

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Sunday, October 14, 2012

The Board of Trustees of the University of Kentucky met on Sunday, October 14, 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 1:40 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, E. Britt Brockman, Sheila Brothers, Mark Bryant, Jo Hern Curris, Oliver Keith Gannon, Kelly Sullivan Holland, Pamela T. May, 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 William C. Britton, William S. Farish, and Carol Martin “Bill” Gatton. 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, General Counsel-Select William Senior Associate General Counsel T. Lynn Williamson.

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 one consent item on the agenda, the minutes for the regular meeting of the Board on September 11, 2012. Trustee Stuckert moved approval of the consent items. Trustee Akins 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, September 11, 2012

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 announced that the Executive Committee would be tasked with a review of the current committee structure of the Board of Trustees, with a report to the Board at the December 11, 2012 meeting.

Chair Brockman extended thanks to those involved in making the Board of Trustees retreat meaningful and productive. For their efforts, he offered special thanks to Amy Hisel, Bill Swinford, Angie Martin, Bob Wiseman, Jay Blanton, Jim Tracy, Vince Kellen, Provost Tim Tracy, President Capilouto, the staff of University Sound and Lights, UK Catering, Physical Plant Division, and UK Information Technology. The Board gave a round of applause.

E. Proposed Guiding Principles for the President and the Campus (CR 1)

Chair Brockman introduced CR 1, the guiding principles for the President and the campus. These guiding points were a result of the discussions from the weekend's retreat. The recommendation is that the President, in recognition of the rapidly changing environment of higher education, and in consultation with University constituents, focus the University's efforts on the following:

- Continuing emphasis on undergraduate education and infrastructure of the campus core;
- Strengthening mechanisms for faculty and staff recruitment, rewards and retention;
- Conducting an assessment of what constitutes a strong environment for research, creative scholarship, and graduate and professional education;
- Continuing the development and introduction of the values-based financial model that aligns revenues and expenses to meet the University's mission, and ensure that units develop strategic plans in alignment with University's overall strategic planning process;
- Developing a plan for implementing innovative, technology-rich content delivery to address needs in a constantly changing learning environment; and
- Continuing to develop a master plan that creates a 21<sup>st</sup> century living-learning environment and is sensitive to community concerns.

Chair Brockman asked for discussion. As there was no discussion, the motion passed, with one abstention from Trustee Voro. (See CR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

F. Nominating Committee Report

Trustee Shoop, Chair of the Nominating Committee reported that the Committee met that morning and received two NCRs.

G. Reappointment of Board of Director University of Kentucky Mining Engineering Foundation, Inc. (NCR 1)

Trustee Shoop stated that NCR 1 recommends that the Board approve the reappointment of Mr. James W. Stuckert as a trustee member to the University of Kentucky Mining Engineering Foundation Inc. Board of Directors for two-year term ending September 30, 2014. The bylaws of the Foundation require that the Board of Trustees approve appointments to the Board of Directors.

On behalf of the Nominating Committee, Trustee Shoop moved approval of NCR 1 and it passed without dissent. (See NCR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

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

Trustee Shoop stated that NCR 2 recommended that the Board approve the appointment of Mr. Mark P. Bryant as a trustee member to the University of Kentucky Research Foundation Board of Directors for a three-year term ending September 30, 2015. The bylaws of the Foundation require that the Board of Trustees approve appointments to the Board of Directors.

On behalf of the Nominating Committee, Trustee Shoop moved approval of NCR 2 and it passed without dissent. (See NCR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

I. Athletics Committee Report

Trustee Akins, Chair of the University Athletics Committee, reported that the Committee met that morning to discuss two items. The Committee reviewed and endorsed PR 1, a revision of Governing Regulation II regarding an increase to the threshold amount for review of Athletics capital projects.

The committee then considered the financial statements of the University of Kentucky Athletics Association (UKAA) and the Department of Intercollegiate Athletics. Mary McKinley partner with the BKD, the University's external auditors, provided a brief overview of the annual audit process in the Audit Subcommittee. As an affiliated corporation, UKAA was included in the University's consolidated financial statement. BKD issued unqualified opinions on the University's and UKAA's separately presented financial statements.

Trustee Akins stated that with the dissolution of UKAA, the external auditors will perform a separate audit of the Department of Intercollegiate Athletics in the future. As part of the transition, Angie Martin, Treasurer, reviewed the unaudited financial statements of the department which consolidated UKAA and other Athletic operations. The Committee accepted the financial statements as presented.

