

Minutes of the Meeting of the Board of Trustees  
University of Kentucky  
Tuesday, December 11, 2012

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, December 11, 2012 in the Board Room on the 18<sup>th</sup> Floor of Patterson Office Tower.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:05 p.m. Chair Brockman asked Trustee Sheila Brothers, 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: C.B. Akins, Sr., Stephen Bilas, William C. Britton, E. Britt Brockman, Sheila Brothers, Mark Bryant, Jo Hern Curriss, Oliver Keith Gannon, Carol Martin "Bill" Gatton, Kelly Sullivan Holland, Billy Joe Miles, Terry Mobley, Charles Sachatello, C. Frank Shoop, James W. Stuckert, Irina Voro, John Wilson, and Barbara Young. Absent from the meeting was Pamela T. May. Secretary Brothers announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Interim Provost Tim Tracy, Vice President for Health Affairs Michael Karpf, and General Counsel William Thro.

The University faculty was represented by Chair of the University Senate Council Lee Blonder, and the University staff was represented by Chair of the Staff Senate Mike Adams.

Guests and members of the news media were also in attendance.

C. Consent Items

Chair Brockman called attention to the nine consent items on the agenda. The items included the minutes for the Board of Trustees Retreat on October 13-14, 2012, the regular meeting of the Board on October 14, 2012, PR 2 which deals with personnel actions, and FCR 1, 2, 3, 4, 5 and 6 which included pledges and gifts.

Chair Brockman noted that FCR 1, Ball Realty LLC Gift and Pledge, was a \$500,000 gift and a \$1.5 million pledge from Don and Mira Ball. He thanked the Balls not only for their generous gifts to the University, but their tireless efforts over the years to advance the University of Kentucky.

Chair Brockman also acknowledged FCR 3, the Crutcher Family Foundation Pledge. This pledge creates and endows the Crutcher Family Scholarship in the Office of Academic Scholarships. Chair Brockman thanked and introduced family members Dottie Crutcher Cordray and Dan Crutcher, who presented a check to the Board and President Capilouto.

Trustee Stuckert moved approval of the consent items. Trustee Curris seconded the motion and it carried without dissent. (See consent items listed below on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

Minutes, Board of Trustees Retreat, October 13-14, 2012

Minutes, October 14, 2012

PR 2 Personnel Actions

FCR 1 Ball Realty LLC Gift and Pledge

FCR 2 Request to Rename the Commonwealth Professorship in Physician Leadership to the Richard W. Schwartz Commonwealth Professorship in Physician Leadership

FCR 3 Crutcher Family Foundation Pledge

FCR 4 Gift from the National Christian Foundation Kentucky to Replace Unfulfilled Pledges to the Research Challenge Trust Fund

FCR 5 Transfer of Multiple Gifts and State Endowment Match Funds within the Center for Research on Violence Against Women

FCR 6 Gifts to the Dr. Robert D. Marciani Endowment Fund to Replace Unfulfilled Pledges to the Research Challenge Trust Fund

D. Chairman's Report

Chair Brockman began by reporting that there had been no requests since the last meeting to speak or appear before the Board.

Chair Brockman reported that the Executive Committee met this morning to review the proposed changes to the Governing Regulations regarding the Board of Trustees committee structure. The Committee approved the following proposed changes:

- Consolidate Academic Affairs and Student Affairs;
- Consolidate University Relations and Human Resources;
- Change the name of the Audit Subcommittee to Audit and Compliance;
- Committee reports shall be posted on line within 72 hours after the conclusion of Committee meetings; and
- Athletics and Health Care shall provide a brief update at each Board meeting if the committee has met.

Chair Brockman stated that the first reading of the revision to the Governing Regulation would be at the January 29, 2013 meeting.

E. President's Report (PR1)

President Capilouto began by introducing Eric Monday, the new Executive Vice President for Finance and Administration. Mr. Monday comes to UK from Louisiana State University, where he served as Vice Chancellor of Finance and Administrative Services and Chief Financial Officer. He brings more than 15 years of experience in higher education,

including oversight of campus safety, student life, and other critical duties related to budget and financial operations. Mr. Monday will begin his duties in late December, 2012.

