

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, October 12, 2010.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, October 12, 2010 in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board, called the meeting to order at 1:06 p.m. He 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: E. Britt Brockman (chair), Sheila Brothers, Penelope Brown, Jo Hern Curris, William S. Farish, Jr, Oliver Keith Gannon, Carol Martin "Bill" Gatton, Pamela T. May, Everett McCorvey, Billy Joe Miles, Terry Mobley, Sandy Bugie Patterson, Joe Peek, Erwin Roberts, Charles R. Sachatello, Frank Shoop, Ryan Smith, James W. Stuckert, and Barbara Young. Absent from the meeting was Dermontti Dawson. Ms. May announced that a quorum was present.

The university administration was represented by President Lee T. Todd, Jr., 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 Hollie Swanson, and the university staff was represented by Chair of the Staff Senate Jann Burks.

Members of the various news media were also in attendance.

C. Approval of Minutes

Dr. Brockman called attention to the September 14, 2010 minutes and asked for a motion for approval. Mr. Stuckert moved approval, and his motion was seconded by Ms. Brothers and passed without dissent.

D. Chair's Report: Presidential Search Schedule

Dr. Brockman stated that the presidential search has weighed heavily on everyone's mind, and it will undoubtedly be the most significant event that the Board participates in this year. He expressed his appreciation to the Student Government Association, the Alumni Association, the faculty senate, and the staff senate for working diligently on the nomination process. He also acknowledged that all of the twenty Board members were very qualified to be on this committee but stated that he was constrained to pick only six.

He announced that an office for the Presidential Search Committee has been secured at the Helen G. King Alumni House.

There will be a Board of Trustees retreat on October 24 at Spindletop Hall, the purpose of which is to better understand the search process and to establish parameters and directives for the search committee. The request for proposal (RFP) for the presidential search firm went out on September 29 with the RFP proposal due date specified as October 22. The evaluation of proposals should be completed by November 5, potential consultant presentations are to occur the week of November 15, and tentatively the contract will be awarded to a search firm on December 1, 2010.

Candidates and selected individuals for the search committee positions were announced. Student Government Association (SGA) had 117 applications for the one graduate student and one undergraduate student position on the committee. SGA advertised these positions through all campus emails, the SGA web site, and the *Kentucky Kernel*. Each applicant submitted a curriculum vita as well as three short essays, and each of these was reviewed. This process was under the auspices of Chief of Staff of the SGA Joseph P. Quinn who, with his group, did a magnificent job. The three undergraduate nominees submitted were Taylor Cox, Mary Ashley Lovelace, and Christopher Yared. Taylor Cox was selected. Mr. Cox was acknowledged in the audience with applause.

Four graduate students were nominated: Andres Trimble, Ryan Smith, Matthew Longacre, and Christie Lundsford. The search committee participant will be Ryan Smith, who is a two-term SGA president who sits on the Board of Trustees currently. Mr. Smith was also acknowledged with applause.

From the Alumni Association, three names were submitted: Myra Tobin, Elaine Wilson, and Scott Davis. Myra Tobin was selected. Ms. Tobin is a past Board of Trustees member and a resident of Hardinsburg, Kentucky.

The faculty selected three representatives. These representatives are Dr. Sheldon Steiner, Department of Biology, College of Arts and Sciences; Dr. Holly Swanson, Department of Pharmacology, College of Medicine; and Dr. Lee Meyer, Department of Agricultural Economics, College of Agriculture.

The Staff Senate's representative has not yet been selected because of technical problems in their election process. Staff Senate's representative will join the committee in progress when the nominees are forwarded to Dr. Brockman and a selection is made.

Dr. Brockman selected six people from the Board of Trustees. The chairman of the search committee will be James W. Stuckert. The five committee members in addition to Mr. Stuckert will be Jo Hern Curris, Pamela May, Everett McCorvey, Billy Joe Miles, and Terry Mobley.

In his role as Chair of the Board, Dr. Brockman will attend the search committee meetings as a nonvoting ex officio member.

