. Chandler Hospital. He gave special thanks to Mr. and Mrs. Hardymon for their pledge and noted that they are graduates of the university. They are among the university's most generous donors. Mr. Hardymon has served on the Board of Trustees since 2003, and he served as chairman of the Board from 2004 through 2007. He serves as chair of the University Health Care Committee.

P. Renaming of Verizon South Inc. Chair in Network Engineering to the Verizon Communications Graduate Fellowship (FCR 3)

Mr. Branscum said that FCR 3 is the Renaming of Verizon South Inc. Chair in Network Engineering to the Verizon Communications Graduate Fellowship. The donor and the College of Engineering request that the funds' use and name of an endowment be changed from an academic chair to graduate fellowships in the college's Department of Computer Science. On behalf of the Finance Committee, he recommended approval of FCR 3. Mr. Shoop seconded the motion, and it carried without dissent. (See FCR 3 at the end of the agenda.)

Q. Patient Care Facility Project (FCR 4)

Mr. Branscum said that FCR 4 was to formally request approval to set the scope of the initial phases of the new UK HealthCare Patient Care Facility project at \$532.3 million which includes \$250 million agency bonds, \$275 million agency funds, and \$7.3 million private funds.

The FCR also recommends consolidation of the separate legislative authorities for administrative reporting purposes. There is no new debt, and any other changes would come back to the Board for approval. He noted that Vice President Bob Wiseman will be taking this to the Capital Projects and Oversight Committee for approval upon approval by the Board at this meeting.

On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 4. Mr. Williams seconded the motion, and it carried without dissent. (See FCR 4 at the end of the meeting.)

R. Acquisition of Lexington Public Library Northside Branch Located at 1737 Russell Cave Road, Lexington, Kentucky (FCR 5)

Mr. Branscum said that FCR 5 recommends approval of the acquisition of the Northside library in Lexington, Kentucky for \$1.2 million. The Department of Biology proposes to integrate this property with its research facility located on adjacent land that is owned by the UK Research Foundation. This recommendation also authorizes Vice President Butler to execute all documents required for such purchase. On behalf of the Finance Committee, he recommended approval of FCR 5. Mr. Montell seconded the motion, and it carried without dissent. Ms. May abstained from the vote. (See FCR 5 at the end of the Minutes.)

S. Acquisition of 458, 460, and 462-464 Rose Lane, Lexington, Kentucky (FCR 6)

Mr. Branscum said that FCR 6 recommends approval to acquire 1.063 acres and an apartment complex on Rose Lane in Lexington, Kentucky. The property has been offered for sale by Beta Nu of Kappa Sigma House Corporation. Mr. Butler will be authorized to negotiate up to \$1,631,900 for the property which is within the university's approved acquisition boundary. On behalf of the Finance Committee, he recommended approval of FCR 6. Ms. Patterson seconded the motion, and it carried without dissent. (See FCR 6 at the end of the Minutes.)

T. Expand Ophthalmology Clinic (FCR 7)

Mr. Branscum said that FCR 7 is a recommendation for the Expand Ophthalmology Clinic project which will be funded by UK HealthCare. This project was previously approved by the Board in January 2008 with a scope of \$3.1 million. Project planning indicates that the scope will be more than the original approved amount. Thus, the project is being brought back to the Board for approval to initiate with a new scope of \$4.185 million, the amount authorized by the 2008 General Assembly. On behalf of the Finance Committee, he recommended approval of

FCR 7. Dr. Brockman seconded the motion, and it carried without dissent. (See FCR 7 at the end of the Minutes.)

U. Renovate William E. and Casiana Schmidt Vocal Arts Center (FCR 8)

Mr. Branscum said that FCR 8 recommends the acceptance of a \$1 million pledge from William E. and Casiana Schmidt and approval to initiate the renovation of the William E. and Casiana Schmidt Vocal Arts Center.

At its October 16, 2007 meeting, the Board of Trustees approved renaming the Koinonia House the William E. and Casiana Schmidt Vocal Arts Center in recognition of their \$1 million pledge to the UK Opera program. The Schmidts designated \$500,000 of their pledge to help fund the \$1.2 million renovation of the center. The renovation project includes upgrades to the electrical and mechanical systems, installing a sprinkler system, a new stairwell, and an elevator. The project also begins fitting out shelled space on the second floor which will eventually include rehearsal rooms, teaching studios, classrooms, practice rooms, a dance studio, and office space.