J. Proposed Revision to the Governing Regulation: University Athletics Committee (PR 1)

President Capilouto stated that PR 1 recommended that the Board of Trustees receive and vote to accept for the first reading the revision of Governing Regulation II relating to the University Athletic 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 Curris, PR 1 passed without dissent. (See PR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

K. Honorary Degree Recipients (PR 2)

President Capilouto asked the Board to consider PR 2. Pursuant to the Conditions of Merit for Honorary Degrees, the University Joint Committee on Honorary Degrees has recommended to the elected faculty senators of the University Senate that the specified honorary degrees be awarded to James D. (J.D.) Crowe, David L. Lawless, and Charles L. Shearer. The elected faculty senators approve this recommendation.

Trustee Stuckert moved approval of PR 2. It was seconded by Trustee Mobley and passed without dissent. (See PR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

L. Resolution of the Board of Trustees of the University of Kentucky Relating to the Refunding of Bonds heretofore Issued in Accordance with a Lease Agreement among the University, the Kentucky Asset/Liability Commission, the Finance and Administration Cabinet of the Commonwealth of Kentucky and the State Property and Buildings Commission of the Commonwealth of Kentucky (FCR1)

Trustee Stuckert, chair of the Finance Committee, stated that the FCR 1 concerned the refunding of several bonds from 1998 and 2002. On behalf of the Finance Committee, he moved adoption of FCR 1 and it passed without dissent. (See FCR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

M. Acceptance of Audit Report and the Report on Internal Control for the University of Kentucky for FY 2011-12 (FCR 2)

Trustee Stuckert stated that FCR 2 involved the acceptance of the audit report and the report on the internal control for the University of Kentucky for the fiscal year 2011-12. He reminded the Board that all FCRs were fully vetted at the Finance Committee meeting that met prior to the Board meeting.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 2. Dr. Brockman opened the floor for discussion.

Trustee Voro stated she would abstain from the vote due to her confusion regarding BKD's non-audit of KMSF and their non-opinion on the Management's Discussion and Analysis portion of the financial statement. She also asked the cost of the external audit and if an audit of UK's management had been performed in recent years.

Trustee Stuckert stated that the cost of the external audit is \$336,000.

With no further discussion, the vote was 16 affirmative votes with one abstention from Trustee Voro. (See FCR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

N. Authorization of Lease for Phase II-A Housing and Amendment for Phase I Ground Lease (FCR 3)

Trustee Stuckert stated that FCR 3 involved the authorization of the lease for Phase II-A Student Housing and Amendment for Phase I Ground Lease. He reported that Treasurer Angie Martin and Vice President Bob Wiseman gave a comprehensive report at the Finance Committee meeting regarding these two items.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 3 and it passed without dissent. (See FCR 3 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

O. Approval of Lease (FCR 4)

Trustee Stuckert stated that FCR 4 involved the approval of a lease with Royal Lexington Apartments in the amount of approximately \$2.2 million for 364 beds effective August 1, 2013 through June 30, 2014. This proposed lease will be funded from housing revenues.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 4 and it passed without dissent. (See FCR 4 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

P. Other Business

Trustee Curris congratulated the cast and crew, the College of Fine Arts and former Board of Trustees member Everett McCorvey for the *Phantom of the Opera* performance. Trustee Young and President Capilouto also added their compliments.

Trustee Voro drew the Board's attention to the memorandum from Senate Council Chair Lee X. Blonder. She reported that there had been two faculty forums to discuss the second round of budget cuts. She reminded the Board that President Capilouto would address the University Senate on October 22nd.

Trustee Young asked Trustee Voro what percentage of faculty attended or responded to the forums. A discussion followed regarding the faculty's concern of the current budget situation. Dr. Blonder and Trustee John Wilson both summarized that the faculty are very concerned and look forward to the continued dialogue with President Capilouto regarding this important issue.

Q. Meeting Adjourned

Hearing no further business, Chair Brockman adjourned the meeting at 2:02 p.m.

Respectfully submitted,



Sheila Brothers,  
Secretary

(CR 1, NCR 1 and 2, PR 1 and 2, FCR 1, 2, 3 and 4 are official parts of the Minutes of the meeting.)