President Capilouto introduced the three-person team from the Gatton College of Business and Economics that won the team title at the Annual Wall Street Journal National Biz Quiz. They were: Bert Smith, a senior from Louisville, with a double major in Finance and Economics; Ryan McFerran, a senior from Hebron, KY, with a double major in Finance and Economics; Scott Deschamp, a senior from Louisville with a double major in Economics and Chemical Engineering; and first alternate and student assistant coach Sean Bell, a senior from Louisville, with a double major in Economics and Chinese language. The Gatton team was coached by Dr. Gordon Holbein, a senior lecturer in Strategy and Leadership.

On behalf of the team, Mr. Smith thanked President Capilouto and the Board of Trustees for the support of the College and their team.

There was a round of applause.

F. Proposed Revision to Governing Regulation: University Athletics Committee  
(PR 3)

President Capilouto said that PR 3 was the second and final reading of proposed revision to the Governing Regulation (GR) II relating to the University Athletics Committee. The revision increases the threshold amount the Committee must review for capital projects in Athletics from \$400,000 to \$600,000. On a motion made by Trustee Akins, seconded by Trustee Mobley, PR 3 passed without dissent. (See PR 3 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

G. Proposed Revision to Governing Regulation: University Faculty Appointments  
(PR 4)

President Capilouto stated that PR 4 was the second and final reading of the proposed revision to GR VIII.B, relating to faculty appointments and the appointments based on salary that are submitted to the Board of Trustees for final action.

Chair Brockman asked for a motion and Trustee Farish moved approval of PR 4. Trustee Gannon seconded the motion and it passed without dissent. (See PR 4 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

H. Proposed Revision to Governing Regulation: Eligibility to Vote for Staff Representative to the Board of Trustees (PR 5)

President Capilouto stated that PR 5 was the first reading of a revision of GR II related to elections for the Staff Representative to the Board of Trustees. The change would allow regular staff with .75 or greater full-time equivalency the ability to vote in staff trustee elections.

Chair Brockman asked for a motion and Trustee Holland moved approval of PR 5. Trustee Stuckert seconded the motion and it passed without dissent. (See PR 5 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

I. Naming of University Building (PR 6)

President Capilouto stated that PR 6 is the recommendation that the official name of the building at 708 South Limestone be the “College of Medicine Learning Center.”

Chair Brockman asked for a motion and Trustee Bryant moved approval of PR 6. Trustee Akins seconded the motion and it passed without dissent. (See PR 6 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

J. Appointment to the Board of Directors University of Kentucky Gluck Equine Research Foundation, Inc. (PR 7)

President Capilouto stated that PR 7 is the recommendation for the approval of the appointment of Mark Bellissimo to the Board of Directors of the University of Kentucky Gluck Equine Research Foundation for a four-year term ending December 31, 2016.

Chair Brockman asked for a motion and Trustee Farish moved approval of PR 7. Trustee Shoop seconded the motion and it passed without dissent. (See PR 7 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

K. Candidates from Degrees: December 2012 (AACR 1)

Trustee Gannon stated that the Academic Affairs Committee met this morning and there were five items of business to bring to the Board.

AACR 1 is related to Candidates for Degrees for December 2012 and the list has been approved by the elected faculty of the University Senate. On behalf of the Academic Affairs Committee, Trustee Gannon asked for approval for AACR 1 and it passed without dissent. (See AACR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

L. Academic Degree Recommendation: College of Arts and Sciences (AACR 2)

Trustee Gannon stated that AACR 2 is a recommendation that the Board of Trustees approve the establishment of a bachelor of arts with a major in Environmental and Sustainability Studies degree in the College of Arts and Sciences, effective spring 2013.