On behalf of the Finance Committee, he recommended approval of FCR 8. Ms. Curris seconded the motion, and it carried without dissent. (See FCR 8 at the end of the Minutes.)

V. Approval of Related Transactions (FCR 9)

Mr. Branscum said that FCR 9 requests authorization to transfer up to \$5 million to the University of Kentucky Research Foundation to be used as paid in capital in Coldstream Laboratories, Inc. (CLI). As previously reported to the Board, CLI was formed to expand and commercialize pharmaceutical manufacturing, research, and development at the College of Pharmacy's Center for Pharmaceutical Science and Technology. CLI is in operation and is building a client base but has not yet become self-sufficient. CLI estimates that it will have a positive cash flow next year. This investment will be funded by the UK HealthCare Enterprise. On behalf of the Finance Committee, he recommended approval of FCR 9. Dr. McCorvey seconded the motion, and it carried without dissent. (See FCR 9 at the end of the Minutes.)

W. Lease/Purchase of Medical Equipment (FCR 10)

Mr. Branscum said that FCR 10 is a request to approve the acquisition of three major medical equipment items and one equipment lease pool totaling \$15,565,450 by lease-purchase financing. The University's Debt Committee has reviewed this request and determined that it is consistent with the University's Debt Policy. A description of each item is provided with the FCR. On behalf of the Finance Committee, he recommended approval of FCR 10. Ms. Curris seconded the motion, and it carried without dissent. (See FCR 10 at the end of the Minutes.)

X. 2008-09 Budget Revisions (FCR 11)

Mr. Branscum said that Vice President Angie Martin presented the 2008-09 Budget Revisions which will increase the University of Kentucky's total budget by \$759,200. The

revisions include \$739,200 of unspent federal funds to various programs at the Agricultural Experiment Station and Agricultural Cooperative Extension Service. This funding will go toward agricultural research and the Cooperative Extension's initiatives in Health and Nutrition Education. The funds must be expended by the end of the federal fiscal year, September 30, 2008. On behalf of the Finance Committee, he recommended approval of FCR 11. Mr. Williams seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

Y. Patent Assignment Report (FCR 12)

Mr. Branscum said that Vice President for Research James Tracy presented the Patent Report for the quarter that ended June 30, 2008. The quarterly report included three patents. For the 2007-08 fiscal year, the university filed 12 patent applications, had 14 patents issued, and, received \$1.2 million of patent income. On behalf of the Finance Committee, he recommended acceptance of FCR 12. Dr. Brockman seconded the motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

Z. Capital Construction Report (FCR 13)

Mr. Branscum said that FCR 13 is the capital construction report for the quarter ending June 30, 2008. During this period, there were 4 new contracts, 2 contracts completed, 2 contracts amended, and 10 change orders greater than \$25,000.

The 4 new contracts included:

- A \$2.37 million contract with Congleton Hacker Company for the Fit-Up Gill Building Ground Floor project;
- A \$140,000 contract with CMW, Inc. for the Replace Emergency Generators and Fire Pump at UK Good Samaritan Hospital project;
- A \$253,686 contract with JRA Architects for the Renovate Outpatient Clinic in Kentucky Clinic project; and
- A \$249,078 contract with JRA Architects for the Expand Ophthalmology Clinic;

The 2 contracts completed for preliminary designs were:

- The \$660,000 contract with Kohn Pederson Fox Associates for the Design Phase of the Construct Gatton Building Complex project; and
- The \$528,998 contract with Robert A.M. Stern Architects for the Design Phase of the Construct Law School Building project.

The 2 contracts amended were:

- (+) \$282,276 for the Construct Biological Pharmaceutical Complex Building project for additional coordination during construction; and
- (+) \$868,849 for the Construct Patient Care Facility project for additional design services.

The 10 change orders greater than \$25,000 were:

- 2 change orders totaling \$372,678 for the Construct Biological Pharmaceutical Complex Building project; and
- 8 change orders totaling \$212,156 for the Construct Patient Care Facility project.

There are a lot of things going on. Mr. Wiseman and his staff are overseeing construction on all corners of the university. He and his staff do an outstanding job tracking and keeping up with the projects. On behalf of the Finance Committee, he moved acceptance of FCR 13. Mr. Shoop seconded his motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

Mr. Branscum said that most of the information about the 13 items was repetitive because most Board members attended the Finance Committee meeting. He said that the committee had good discussions about the items, and it also had an opportunity to ask questions.