Dr. Brockman then explained the timeline to the search committee, stating that the schedule is ambitious. The tentative timeline is as follows:

- December 1, search firm selection is finalized.
- Between December 1 and January 1, national advertising of position.
- In February, the committee will forward recommendations of semifinalists to the search firm for targeted review.
- In March, off-campus interviews of the semifinalists.
- In April, determination of three to five finalists, off-campus interviews of the finalists, and on-campus interviews of the finalists.
- May 1 is the extend-offer date.

Dr. Brockman expressed that despite the ambitiousness of the schedule, he is sure Mr. Stuckert and the committee will do an excellent job.

E. President's Report (PR 1)

President Todd commented on the following items in PR 1:

New Supercomputer Puts UK in Top 10 Public Universities for Computing Power

Information Technology has successfully installed a new supercomputer which puts it in the top 10 public universities for computing power. The supercomputer cluster is named in honor of UK alumnus and Nobel Laureate William N. Lipscomb, Jr., and is three times more powerful than UK's old supercomputing cluster.

\$2.2 Million in Grants Fund KGS Carbon Sequestration, Geothermal Data Project

Grant money in the amount of \$2.2 million has been received, from American Recovery and Reinvestment Act funding, by the Kentucky Geological Survey (KGS) for two projects to study carbon sequestration and geothermal issues. President Todd announced that Kentucky has now received over \$100 million worth of the so-called stimulus funds. He acknowledged that the faculty and staff were aggressively present in the proposal process for those dollars. Competition was fierce, involving both public and private institutions across the United States. He is extremely pleased with their efforts.

UK Helps Make World Equestrian Games a Success

President Todd praised the university's participation in the 2010 World Equestrian Games at the Kentucky Horse Park. He thanked specifically Dr. Everett McCorvey, whose responsibilities were for the opening and closing ceremonies as well as for many other performance aspects during the games. UK HealthCare was the medical provider for the games and contributed an especially important role in saving the life of an attendee who had a heart attack after the opening ceremonies. The College of Agriculture played a major role in

numerous areas of the games. Horticulture saved the day by furnishing \$40,000 worth of plants to decorate the grounds after the WEG budget ran out. Foreign language translation assistance was provided by a number of faculty. The UK Solar House sat front and center as a welcoming area for the Lexington Chamber of Commerce. Ms. Kelley Bozeman of Public Relations was involved in the conduct of the UK pavilion which gave the University excellent exposure, especially for its equine program. President Todd also commented on the extensive variety of foreign visitors to the games.

Equine Drug Testing and Research Lab to Move to Coldstream and Biotechnology Company Relocates to UK's Coldstream Research Campus

Two new companies have chosen to locate at the Coldstream Farm Research Campus. One is in equine testing, and the other has developed a tissue that can repair damaged disks. The president expects that these types of additions will grow and will produce competitive jobs for the community and region.

\$1.8 Million Goes to Seven High-Tech Small Businesses; Five Have UK Ties

Five small high-tech businesses with UK affiliations received large state matching grants. The state of Kentucky is the only state that matches the small business innovation grants given by the federal government. In orthopedics (above), the biotechnology company received a half million dollars as an SBIR grant, and the state of Kentucky matched it. President Todd stated that this was one reason the company relocated here from Austin, Texas. Five of those seven companies use technology which has ties to UK. The companies are: Orthopedics/Intralink (relocated to Coldstream), nGimat (working with College of Engineering and CAER), 3H Company (ASTeCC, moving to Coldstream), Vindico NanoBioTechnology (ASTeCC), and Advanced Dynamics (Coldstream).

Student's Astronaut Scholarship Foundation Award Makes \$111,000 for UK Students

Edward Brady Doepke, a graduate student in mechanical engineering, was awarded a \$10,000 scholarship from the Astronaut Scholarship Foundation (ASF) during a ceremony held September 8 at UK. More than \$3 million has been awarded in scholarships to date with \$111,000 to UK students alone.

Center for Applied Energy Research Part of \$12.5 Million U.S.-China Consortium

UK's Center for Applied Energy Research (CAER) will participate in a consortium under the U.S.-China Clean Energy Research Center (CERC) that was announced by the U.S. Department of Energy recently. The consortium will use \$12.5 million from the Department of Energy to focus on the next generation of clean coal technologies and will develop and test new technologies for carbon capture and storage.