The proposed Environmental and Sustainability Studies (ENS) degree will educate students in a broad range of fundamental environmental studies subjects with concepts of sustainability integrated throughout the curriculum. Students will obtain the fundamental knowledge required to understand the relationships that exist between the global economy, societal problems and needs, and the natural world.

This program has the approval of the appropriate councils and the University Senate and has completed the forty-five day review by the Council on Postsecondary Education. The Interim Provost of the University supports this recommendation.

On behalf of the Academic Affairs Committee, Trustee Gannon asked for approval for AACR 2 and it passed without dissent. (See AACR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

M. Academic Degree Recommendation: College of Fine Arts (AACR 3)

Trustee Gannon stated that AACR 3 is a recommendation that the Board of Trustees approve the establishment of a master of arts with a major in Arts Administration degree within the College of Fine Arts, effective spring 2013.

The completely online degree program will target people who have strong backgrounds in at least one arts discipline. Students entering the program will have either an undergraduate degree in arts administration or an arts-related field, or professional experience working within an arts organization.

This program has the approval of the appropriate councils and the University Senate and has completed the forty-five day review by the Council on Postsecondary Education. The Interim Provost of the University supports this recommendation.

On behalf of the Academic Affairs Committee, Trustee Gannon asked for approval for AACR 3 and it passed without dissent. (See AACR 3 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

N. Change in the Name of the College of Agriculture (AACR 4)

Trustee Gannon stated that AACR 4 is a recommendation that the Board of Trustees approve the change in the name of the College of Agriculture to the College of Agriculture, Food, and Environment.

While much of the college's focus remains in the more traditional agriculture disciplines such as Animal and Food Sciences, Plant and Soil Sciences, and Horticulture, and these disciplines continue to be crucial to the state, the University of Kentucky College of Agriculture needs to reflect a connection to all citizens of the Commonwealth and beyond, whether they are farm families, prospective students from inner city schools, or internationally renowned biochemists.

The proposed name change was approved by the college faculty; reviewed and recommended by the Senate Committee on Academic Organization and Structure and the Senate Council; and endorsed by the University Senate. The Interim Provost of the University supports this recommendation.

On behalf of the Academic Affairs Committee, Trustee Gannon asked for approval for AACR 4 and it passed without dissent. (See AACR 4 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

O. Restructuring of an Educational Unit (AACR 5)

Trustee Gannon stated that AACR 5 is a recommendation that the Board of Trustees approve the restructuring of the College of Agriculture's Department of Merchandising, Apparel and Textiles to the Department of Retailing and Tourism Management, effective July 1, 2013.

The restructured Department of Retailing and Tourism Management will bring together applied social science faculty within the College of Agriculture and provide focus for meeting the changing needs of society to reflect the move from a service economy to an experiential economy.

The merger process began with a review of the two UK programs by outside consultants. The consultants expressed the belief that the Hospitality Management and Tourism undergraduate program lacked an identity because it was too embedded in the Department of Dietetics and Human Nutrition to be sought after by potential students. After much discussion, faculty members recognized many commonalities between the Merchandising, Apparel and Textiles and the Hospitality Management Tourism programs and significant potential for the two programs in the merged department.

The proposal has been approved by the college faculty and the Agriculture Faculty Council; reviewed and recommended by the Senate Committee on Academic Organization and Structure and the Senate Council; and endorsed by the University Senate. The Interim Provost of the University supports this recommendation.

On behalf of the Academic Affairs Committee, Trustee Gannon asked for approval for AACR 5 and it passed without dissent. (See AACR 5 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

P. University Athletics Committee Report

Trustee Akins reported that the Athletics Committee met this morning. The Committee reviewed and endorsed the second reading of the revision to the Governing Regulation regarding the threshold amount for review of capital projects.

The Committee then considered the financial statements of the Department of Intercollegiate Athletics. Angie Martin, Treasurer, reviewed the quarterly financial statements of the department, including the balance sheet, the statement on revenue expenses, and the change in Net Assets. Trustee Akins reported that the Committee accepted the quarterly financial statements as presented.