Mr. Branscum reported that the committee saw a PowerPoint presentation by Provost Subbaswamy regarding the fall enrollment report, and Vice President Angie Martin made a presentation on the budget impact of the enrollment as well. It is with a lot of excitement that they announced that the university's annual retention rate is up to 81 percent as well as first time student enrollment. The budget was for 4,000 freshmen, and the fall enrollment was 4,044. That had a budget impact of fall tuition revenues adding about 2 percent or \$2 million. Provost Subbaswamy wanted to make sure everyone understands that it is an estimate. These dollar amounts for the fall and spring could near \$3.5 million in additional revenue with the enrollment.

Ms. Ball agreed that Provost Subbaswamy gave a very good report and asked the Board to give him a round of applause.

AA. Proposed Amendment to Governing Regulations: Faculty Vacation Leave, Sabbatical Leave, and Delay of Probationary Period (HRCR 1)

Judge Patton, chair of the Human Resources Committee, reported that the committee met that morning to consider HRCR 1, which is a proposed amendment to Governing Regulations: Faculty Vacation Leave, Sabbatical Leave, and Delay of Probationary Period. This amendment was adopted on first reading at the Board's June meeting. At that meeting, it was suggested by Dr. Yanarella that prior to the second reading the proposed amendment be vetted through the Human Resources Committee. It was reviewed by the deans and by the University Senate, and there was quite a discussion on the vacation leave portion in the committee's meeting. The other portions seem to have no controversy.

The amendment changes existing policy on the carryover of vacation leave. Faculty members accrue 22 days a year and have historically been able to carry over to the next year unused vacation days. That policy was an unfunded liability of about \$20 million, and due to budget constraints, that was the impetus for this change.

Judge Patton said that the committee heard from Dr. Jennifer Bruechner from the College of Medicine Faculty Council. Dr. Bruechner expressed concern about how this change would impact medical faculty who are under a contract to work 48 weeks a year. Judge Patton said the committee was assured by Provost Subbaswamy and by Mr. Butler that this concern will be addressed in policies and procedures that will be implemented to implement this amendment.

On behalf of the Human Resources Committee, Judge Patton moved the adoption of HRCR 1 on second reading. Mr. Williams seconded the motion, and Ms. Ball asked for any further discussion.

Dr. Yanarella said that he would like to make a substitute motion to table HRCR 1 for one month in order to provide an opportunity for Mr. Butler and Provost Subbaswamy to put in writing the specific rules and exceptions they indicated they were prepared to do in order to respond to the volley of objections that have emerged among the medical faculty. In June, he requested an amendment to the first reading that would allow the faculty, who had reasons for objection to this proposal, to raise those concerns with the Human Resources Committee. Unfortunately, there was only one important representative, Dr. Jennifer Bruechner, past chair of the College of Medicine Faculty Council, who reiterated many of the objections at the committee's meeting.

Dr. Yanarella said that he believed the predecessor to the new faculty trustee Dr. Jeff Dembo, and new faculty trustee Dr. McCorvey have received e-mails from a myriad of Medical Center faculty. He considered this an important morale issue, partly because the faculty was not able to avail themselves of the opportunity to speak at the Human Resources Committee and to indicate their passionate concerns about this amendment. He will acknowledge that the review process broke down, and he would have to lay it at the door of the faculty representative bodies. The representatives did not do their job in publicizing this proposed amendment so that the Senate Council could have been the appropriate forum for doing this. He knows that there are many Board members who are reluctant to have the Human Resources Committee serve as the forum for these grievances to be brought forth. He thinks that individuals of good will, who recognize that this is a very important issue to the medical college faculty, particularly those in the clinical area and as Dr. Bruechner pointed out many women faculty, need another 30 days. It would be valuable indeed and in the best interest of the university to delay action on HRCR 1. If the faculty morale declines by the Board passing this amendment now, it would then need to recuperate that loss afterwards through efforts by the vice president for finance and administration and the provost to respond to those objections which had not been fully vetted in appropriate forums. It is for that reason for this substitute motion to table the proposed amendment for 30 days.

Dr. Sachatello seconded the motion to table HRCR 1 made by Dr. Yanarella. He said that some of the departments and divisions are very small, and it is extremely important that they have flexibility in their schedules to allow them to reschedule vacations from one year to another. The Board would hate for the university to lose good faculty over a difference of a couple of weeks of vacation.