Pulitzer Winner Donates \$10,000 to Institute for Rural Journalism

Pulitzer Prize-winning journalist Daniel Gilbert recently donated \$10,000 to fund fellowships for rural journalists through the University of Kentucky's Institute for Rural Journalism and Community Issues. The donation, which Gilbert won as a cash prize from a National Journalism Award, is meant to help journalists attend Computer-Assisting Reporting training. President Todd said that he felt that this donation by Mr. Gilbert is a testament to the program started by Al Smith of "Comment on Kentucky" fame.

College of Medicine to Launch Murray Site

The UK College of Medicine recently announced that it is close to completing a formal agreement with Murray State University to launch a regional site in the Purchase Area. President Todd feels that this is extremely important for medical practice throughout Kentucky. This will be the second site – the first being in Morehead, Ky. – of the UK Rural Physician Leadership Program, which aims to recruit, train, and retain future physicians in the state's medically underserved rural areas.

Department of Theatre Begins 100th Season with Festival and College of Medicine Celebrates 50th Year

President Todd stated that the University will host several celebrations soon. One of these is the 100th season for the Department of Theatre. There will be many activities associated with these celebrations.

President Todd also mentioned that Martha-Ann Alito spoke at the College of Medicine's anniversary celebration. She is a UK graduate from Floyd County. Her husband is on the (U.S.) Supreme Court, and she was honored recently and was invited as a part of UK's honors ceremony for Justice Mary Noble.

F. Consent Agenda

Before continuing with the agenda, Dr. Brockman referred to the other items on the consent agenda which included approval of PR 2 Personnel Actions, and acceptance of FCR 1, which was a pledge. Mr. Shoop moved for approval of these items. The motion was seconded by Ms. Patterson and passed without dissent. (See consent items listed below at the end of the Minutes.)

- PR 2 Personnel Actions
- FCR 1 Warren Rosenthal Pledge

G. Strategic Plan Progress Report

President Todd introduced Vice President Connie Ray, who gave an update on UK's strategic plan and on the accreditation process that is under way.

Dr. Connie Ray, Vice President for Institutional Research, Planning, and Effectiveness, presented an overview of the first year of progress for the University of Kentucky Strategic Plan, 2009-2014. The overview included 22 of 32 metrics for which both baseline information and a first year of progress were available. Metrics serve as indicators that the university is achieving the 5 goals and 21 objectives set forth in the strategic plan.

The University has made progress on metrics such as the ACT preparation of the incoming undergraduate class, the retention rate, the number of doctoral degrees awarded, research expenditures, publications and citations, IT solutions and service, enrollment of diverse student populations, and recognitions for engagement and outreach. Areas of concern included metrics such as bachelor's and master's degree production, STEM degrees awarded, economic development, and instructional faculty salaries. The University has achieved its target on two metrics:

Metric 1-1. Increase the 75th percentile of the ACT Composite Score to 28 for the first-year class.

Metric 5-3. Achieve at least five national, regional, or disciplinary competitive grants or recognitions for engagement and outreach.

Overall, in the first year of implementation of the 2009-2014 Strategic Plan, the University achieved 2 metrics, demonstrated some progress on 12 metrics, and showed no progress on 9 metrics; baselines are being established for 9 additional metrics. The second-year progress report will include updates on all 32 metrics. Dr. Ray encouraged Board members to contact her if they had any questions about the strategic plan progress report.

President Todd added that a report on this year's freshman class statistics had just been received, and Dr. Ray would forward it to the Board members. He expressed his appreciation to Dr. Ray and her staff for their work on the review.

H. SACS Reaffirmation of Accreditation

Dr. Ray continued with an overview of the 10-year reaffirmation of accreditation process by doing a demonstration of the university's SACS web site. The web site provides content to inform the campus community about the upcoming reaffirmation process and timeline. The process includes work to be completed by three groups: (1) the Leadership Team, chaired by President Lee Todd; (2) a Compliance Certification Team comprised of 72 faculty and staff; and (3) a Quality Enhancement Plan (QEP) Team that will change over time as the QEP development process moves from pre-planning to topic selection to full development of a plan to improve student learning.