The Committee heard from Marc Hill, Executive Associate Athletics Director for Internal Operations, who presented an update on the happenings in Athletics this fall.

There has been a tremendous response from the media and public regarding the hiring of former Florida State University defensive coordinator Mark Stoops as the new head football coach. Coach Stoops is hiring a strong staff of assistant coaches including offensive coordinator Neal Brown from Texas Tech and defensive coordinator D.J. Eliot, who worked closely with Coach Stoops at Florida State. Offensive lineman Larry Warford, linebacker Avery Williamson and linebacker Bud Dupree received All-SEC honors from various organizations. Punter Landon Foster received Freshman All-America recognition.

The volleyball team finished the season 22-11, reaching the Sweet 16 of the NCAA Tournament for a second straight year. This tournament appearance was the eighth-consecutive under Coach Craig Skinner, and the 14th in program history.

The UK women's soccer team reached the second round of the 2012 NCAA Women's Soccer Championship, ending the season with a 14-6-1 mark under Coach Jon Lipsitz. Men's soccer reached the NCAA Tournament for the first time in nine seasons under first-year head coach Johan Cedergren, finishing the season with a 10-9-2 record.

Both men's and women's cross country teams made significant progress under first-year head coach Edrick Floreal and assistant coaches Jason Dunn and Hakon DeVries. The UK women's cross country team returned to national prominence in 2012 and the men's team finished sixth at the SEC Championships and 11<sup>th</sup> at Regionals. Luis Orta capped a spectacular career with his first ever appearance in the NCAA Championships and All-Southeast Region and All-SEC selection.

The Athletics Department will update the Committee on the fall 2013 academic success of its student athletes at the Committee's next meeting.

Q. Finance Committee Report

Trustee Stuckert reminded the Board that consent items FCR 1, FCR 2, FCR 3, FCR 4, FCR 5, and FCR 6 were approved earlier in the meeting.

R. Approval of the Fiscal Year 2011-12 Endowment Match Program Annual Report (FCR 7)

Trustee Stuckert stated that FCR 7 is the approval of the fiscal year 2011-13 Endowment Match Program Annual Report. On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 7 and it passed without dissent (See FCR 7 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

S. Acceptance of Interim Financial Report for the University of Kentucky for the Three Months ended September 30, 2012 (FCR 8)

Trustee Stuckert stated that FCR 8 is the acceptance of the Interim Financial Report for the University of Kentucky for the three months ended September 30, 2012. He noted that the quarterly summation was discussed at the Committee meeting. On behalf of the Finance

Committee, Trustee Stuckert moved adoption of FCR 8 and it passed without dissent (See FCR 8 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

T. 2012-13 Budget Revisions (FCR 9)

Trustee Stuckert stated that FCR 9 was the 2012-13 budget revisions. The budget revision will increase the total budget by \$20 million, which recognized the June 30, 2012 fund balances. On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 9 and it passed without dissent. (See FCR 9 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

U. Renovate Robotics Building (FCR 10)

Trustee Stuckert stated that FCR 10 was the renovation of approximately 6200 square feet of laboratory space to provide more contemporary research space for biomedical engineering. The current total available funding for the estimated \$3.8 million project is \$1.8 million; therefore the University intends to prioritize the improvements and install all the utilities in the first phase thereby enabling future connections as additional funds become available.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 10 and it passed without dissent. (See FCR 10 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)

V. Repair/Upgrade/Expand Central Plants (Replace Cooling Tower at Medical Center Cooling Plants) (FCR 11)

Trustee Stuckert stated that FCR 11 is to repair/upgrade/expand the central plants, replacing a cooling tower at the Medical Center cooling plant. The current cooling tower is in excess of 10 years old and does not meet present day cooling capacity requirements due to increased loads and other inefficiencies. The project has an estimated scope of \$870,000 and will be funded with general funds. On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 10. Chair Brockman opened the floor for discussion.