Mr. Williams said he was curious about what difference it would make with the 30-day delay. In the committee meeting, everyone heard assurances from Mr. Butler and from Provost Subbaswamy that certainly exceptions have been discussed already, and exceptions could be made in those instances where there are small departments. He said that he is not sure what difference it would make in passing this amendment now or passing it later unless there is some implication that the Board would not pass it in 30 days or that some reason this change in the Governing Regulation would not happen. If that is the intent, then that is a whole different discussion. The Board will need to have a discussion regarding whether to do this or not.

Dr. Yanarella said he takes the provost and the vice president for finance and administration at their words. He knows them to be individuals of honor and good faith, and he thoroughly expects them to proceed to put in writing the policies and exceptions that might be part of this proposed amendment. His concern is that if the Board passes this amendment today without an understanding that indeed there will be exceptions put in writing, it will have a very significant impact on faculty morale. With a month's delay, the Board would be assured by these gentlemen that they will put together such a document, and that this document will be vetted through the College of Medicine by the deans and perhaps chairs so those individuals who have objections would have a better understanding of those elements of the policy and the rules that would apply with respect to exceptions.

Ms. May said that the Human Resources Committee had a very good meeting. She certainly appreciates the medical school representative being there to talk about the concerns. Having been a member of the Board for a long time, she thinks that one of the things helping make UK a great university is something that President Todd pushed from day one, and that is transparency. The people understand what the Board is doing and why the Board is doing it. They may or may not like it, but they understand. There was an acknowledgement in the committee's meeting that this process has not been as transparent as it should have been, and people do not understand the reasons. There is a lot of uncertainty about the amendment.

She said that Mr. Butler shared with the committee that he had answered every e-mail that he had received. Dr. Bruechner said she sent him an e-mail and did not get an answer. In this day and time, she is not sure one can rely totally on electronic transfers. It was very clear that there was a compelling argument made in the meeting that the Board has an opportunity to improve the dialogue and make it clear for everybody to understand.

Ms. May said that the first part regarding sabbaticals is very easy. Probably some of the family leave or extensions and how they are going to use those leaves are easier. The 48-week contracts currently in existence which states that faculty must work 48-weeks but somehow have the additional vacation leave is a little more problematic. The administration is not sure how many 48-week contracts are out there. The 30-day delay would give the provost and whomever else an opportunity to clarify the amendment and make the medical center faculty, who like everybody else is very valuable to this organization, feel better about it.

Mr. Hardyman asked for the amendment to be repeated.

Dr. Yanarella said the amendment is to table HRCR 1 for one month.

Mr. Hardymon asked what was to go on in that month.

Dr. Yanarella said that his assumption is that in that one-month period the provost and the vice president for finance and administration will put into a document the process of exceptions that relate to this particular change in the Governing Regulations and that the statement would then be distributed to the College of Medicine faculty through their appropriate administrators.

Mr. Hardymon asked if the intent was to kill the amendment or to clarify it.

Dr. Yanarella said his basic intent is to assure the integrity and the value of the process. He shares with Ms. May the feeling that the review process broke down. It is his perception that most of the responsibility and most of the blame for this relates to the faculty representative body. They did not do their job. They did not realize how important and portentous this would be. It practically sailed through the Senate Council without the kind of probing questions that might have elicited the focus of such a meeting by the college faculty who now have written to faculty representatives and perhaps to others regarding their objections.

Dr. Karpf pointed out that the issues have been discussed with all of the chairs in a tremendous amount of detail, and they were to discuss it with their faculty members. This has been explained very carefully to the highest levels of the clinical faculty. By definition, exceptions are exceptions. Dr. Yanarella must understand that the health care administration cannot identify any exceptions that need to be made or can be made. Dr. Karpf said that they are committed to the patients' care, and they will make any exception necessary to make sure the patient's care is protected. He takes pride from the hallmark of his administration down at the health center that they have a very transparent organization. He said that he did not take exception if the Board wants to delay the amendment for a month. This is a decision that needs to be made on sound principles. The amendment is no different than what has been imposed on the rest of the campus. Dr. Karpf said that he is not sure that everyone will be happy, but they cannot make everyone happy every time. That is not the way they are going to be able to govern.