Dr. Ray explained that the reaffirmation process is very different from the 2002 process for which a large self-study committee conducted all the work and prepared great quantities of paper documentation. The new process involves preparation of an electronic compliance certification document accompanied by electronic evidence, all of which will be reviewed remotely by an off-site SACS team in fall 2012. The QEP will be completed by January 2013 and will be reviewed and accepted (or rejected) by a SACS onsite review team in March or April. Following acceptance of the QEP, the University will implement the QEP and report back to SACS on its effectiveness after five years. Two years later, the whole reaffirmation process will commence again. Dr. Ray encouraged Board members to contact her or Dr. Jen Skaggs, director of the SACS Reaffirmation Project, if they have questions about the process.

President Todd commented on the differences between the two accreditation processes that he had been a part of during his time as president. He felt that the current one should be more beneficial to the University, with more lasting results. As to the QEP requirement, he stated that probably UK's War on Attrition project or the revamping of the Undergraduate Studies Program would both have qualified for a QEP project, except for the fact that they are already in the works.

I. Finance Committee Report

Mr. Stuckert, chair of the Finance Committee, reported that the Committee met that morning. There was one consent item, a pledge from Mr. Warren Rosenthal of Lexington, Kentucky for \$500,000. Of the pledge, \$200,000 is for the Schmidt Vocal Arts Center Renovation fund and the remaining \$300,000 is for support of the Opera program in the College of Fine Arts School of Music. Mr. Stuckert commended Mr. Rosenthal for his loyalty and generous support of the University for many years and many projects. On behalf of the University, he thanked the donor.

J. Acceptance of Audit Report and the Report on Internal Control for the University of Kentucky for 2009-10 (FCR 2)

Mr. Stuckert stated that FCR 2 requests the Board to accept the university's Audited Financial Statements for the fiscal year ended June 30, 2010, and the Independent Auditor's Report on the university's internal controls. BKD, UK's external auditor, has completed its audit and issued its Independent Auditor's Report. The report expresses an unqualified or clean opinion on the university's financial statements. BKD has also issued its Report on Internal Controls, which, as part of their audit, noted no material weaknesses in the university's system of internal controls. The University ended the year in a strong financial condition. As of June 30, 2010, the University had assets of \$3.54 billion, liabilities of \$1.15 billion, and net assets (fund balances) of \$2.39 billion. Net assets increased \$176.9 million.

On behalf of the Finance Committee, Mr. Stuckert recommended acceptance of FCR 2. Mr. Shoop seconded his motion, and it carried without dissent. (See FCR 2 at the end of the Minutes.)

K. Construct New Student Housing (FCR 3)

Mr. Stuckert said that FCR 3 requests the Board to approve the initiation of the construction of new student housing. This project will construct approximately 98,000 square feet of new student residential space housing approximately 350 beds. The rooms will be suite-style with two bedrooms sharing a common bath. The scope of the project is \$30 million, which will be funded with Agency Bonds with the debt service paid by Housing and Dining. The goal is to have the new beds online by August 2012. On behalf of the Finance Committee, he recommended approval of FCR 3. Mr. Smith seconded his motion, and it carried without dissent. (See FCR 3 at the end of the Minutes.)

L. Construct Community Health Center Facility (FCR 4)

Mr. Stuckert reviewed FCR 4 with the Finance Committee in their meeting. FCR 4 involves the construction of a community health center facility. This action item requests the Board to authorize the vice president for finance and administration to negotiate terms for an \$11.5 million federal grant and to initiate the construction of a community health center facility pending acceptable terms. The building will be constructed in Hazard, Kentucky, with a total scope not to exceed \$12,000,000. The College of Medicine will provide any additional funding needed. On behalf of the Finance Committee, he recommended approval of FCR 4. Mr. Mobley seconded the motion, and it passed without dissent. (See FCR 4 at the end of the Minutes.)