Trustee Voro expressed her concern that the project was to be funded with general funds and not monies provided by the Medical Center. Bob Wiseman, Vice President for Facilities, explained that the cooling plants serve both campus and the Medical Center. The Medical Center has paid their amount as part of the hospital construction. This is the amount allocated to campus. Trustee Voro indicated that she could not support this due to continued budget cuts to academic programs.

Seeing no further discussion, Chair Brockman called for the vote. The motion passed with 18 affirmative votes and one no vote. (See FCR 11 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)



W. Repair/Upgrade/Improve Mechanical Infrastructure (Steam Line – Farm Road) (FCR 12)

Trustee Stuckert stated that FCR 12 is the repair, upgrade and improvement for a mechanical infrastructure, which is a steam line on Farm Road. This is the replacement of the third and final section of this 25-year- old steam line pipe. The scope of the legislative authorized project is \$835,000, and will be funded with General Funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 12 and it passed without dissent. (See FCR 12 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)

X. Approval of Deed of Conveyance to the Commonwealth of Kentucky, Transportation Cabinet, Department of Highways for Construction of Bridge (County Road 1387) in Breathitt County (FCR 13)

Trustee Stuckert stated that FCR 13 involves the approval of a deed of conveyance to the Commonwealth of Kentucky Transportation Cabinet Department of Highways. The 1.249 acres at a sales price of \$6,050 is for construction of a bridge on County Road 1387. The property is surplus to the needs the University and the proposed conveyance is in the best interest of the Commonwealth.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 13 and it passed without dissent. (See FCR 13 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)

Y. Capital Construction Report (FCR 14)

Trustee Stuckert stated that FCR 14 is a capital construction report. Bob Wiseman gave a very detailed report at the Finance Committee meeting. On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 14 and it passed without dissent. (See FCR 14 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)

Z. Patent Assignment Report (FCR 15)

Trustee Stuckert stated that FCR 15 involves the patent assignment report. Jim Tracy, Vice President for Research, gave a detailed report at the Finance Committee meeting. On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 15 and it passed without dissent. (See FCR 15 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)

AA. Audit Subcommittee Report

Trustee Britton reported that the Subcommittee had met, but had no action items. Joe Reed, Senior Director of Internal Audit reviewed with the subcommittee items typically addressed in an internal audit report.

## BB. Investment Committee Report

Trustee Gatton reported that the Investment Committee met yesterday to review performance results and conduct other business. The Endowment had a net market value of \$908.4 million as of October 31, 2012. For the four months ended October 31, 2012, the Endowment pool returned 4.4%, outperforming the policy benchmark return by 77 basis points. The outperformance against the policy benchmark was due to strong performance by the fixed income, absolute return and real return managers.

The Committee voted to extend the contract for investment consultant, R.V. Kuhns & Associates, for fiscal year 2013-14. The University hired R.V. Kuhns & Associates, or RVK, in April 2008 as a result of an RFP process. The contract was structured as a four-year fixed term and allowed up to four one-year renewals at the option of both parties. RVK consultants attend each Investment Committee meeting to review performance of the existing investment managers and advise on asset allocation issues. RVK has assisted the Committee with diversification of the endowment investments. Since hiring RVK, the University has implemented new absolute and real return allocations to reduce volatility and protect against anticipated inflation. Additionally under RVK's guidance, UK has significantly increased its commitment to private equity and private real estate strategies which are expected to enhance long-term returns.

The Committee voted to approve the Endowment Investment Policy, which must be formally reviewed at least annually. The new policy contains several changes to the spending policy including adoption of a "hybrid" spending formula which factors the current level of inflation and the market value of the endowment in determining spending each year. The change to a hybrid method is expected to smooth spending distributions from year to year and preserve the value of the endowment over the long term. Fiscal year 2013-14 will serve as a transition year and spending will be based on 4% of the trailing 60-month average market value. The new hybrid policy will then be fully implemented in fiscal year 2014-15, with 60% of spending based on the prior year's spending plus or minus the annual change in inflation; and 40% based on 4% of the trailing 36-month average market value.