Mr. Hardymon said that every organization that he has been involved with has gone through this. This is an old benefit that has gone away, and everyone has also had to have exceptions to keep the doors open and the shop running. He would have to say that he has not been around organizations where there is a body that wants to have their day, but maybe that is necessary in this particular situation. It is in our old world of benchmarking, and it is in keeping with what is going on.

Ms. Curris said that she is not a member of the Human Resources Committee, but she did attend the meeting. Based on the comments that were made at the meeting, it was her understanding that the only true question that needs clarification deals with the 48-week clinical workers. From her perception from what was being said, there was some question regarding the way the amendment was written and whether or not exceptions have been written into the regulation. She asked for clarification as to whether or not this is the way that it can be done,

whether the Board is prepared to go ahead as an exception outside, or whether the exception mechanism has in fact been included.

Mr. Butler said that there is another Administrative Regulation (AR) in which the exception process is included. It was not included in this particular GR, but it is under that regulation that the provost has authority for exceptions. There already is documentation, and that would be applicable.

President Todd asked if the 48-week question was the only outstanding question.

Mr. Butler said that he heard about the 48-week issue for the first time at the committee meeting, and he tried to explain it. It really does not make any difference from his perspective about the 48-week issue relative to this GR because you cannot fix the 48-week problem with this particular policy. They will not be able to take their fully allocated vacation ever under the structure that was talked about at the committee meeting. That issue will need to be revisited even if the policy is not changed as a result of the discussion that came up to make sure the faculty are entitled to take benefits and take advantage of the benefits the university provides to them. HRCR 1 shortens the timeframe the faculty can take their vacation. That is the issue, and that is the objection to it. They no longer can carry vacation leave over for a second year. As Dr. Karpf said, some people will never be happy with this change in policy. The only question is does the administration have some procedural issues that need to be fixed inside the institution, and he thinks they can fix them.

Mr. Hardymon said that his understanding of the amendment is to give another 30 days of communication. It is not to kill the amendment. If the discussion kills it, it does. He said that he would like for the administration to say why or why not give another 30 days. He is not putting the administration on the spot, but the Board is on the spot to make a vote.

Provost Subbaswamy said the question is what can be done and what cannot be done in 30 days with the 48-week contract. This issue has come up now in this context. They can certainly look at that issue and have a systematic answer on how it will be handled in 30 days. But, in terms of exceptions, exceptions are by definition really exceptions. It is not possible, in his opinion, to catalog all the exceptions, but the process for the exceptions can be clarified. In that sense, it is to clarify both the status of the 48-week contracts and the implications and to clarify the process for granting exceptions. He thinks they could do that in 30 days.

Dr. Karpf said from a fiscal point of view, the administration is committed to go forward with this proposed amendment. The administration is being asked to not only look at the issue but to fund a very substantial liability in a number of schools. That is unfair to the schools, and it could endanger them economically. It could endanger them being able to grant increases moving forward. There is a real financial reason to do this, and it is not something that is new. It is something that is happening across the country for large organizations that are being told by various accounting firms that they must look at these kinds of liabilities and fund these liabilities. The hospital is an \$800 million operation now -- a \$500 million operation in the College of Medicine. You are talking about a \$1.3 billion organization that has to do things in a very organized and very fiscally responsible way. The administration is all for dialogue, and he

thought they had the dialogue necessary. He apologized if that did not work out, but the senior clinical leadership understood it. He and others are not happy with it, but they are accepting of it. The consequences of not doing it could have financial implications for them in other unattended ways that they did not want to tolerate.

Dr. Yanarella assured the Board that his strategy is not to come back to the Board in a month and ask for another month. He does not want to be an impediment to the Board making a decision on the value and the wisdom of this particular motion. At the same time, he tried in June and is trying again to assure the scores of people who have written objections to this amendment. He is a consensus kind of person, and he would hope that there is some way that the Board can reasonably accommodate some of the objections that have been made.

He said that he was quite dismayed that only one faculty representative from the College of Medicine appeared at the committee's meeting. Part of that reason was that it did not get publicized and many of the faculty who raised objections was unaware of the fact that the Human Resources Committee was going to deal with this. He reiterated that it is in the best interest of the university to delay action for 30 days, especially given the constituency of a mobile faculty that could get irritated and go other places that may still retain this particular benefit. It would be a valuable thing for the Board to give pause for one more month and give the administration an opportunity to speak in terms of general policy that could be at least understood. It is not viewed positively by the objective faculty, and it is important that they know that there has been an honest effort for this review process to carry forward and lead to a reasonable decision.