M. Student Affairs Committee Report

Ms. Sandy Patterson, chair of the Student Affairs Committee, stated that the Committee met that morning with a full agenda. Vice President Robert Mock gave an update on the student safety forum held in the previous week. It was attended by 35 students. Two of the student attendees requested that the Board of Trustees be asked to alter its policy on concealed weapons. Student Government Association (SGA) President Ryan Smith also gave a report at that morning's meeting in which he discussed the opportunity for students to have coffee with UK Chief of Police Joe Monroe; a safety walk around campus to take place on October 14; the Cat Cruiser program, which offers late-night transportation Thursday through Sunday to students; and the alcohol education program presented this year for all freshmen. Mr. Smith also gave SGA updates: a \$10,000 grant for child care given out; SGA's work with Public Relations to initiate SeeBlue Fridays because students wanted more school spirit; a freshmen leadership development program has 40 students; and the Alley Cat program is doing well. Student government is going to convene the student fee committee once again.

N. University Health Care Committee Report

Ms. Barbara Young, chair of the University Health Care Committee, detailed the results of the committee meeting on October 11. There is one action item for the University Health Care Committee this time.

O. University Health Care Committee Operating Rules (UHCCR 1)

Ms. Young stated that UHCCR 1 is a recommendation that the Board of Trustees approve the University Health Care Committee operating rules attached to the action item as Exhibit 1. The Committee adopted its initial operating rules in 2005 and amended such rules in 2007 in connection with the acquisition of the operations and assets of Samaritan Hospital. The University Health Care Committee and UK HealthCare organized medical staff have approved, amended and restated UK HealthCare Medical Staff Bylaws to reflect the integration of UK HealthCare Good Samaritan Hospital with the University of Kentucky Hospital and to comply with the requirements of federal and state law in recently revised accreditation standards of the joint commission. The proposed operating rules have been revised to be consistent with amended and restated UK HealthCare Medical Staff Bylaws as required by the joint commission.

Further, the proposed operating rules increase the number of community advisory members from five to seven. The proposed operating rules were approved by the University Health Care Committee at its meeting yesterday. On behalf of the Committee, she moved adoption of UHCCR 1. Mr. Stuckert seconded her motion. Ms. Brothers had a question about the naming conventions used on page 9 of the rules exhibit, and her concern was resolved by calling on Ms. Ruth Booher, counsel for the health care committee, who stated that hospital naming conventions were followed in stating the titles of the individuals' positions. The motion passed without dissent. Ms. May requested that it be noted in the minutes that she abstained from voting or participating in the discussion, a request which was honored by Dr. Brockman. (See UHCCR 1 at the end of the Minutes.)

Ms. Young also offered her report on the committee's meeting. Dr. Lofgren presented the clinical performance update reviewing the four core signature metrics of quality service, excellence, efficiency, and impact. He also reviewed the quality and accountability scorecards and presented an update on the patient access center.

Ms. Paula Holbrook, clinical risk manager, and Mr. Jeff Norton, director of the Office of Enterprise and Quality Safety, reported on the prevention of adverse medical events through a new initiative called *swarming*, which promotes patient safety through quick and nonjudgmental problem solving.

Mr. Sergio Melgar presented the August 2010 financials, which showed generally a very healthy financial report for the hospital. Comparing the balance sheet at August 2010 and 2009, cash has decreased by \$47.2 million; the \$80.9 million balance is \$10.7 million lower than the July 31, 2010 balance due to the use of cash reserves for the remainder of the Phase 1-A of the patient care facility. Accounts receivable has increased by \$11.4 million compared to last year. The value of board-designated investments now totals \$182.4 million, which is a \$2.4 million increase from August of last year. Accounts payable has increased by \$12.7 million and other current assets have decreased by \$2.7 million between August 2010 and 2009. The balance sheet now reflects the issuance of University of Kentucky bonds totaling \$361.9 million. The current portion of debt that will be paid in the current fiscal year is \$9.6 million. Net assets have increased to \$94.5 million from August fiscal year 2010, and total assets are at \$1.2 billion. The combined census year-to-date August was 9.2 percent higher than budget and 5.2 percent higher

than year to date August fiscal year 2010 average daily census. UK HealthCare hospital system posted a \$5 million income from operations in August. Year-to-date income is \$9.6 million, which is \$7.2 million above budget and \$4.6 million above the prior year. Current month investment loss is \$1.9 million and year-to-date investment income is \$5.6 million. Net assets for the month increased by \$1.4 million. For the year, the net assets have increased by \$10.6 million, for a margin of 7.1 percent.