Trustee Gatton continued that other significant changes to the spending policy include a new requirement to suspend spending and management fee withdrawals on all endowments underwater more than 20%. Another requirement is that endowments underwater more than 10% but less than 20% undergo a formal review by the Treasurer and the appropriate college dean to determine the appropriate level of spending in accordance with various factors set forth under state law. Lastly, there is a new requirement to delay spending distributions on new endowment gifts for at least one year in order to build a spending reserve.

## CC. Student Affairs Committee

Trustee Wilson reported that Student Affairs had met this morning. The committee had no action items, but had two reports. The first was from the Students of Concern Committee, led by Case Manager Teresa Smith and Associate Dean of Students for Student Conduct Dana Walton-Macaulay. Students of Concern is a team of multidisciplinary professionals that provide a central point of contact when there might be a concern regarding an individual(s) on campus.

Trustee Wilson stated this is an outstanding safety prevention program and an important element in the overall campus safety plan. The committee had three recommendations: review procedures to look for ways to strengthen protection for students or employees who file a report; additional training for academic and resident advisors about the program; and make the University of Maryland, which has had outstanding success, a benchmark for the program.

Trustee Bilas reported on the renegotiation of the Wildcats in Washington program and the progress on the University Creed program.

DD. University Health Care Committee

Trustee Young reported that Drs. Gerald Klim, Kristy Deep and Dr. Horacio Zaglul presented a comprehensive report on UK HealthCare Palliative Care Service. Beginning in 2008 UK has worked with Hospice of the Bluegrass to set up a palliative care program at UK that provides excellence in pain and symptom management, facilitates patient and family centered communication and educates all healthcare providers in primary palliative care. This program has been very successful and well received by patients, family and physicians.

Murray Clark presented the October 2012 Financial Review including a new schedule of Statistical Highlights which includes 16 major statistics that drive the financial performance of the hospital's inpatient and outpatient services. These indicators define volume, efficiency and revenue generation. In summary, the system is seeing a high level of activity of patients from all services, generating higher levels of revenue based on this acuity and payor mix, and delivering care in a very cost-effective manner.

The income statement indicates a strong revenue flow due to volume, payor mix, acuity and length of stay for both inpatients and outpatients. Ambulatory clinics are significantly ahead of last year in volume and this year's budget. Personnel expenses are below budget with some anticipated recruiting to handle the increased volume. Variable and fixed expenses are in line with the level of activity. All of this has led to a much better than anticipated income from operations for the year, amounting to \$29.558 million, or a 9.2% operating margin. Non-operating revenues remain strong. All of these factors have produced an increase in net assets for the period, significantly above budget and the prior year.

On the balance sheet, it should be noted that Chandler Hospital has moved from an interim payment system for Medicare with settlement occurring when the cost report is settled to payment on an individual claims basis. This change in practice moves the Medicare receivables from the estimated third party balance sheet account to the accounts receivable account, thereby adding \$18.8 million to accounts receivable. This change will enhance cash flow from Medicare. The hospital continues to have problems collecting from the new Medicaid Managed Care Organizations.

In Non-Current Assets, there has been a positive addition to investments of \$9.8 million this year. In Liabilities, accrued expenses include the UK working capital loan of \$67.4 million as of the end of October. The amount was \$65.2 million at the end of FY 12. Preliminary key drivers for the month of November indicate continued strong performance from UK HealthCare.

Trustee Young continued that Dr. Bernard Boulanger presented the Quarterly Report on Quality. Overall, Quality and Safety initiatives continue to improve. Dr. Boulanger reported on six enterprise goals including mortality, effectiveness, safety, efficiency, patient satisfaction and employee engagement. With a few exceptions, all goals were met by the enterprise and efforts are being made to continue to improve performance. Ambulatory Practice scores were on target. However, in October when volume was exceptionally high some service issues caused patient satisfaction to fall. These issues are being addressed. Pediatric Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS - a national assessment of patient satisfaction) and five new adult HCAHPS will start in January 2013.