Judge Patton asked if there were financial consequences for a 30-day delay.

Dr. Karpf said that he was not going to object to a 30-day delay. He does think, however, that hard decisions will ultimately have to be made, and they may not be able to get a total consensus. The faculty will have to understand that the administration works in good will. There are many things that the administration has done for the faculty to improve their lives by being fiscally prudent in making hard decisions.

President Todd said that he had received a sign of approval from his executive staff that they are all right with the 30-day delay. He said that he did not like the concept that the administration was not transparent. Dr. Yanarella mentioned in June that he wanted this to be seen by the Human Resources Committee. If the faculty is not concerned enough to go to a website when they know a Board meeting is coming up and if they have not heard about it before, they need to show up. He said that he appreciated Dr. Yanarella putting it on the backs of those organizations, but they should ask questions about it. If there are discussions about salaries, wages, or benefits, it spreads like fire. He does not know how this issue could escape with just one faculty member showing up at the committee's meeting.

It was indicated in the committee's meeting that the staff who have been working on this are willing to take into consideration the exceptions and put in writing the things they talked about. He does not know how the staff could have been more open about this issue. He said that he was just hearing for the first time about the 48-week situation.

President Todd said that this is a serious problem. If the state of Kentucky would face up to its human resources issues like the university has done, the educational system would not be in the fiscal mess it is in right now. We don't do it because we don't make everybody happy. We don't do it because we don't want to get voted out of office because we are going to change somebody's benefits, and as a result, the educational system is in miserable shape. We are not going to do that at this institution. We will take 30 more days to talk about it, but then we are going to have to face a decision to do what is right for the overall good of the university.

Ms. May said that Dr. Bruechner specifically said that she was not at the meeting in an individual capacity, but she was there in a representative capacity.

Dr. Yanarella said that was correct. She is past chair of the College of Medicine Faculty Council.

Mr. Williams said that he intended to vote against tabling HRCR 1 for a number of reasons. President Todd's point about a lack of transparency is a pretty serious point. If there were opportunities missed over the last several months, that is unfortunate. It is not because anybody intended to hide anything. It is because people did not take advantage of the opportunities that were presented. From a governance perspective, the Governing Regulations are the business of the Board. The Administrative Regulations are the business of the president and his staff. The Board is moving something that really is not the business of the Board into a realm of oversight, and that is not the way it is supposed to be. This Governing Regulation states a very broad principle. When it comes time for the implementation of that principle, that then is delegated to the president who further delegates it to other people. If a 30-day delay is not going to change the decision that ultimately is made, then we move it from approval of this principle and approval of this change and simply ask the administration and the institution to do what it has already done, and that is, if it needs more input then to get more input. He then called the question.

Ms. Ball said the question had been called, and the Board would proceed to vote yes or no on tabling the amendment for 30 days. She asked those in favor of tabling the amendment to raise their hand. She counted ten hands and said that was a majority of those in attendance. The amendment to table HRCR 1 for 30 days passed. Ms. Ball said it would be presented again at the next Board meeting.

Judge Patton asked for clarification about the issue going back to the Human Resources Committee, and Ms. Ball said a revised action item will be brought back.

BB. Investment Committee Report

Ms. Wickliffe reported that the Endowment had a market value at June 30, 2008 of \$871.9 million, decreasing \$44.7 million in fiscal year 2008. The decrease of \$44.7 million is the result of a net investment loss of \$69.9 million and spending withdrawals of \$40.6 million, offset by additions to the hospital quasi endowment of \$25.0 million and other additions, including gifts and matching Research Challenge Trust Fund (RCTF) funds of \$40.8 million.

The Endowment lost -8.2 percent in FY08, underperforming the policy benchmark return by 187 basis points due mainly to underperformance by the U.S. equity asset class. The significant loss for the fiscal year underscores the importance of the asset allocation changes the Investment Committee made in June. As reported previously to the Board, the committee approved increasing the exposure to alternative investments by 23 percent, and reducing the exposure to traditional stock and bond investments, which are more volatile. The committee approved new allocations to absolute return and real return investments and increased the allocations to private equity and real estate.