Mr. Murray Clark updated the Committee saying that the new hospital, which is set to open in May, is still on schedule and under budget.

The University Health Care Committee approved the UK HealthCare medical staff by-laws and voted to approve the university health care committee operating rules and to recommend approval from the board of trustees (i.e., UHCCR 1 that was just approved).

Dr. Kevin Nelson presented for approval the privileges for Chandler and Good Samaritan hospitals. The committee made a motion and approved all of the privileges.

P. Alumni Association Report

Ms. Patterson, alumni representative, offered a report on the activities and accomplishments of the University of Kentucky Alumni Association. These included:

Support for the University and the UK Athletic Association through gifts and funding from communication programs, events, services, in the amount of \$1,295,500;

244 student recruitment events staffed and funded for UK Office of Admissions;

Recognition of six Great Teachers, each given an award of \$6,000. She noted that Dr. Todd is a former great teacher.

Promotion and encouragement of association and club scholarships in cooperation with the UK Office of Development. Endowments reached \$1,563,000 with more than \$300,000 in gifts and scholarship endowments and over \$32,000 in scholarships being awarded.

Establishment of the diversity and group development committee of the national alumni board;

Funding and staffing of the international students' Thanksgiving dinner.

Hosting of African American admitted student receptions in both Lexington and Louisville and an African American prospective student letter-writing campaign;

Hosting of events in Malaysia, Greece, and Indonesia;

Production of four issues of the alumni magazine; and

Sending of 741 broadcast emails for the colleges and other university units throughout the year.

The Alumni Association staff conducted 1,074 programs that engaged 51,000 alums. Ms. Patterson noted that the association has hired a new program coordinator for student programs in the hope that students will realize the importance of their Alumni affiliation before they become alums. She also noted that the number of dues paying members increased to 37,335, which is a record.

Q. Other Business

Dr. Brockman asked if there was additional other business or new business. He recognized Dr. Everett McCorvey, who said that he wanted to thank again the UK Emergency Medicine team that worked so well at the World Equestrian Games. He expressed his gratitude to Dr. Karpf, who said that the credit goes to the medical team, not to him. Dr. Karpf likewise expressed praise for the team, who literally saved the life of an individual who had a heart attack at the games. He said that the team served over 900 people at the games, and that was all due to volunteers. There was a round of applause from the audience.

R. Closed Session

Dr. Brockman again asked for additional business items and received no response from the Board. He then announced that the Board needed to go into closed session to discuss a proposal between the University and a business entity. The Board must go into closed session because an open discussion of the proposal would jeopardize the siting, retention, expansion, or upgrading of the business. He moved that the Board go into closed session pursuant to KRS 61.810 (1) (g), which allows an exception in the open meetings law that permits the trustees to go into closed session to discuss a specific proposal if an open discussion would jeopardize the proposal. Mr. Shoop seconded. There was no dissent on the vote.

Closed session began at 2:05 p.m. in conference rooms F and G. Pam May, Billy Joe Miles, and James Stuckert were not permitted in the closed session due to conflict of interest. During the closed session Pam May had to leave for a previous commitment.

Dr. Brockman announced at 3:12 p.m. that the closed meeting of the board of trustees had concluded. He stated that no matter other than the proposal was discussed, that no final action was taken, and that the Board was back in open session.

S. Adjournment

Dr. Brockman asked if there was any other business for the Board. A motion was made by Mr. Stuckert to adjourn and seconded by Ms. Young. It passed without dissent.

With no further business, Dr. Brockman adjourned the meeting at 3:13 p.m.

Respectfully submitted,

Pamela T. May
Secretary, Board of Trustees

(PR 2; FCR 1, 2, 3, and 4, and UHCCR 1 which follow are official parts of the Minutes of the meeting.)