Dr. Steven Strup presented for approval the current list of privileges and credentials. The committee made a motion and all privileges and credentials were approved.

The committee voted to approve amendments to the medical staff bylaws governing the medical staff at the University of Kentucky Hospital and UK HealthCare Good Samaritan Hospital as the bylaws of the UK HealthCare Medical Staff. These amendments were approved by the Organized Medical Staff on October 31, 2012.

Trustee Sachatello commented on the Palliative Care presentation and remarked it was the single best presentation he had ever heard. He hoped the presentation would be placed on the website.

#### EE. University Relations Report

Trustee Curris reported that the committee met this morning and there were no action items. The committee heard a presentation from Dr. Michael Karpf, Executive Vice President of Health Affairs regarding the critical and creative marketing and public relation strategies for UK Healthcare.

The presentation began with an overview of the University of Kentucky Medical Center “brand”, its importance, and the evaluation strategy of creating a brand. Dr. Karpf reported that a study conducted in 2004 confirmed an image problem with the UK Hospital. It was ranked as an area hospital that people would not use. Reasons given in the study were poor service, a bad experience, and poor medical care. In fact, at that time, 25% of UK employees would not recommend UK Hospital. Therefore, the initial drivers of change in UK HealthCare were a mandate from the Kentucky General Assembly for UK to become a Top 20 public research institution and a steady decline in clinical activity. The brand had eroded and needed to be enhanced.

In his 2004 strategic plan, Dr. Karpf called for advances in subspecialty care. This included a Level 1 trauma center, the Kentucky Children's Hospital, organ transplants, and the Markey Cancer Center. He called for expanded regional care. He wanted to leverage community health care providers by augmenting special services and allowing patients to remain close to home for their care. The Center for Enterprise Quality and Safety was established to focus on the development of efficient processes aimed at optimizing clinical outcomes and the safety of patients. The 2011-2015 strategic plan continues to focus on refining subspecialty care, continuing to mature relationships with regional providers, reemphasize efficiency, quality,

safety and patient satisfaction.

Communication decisions for the UK HealthCare to enhance and develop the brand included introducing an umbrella brand of UK HealthCare, which would provide a common name and reduce public confusion. Increased employee communication, the launch of a UK HealthCare advertising plan and ad campaign “That's why we're here” and “That's why I'm here,” helped to develop the brand.

Other emphasis included the promotion of new facilities to the public and the building of relationships with referring doctors and community hospitals. Since 2005 the brand has strengthened and is much better positioned in 2012. Statewide market share is now 14.1 percent, up from 7.4 percent in 2004. Patient satisfaction has also increased due in part to advanced medical technology, expanded insurance acceptance, and dedicated physicians. Additionally, the percentage of UK HealthCare employees who would not refer UK HealthCare to family and friends has dropped from 25 percent to 9 percent. Currently the local market share is 45.9 percent.

Other successes of the UK Healthcare team include: a Governor's Award in Arts, due in part to the world class folk art exhibit throughout the hospital; new facilities were ranked as the best in the region; a first time Consumer Choice Award; and UK HealthCare being voted Kentucky's Very Best Hospital.

Trustee Curriss thanked Dr. Karpf for his leadership and the Board gave him a round of applause.

FF. University of Kentucky Mining Engineering Foundation, Inc. Report

Trustee Curriss reported on the meeting of the University of Kentucky Mining Engineering Foundation, Inc. which meets twice a year. Trustee Stuckert also serves on this foundation Board of Directors, representing the Board of Trustees.