The committee met and approved the hiring of several investment managers related to the new asset allocation. Manager decisions were made on the U.S. equity, non-U.S. equity, and real return asset classes. Manager decisions on the absolute return, private equity, and real estate asset classes will be made on October 13 and December 9. The investment staff plans to complete most of the asset allocation implementation by the end of the calendar year, with exception of the private equity and real estate allocations, which will occur over the next few years in phases. It is important in these two asset classes to invest funds over a period of years to ensure appropriate vintage year diversification.

CC. Student Affairs Committee Report

Ms. Haney, chair of the Student Affairs Committee, reported that the committee met that morning and had a busy agenda. The committee received an update from Dr. Ann Hays, Karen Clancy, and Dr. Richard Lofgren on University Health Services (UHS). The control of UHS has moved from the Student Affairs Committee to the University Health Care Committee. The Student Affairs Committee continues to have a great interest in UHS as its services greatly impacts students.

UHS has moved into their beautiful new facility. They started moving the end of July, and it has been a seemingly quick and smooth transition. The feedback from the patients' surveys has been very good.

The committee asked for some clarification on facilities use and received explanations. As the committee understands it, the second and fourth floors are in use for students. The first floor is being renovated or slightly modified to work with immunization programming. UK HealthCare is working on the best use for the third floor.

The committee wants to make sure that the students know where UHS is located because some students are a little confused. It is important that students know where to go before they actually need to see a doctor so they can be more comfortable with the visit.

In addition to clinical care, some other things have been added. There is a phone information nurse, and students can now call with questions or health concerns. An appointment line is also available for students when they need to receive appointments for medical care.

The Student Health and Wellness Center is becoming very active. They were active this summer in a variety of ways with summer orientation and especially during K-week. They also will be part of UHS tours and UK 101 classes this semester for incoming students.

Ms. Haney reported that the committee received a report from Dr. Roger Sugarman on student retention. Much of the presentation the committee heard was also presented in the Finance Committee meeting; therefore, the committee felt like they really knew what was going on. The committee did learn some interesting things such as the fact that one-half of the students leave the university without attaining at least a bachelor's degree. Many leave by the end of their first year at UK. That shows the importance of some of the actions implemented by the provost with his war on attrition. This helps highlight the increased retention this past year and the success of some of the programs for new students and their families such as K-Week and additional academic advisors.

She congratulated and thanked the university staff and faculty for a job well done during student move in and K-week which is a satisfying and successful experience for new students and their parents. It should certainly help the retention rate. This positive experience will help students as they proceed through their years at the university.

DD. University Health Care Committee Report

Mr. Hardymon, chair of the University Health Care Committee, reported that the committee had seven or eight items on the agenda. He said that he would comment on some of the items, and he assured everyone that the committee covered all of the items. The committee is still working through some bylaw amendments to make sure Good Samaritan is included in all of the regulations. The committee discussed the appointments that are made at both Chandler and Good Samaritan hospitals. The Board acted on four resolutions during the Finance Committee report that the University Health Care committee received at its meeting.

The committee talked about the construction progress. Most of that discussion was covered by Mr. Wiseman and his report in the Finance Committee meeting. The committee received a positive report regarding any confusion, dust, and noise with the construction. Entry ways to the emergency room, etc. have been well marked.

The committee is working with unaudited June financials for the end of the fiscal year, and the hospital runs very well. The administration leveraged a Good Samaritan volume and expenses; therefore, the margin standpoint might be a little high. The margin ended up at 7.2 percent at the income from continuing operations, and that is very high for a hospital because 1 to 2 is pretty good.

Those watching the financials probably saw two different revenues for the year that just ended. There was an accounting change from the organization that the hospital follows in the accounting rules, and bad debt expenses are now deducted from revenue. It used to be in a SG&A or expense column. That change made the volume come in at \$670 million. The \$671 million plus the \$45 million that was deducted gets back to the \$715 million budget that was mentioned to the Board at the hospital retreat. The hospital did make the budget.

The bad number is the investment category which was incorrectly budgeted. He is not sure that anyone should ever try to budget investments. It is a below-the-line item and should not reflect on the hospital's performance in any way. They were very conscious of needing that cash at the right time for the construction. With that in mind, they will watch it, and hopefully some of the changes that Ms Wickliffe talked about in the Investment Committee report will bring the hospital to a less volatile situation with the investments.

Mr. Hardymon said that most financials have a bad number, and the bad number happens to be the days outstanding. As of June, it was up to 48. It has been running 40 to 41. There was a stop put on funds coming from out of state for Medicare for 21 days, and the hospital did not get money the last part of the year. That money will not come back in one day. They have worked it down now to 45 and hope to get the number down to where it was. He noted that once you have something like that delayed, there sometimes will be further delays.

Mr. Hardymon said the last item that he would mention is the most important item to the committee. That item is patient satisfaction and quality. The organization that the hospital follows has 21 different items that the staff should judge versus the national mean on these items. If the hospital gets within 5 percent away from the mean, it is highlighted. The hospital had 14 pluses of the 21 items, and these were actually items that they did better than the mean. Three were even, and then there were four that were in the negative range. The administration will continue to follow those items and work on them. Overall, the quality report has really improved in the last two or three years since the committee began following it.

Mr. Hardymon announced that Myra Tobin has joined the University Health Care Committee as an advisory member. The committee has four advisory members: Luther Deaton, Barbara Young, Pam Miller, and Myra Tobin.

EE. Resolutions for Myra Leigh Tobin and Billy B. Wilcoxson

Ms. Patterson read the following resolution of the University of Kentucky Board of Trustees honoring Myra Tobin:

WHEREAS, Myra Leigh Tobin, a member of the University of Kentucky Board of Trustees since July 1, 2002, has demonstrated exceptional dedication and commitment to UK as an elected alumni representative and in a number of other important roles, and

WHEREAS, she has served with distinction as chair of the academic affairs committee, member of the executive committee, finance committee, audit subcommittee, investment committee, and university health care committee, and

WHEREAS, she is a former president of the UK National Alumni Association, past president of Kentuckians of New York, and is a founding board member of the New York Women's Foundation, and

WHEREAS, she is the former president of The International Alliance, a network of executive and professional women, along with previous service as the chair of the board of directors of the National Choral Council, and

WHEREAS, she currently serves on the boards of the Thomas D. Clark Foundation, the Presbyterian Historical Society, and the Breckinridge Memorial Hospital Foundation,

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

The resolution is signed by Mira Ball, Chair, University of Kentucky Board of Trustees.

Mr. Williams read the following resolution of the University of Kentucky Board of Trustees honoring Billy B. Wilcoxson:

WHEREAS, Billy B. Wilcoxson, a member of the University of Kentucky Board of Trustees since January 1987, has demonstrated exceptional dedication and service to UK as an appointive member and in a number of other important roles, and

WHEREAS, he has served with distinction as chair of the investment committee, and as a member of the executive committee, finance committee, hearing committee, nominating committee, student affairs committee, university health care committee, and university relations committee, and

WHEREAS, he effectively directed investment objectives and policies which have resulted in unprecedented growth in the university's endowment from slightly over \$100 million to its current value of nearly \$900 million, ensuring a stable and reliable revenue stream to support university programs and initiatives, and

WHEREAS, he served with devotion and commitment as a member of the UK Athletic Association Board of Directors for more than 13 years, and

WHEREAS, he was appointed or reappointed to the UK Board of Trustees by four different Kentucky governors resulting in a 21-year period of service on behalf of the university,

NOW THEREFORE BE IT RESOLVED that the University of Kentucky Board of Trustees extends its heartfelt thanks and appreciation to Billy B. Wilcoxson and wishes him continued success in all of his future endeavors.

The resolution is signed by Mira Ball, Chair of the University of Kentucky Board of Trustees.

Ms. Ball said she wished Ms. Tobin and Mr. Wilcoxson could have been present to hear the resolutions. She noted that they would receive framed certificates for their years of service on the Board.

FF. Other Business

Dr. Sachatello said that it was his understanding that the number of people age 18 in Kentucky has peaked. He asked the university administration to prepare a demographic graph so the Board would know where it stands to make appropriate plans for future construction of admissions to the medical school, etc.

President Todd said that his staff tracks that information quite carefully, and they will provide the information requested.

GG. Meeting Adjourned

With no further business, Ms. Ball asked for a motion of adjournment, and the meeting adjourned at 2:32 p.m.

Respectfully submitted,

Pamela T. May
Secretary, Board of Trustees

(2009 Schedule for Meetings of Board of Trustees; Institutional Goals for President Lee T. Todd, Jr. for Academic Year 2008-09; NCR 1 and 2; PR 2, 3, and 4; AACR 1, 2, and 3; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13; and HRCR 1 which follow are official parts of the Minutes of the meeting.)