Trustee Curriss reported that Rick Honaker is the current chair of the Department of Mining Engineering. Noted accomplishments of the department include:

- The number of Bachelor of Sciences graduates expected in 2012-13 is expected to be in the range of 25 – 30, up from a single graduate in 2002-03 to 14 in 2010-11 and 23 in 2011-12;
- Undergraduate enrollment reached a record high of 215 in fall 2012;
- The UK enrollment is the largest among the 13 accredited programs in the U.S. (other programs include Virginia Tech, West Virginia, Missouri Institute of Science and Technology, Colorado School of Mines, University of Arizona, etc.);
- The fall 2012 freshman class totaled 57 of which 21% were from out-of-state and 14% were female;
- The average composite and math ACT scores for freshmen were 27.8 and 28.0, respectively. The average high school GPA was 3.74;
- Graduate enrollment was also at a record level of 25 in fall 2012;

- Over \$600,000 in scholarships have been awarded annually over the last three years; and
- Student chapter received two national awards:
  - 2012 Society of Mining, Metallurgy and Exploration (SME) Outstanding Student Chapter Award: Each year the Society for Mining, Metallurgy and Exploration (SME) recognizes outstanding achievement at the student chapter level. The Award is based on Chapter reports which are judged on the basis of a comprehensive review and evaluation with other reports from competing chapters. These chapter reports are used to evaluate the level and quality of chapter activities and operations. Chapter activities included:
    - The development of a mentoring program to improve the success and retention of freshmen and transfer;
    - The initiation of a football tailgate for alumni to attend that has significantly grown to a point that catering is required for food service. Approximately \$24,000 was raised annually from the tailgate through sponsorships with industry; and
    - The organization of a golf tournament each year which generates revenues through sponsorships.
  - 2012 SME Minerals Education Coalition (MEC) Award: This Award recognizes the outstanding efforts of a SME Student Chapter on a college campus and their faculty advisor for their accomplishments in community outreach and mining/mineral education to serve the mission of the MEC. The UK chapter participated in:
    - Habitat for Humanity;
    - God's Food Pantry;
    - National Science Teachers Association in New Orleans providing educational material about minerals and the importance of mining; and
    - Educational presentations at elementary, junior and high schools in Kentucky.

Trustee Curris reported that there were multiple faculty national honors as well and total research funding has averaged \$2 million per year over the last three years. In addition, private donations are critical to the support of this program and have been used to open new laboratories and upgrade others.

Trustee Curris closed by stating it was exciting to attend these meetings because so much is accomplished by so few.

#### GG. Other Business

Chair Brockman reminded the Board of the Staff Senate sponsored Stakeholders reception immediately following the Board meeting, being held in Patterson Office Tower 18<sup>th</sup> Floor lobby.

Relative to Trustee Curris's report on the Mining Engineering Foundation, Trustee Shoop offered his observation that there seems to be a new spark of optimism in Eastern Kentucky with

regards to mining. The coal mining industry is putting people back to work and he is glad to see the rejuvenation of a part of the state that has suffered over the past few years. The hiring of 100 miners, with another possible 600 jobs, is like “Santa Claus has dropped in for the day.”

Trustee Gatton offered some clarification on R.V. Kuhns, the University’s investment consultants. He noted that they are financial advisors, probably one of the top five or six in the country. The Investment Committee receives their advice on what financial sectors the University might invest in and the corresponding managers in these sectors.

Trustee Bilas announced the renaming of the DanceBlue Kentucky Children’s Hospital Hematology/Oncology Clinic. The contributions and efforts of the many students toward this event are very commendable.

Trustee Bilas also wanted to call to the Board’s attention the progress on Phase I and Phase II of the residence hall building projects. He wanted to commend the efforts of the Board of Trustees on the continuous improvement of the student experience and the community experience.

Trustee Sachatello requested that the December 9, 2012 Lexington Herald Leader article regarding falsified research results at the University of Kentucky be made a formal part of the minutes of the meeting. He encouraged President Capilouto to take the steps necessary to prevent this from happening again.

HH. Meeting Adjourned

Hearing no further business, Chair Brockman asked for a motion to adjourn. Trustee Shoop made the motion and the meeting ended at 2:17 p.m.

Respectfully submitted,



Sheila Brothers  
Secretary

(PR 1, 2, 3, 4, 5, 6 and 7, AACR 1, 2, 3, 4 and 5, FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15, and pages A1 and A2 of the December 9, 2012 Lexington Herald Leader are official parts of the Minutes of the meeting.)