

Minutes of the retreat of the Board of Trustees of the University of Kentucky, Saturday and Sunday, October 13 and 14, 2012.

The Board of Trustees of the University of Kentucky began its retreat at 9:30 a.m. (Lexington time) on Saturday, October 13, 2012 in the President's Room at Commonwealth Stadium, Lexington, Kentucky and concluded its retreat on Sunday, October 14, 2012 in the Board Room on the 18th floor of Patterson Office Tower, Lexington, Kentucky.

A. Members Present

The following members of the Board of Trustees were present: C. B. Akins, Sr., Stephen Bilas, William C. Britton, E. Britt Brockman (chair), Sheila Brothers, Mark P. Bryant, Jo Hern Curris, Oliver Keith Gannon, Kelly Sullivan Holland, Pamela T. May, Terry Mobley, Charles R. Sachatello, C. Frank Shoop, James W. Stuckert, Irina Voro, John Wilson and Barbara Young. Billy Joe Miles was absent during the Saturday session; however, he arrived on Sunday morning. William S. Farish, Jr. and Carol Martin "Bill" Gatton were absent.

The University administration was represented by President Eli Capilouto, Interim Provost Tim Tracy, Vice President for Health Affairs Michael Karpf, Senior Associate Counsel T. Lynn Williamson, General Counsel-Select Bill Thro, Vice President for Financial Operations and Treasurer Angie Martin, Vice President for Facilities Management Bob Wiseman, Vice President for Research Jim Tracy, Vice President for Institutional Diversity J.J. Jackson, Senior Vice Provost for Academic Planning, Analytics and Technologies Vince Kellen, Director of Public Relations and Marketing Jay Blanton, and Chief of Staff Bill Swinford.

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

Members of the news media and other attendees were also present at various times throughout the retreat.

B. Welcome and Overview of Agenda

Chair Brockman welcomed the Board members and thanked them for attending the retreat.

Chair Brockman reflected that this was the fifth retreat in two years. The first two retreats involved the production of metrics and characteristics by which the Board would search for and select a president. At the third retreat in May 2011, Eli Capilouto was selected as the 12th president of the University of Kentucky. At the retreat last October, the Board expressed its desire for President Capilouto to concentrate his efforts on undergraduate education and infrastructure on central campus. This year the University is in the midst of a historic campaign of change agendas. Chair Brockman commented that these change agendas, while exciting and visionary, do bring with them some anxiety.

At this retreat, he asked President Capilouto to engage the Board of Trustees in a constructive dialogue to give a sense of where we are relative to last year, address current concerns and questions, and address challenges and directions moving forward.

C. Retreat Road Map for the Day

President Capilouto thanked everyone for attending. He stated that the goal for the day was to give a thumbnail but deep sketch and understanding of the University, one that allowed the members of the Board to be active, engaged and informed. The day would be broken into five sections: 1) University Planning and Metrics; 2) 2011 Board Retreat and Other Planning; 3) 21st Century University; 4) Health care reform and its potential impact on the academic medical center; and 5) Master Plan Update, the scope of the meetings with neighborhoods around the campus and conversations moving forward.

D. University Planning and Metrics

President Capilouto began his PowerPoint presentation by reminding the Board of the ongoing Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Reaffirmation process and reviewed the SACSCOC Accreditation Standard 3.3.1 that states: *The institution identifies expected outcomes, assesses the extent to which it achieves these outcomes, and provides evidence of improvement based on analysis of the results in each of the following areas:*

- *Education programs, to include student learning outcomes,*
- *Administrative support services*
- *Academic and student support services*
- *Research within its mission*
- *Community/public service within its mission*

The University's 2009-2014 Strategic Plan contains many of the metrics used in this assessment. President Capilouto reviewed the progress toward each goal and the 2012-2013 operating budget investment in these goals.

Another set of metrics used in the SACSCOC assessment is contained in the Top 20 Business Plan, which was introduced and approved by the Board of Trustees in 2005 and funded by the General Assembly beginning in 2007-08. President Capilouto reviewed the plan and expectations of General Revenue funding versus the reality of funding through 2013.

As the University moves toward its next planning phase, President Capilouto asked the Board for their advice on planning and what metrics are helpful and important to them. The Board engaged in a discussion about a vision, a mission, a strategic plan, metrics, and funding. (The various discussions during the Retreat were later summarized by the President on Day 2 – see below).

E. 2011 Board Retreat and Planning

President Capilouto reviewed with the Board the two priorities from last year's Board Retreat and shared the two new priorities that grew out of the budget process. They are:

- Enhance and expand the undergraduate educational experience in terms of student quality, academic programming, and opportunities for more Kentuckians and students from other states and background to learn and grow at the University.
- Renew and rebuild the core of the nearly 150-year-old campus.
- Be attentive to affordability and access for the students
- Focus on Work/Life Environment

President Capilouto continued that areas of student success from these efforts include:

- The biggest, most diverse class in enrollment history (4,643);
- More than doubled the number of National Merit Scholars (29 to 71);
- Growth in enrollment quantity, quality, and diversity; and
- Investment in campus safety initiatives.

President Capilouto explained the difference in the enrollment make-up of undergraduate and graduate students and the economics of both groups. As a link to graduate education, he also reviewed the research and development income and expenditures and the differences between federal, state, local and foundational dollars.

In terms of student retention and engagement, President Capilouto shared areas for improvement from the Sophomore Attrition Survey and the Graduating Senior Survey. Another measure, a benchmark of effective practices in relation to Carnegie Peers, showed the University has made improvements with all interventions, programs, and services for freshman. The University needs to focus on upperclassmen as well.

Also related to student success, Interim Provost Tracy summarized the Provost's Office reorganization plan and outlined the creation of a Senior Vice Provost for Student Success position. Interim Provost Tracy also explained Vince Kellen's additional duties as the Senior Vice Provost for Academic Planning, Analytics and Technologies and its new reporting structure.

President Capilouto shared with the Board the investments from 2008 – 2012 in major capital construction by funding source. He outlined the possible opportunities for more investment in the campus which include public/private partnerships on residence halls (Education Realty Trust), increased debt capacity, and philanthropic gifts. Factors used to identify building priorities include utilization, possible revenue streams, and philanthropic opportunities.

President Capilouto shared a slide that showed the 10- year history of annual tuition and fee rates increases and reminded the Board of the commitment to a three percent tuition increase for 2013-14. Another slide on the average debt of resident Baccalaureate Graduates from the fall 2006 freshman cohort, showed that 51% of the graduates had no debt.

President Capilouto reviewed the charge of the Faculty Committee on Review, Rewards and Retention (FCR3), chaired by former Senate Council Chair Hollie Swanson. New Associate Provost for Faculty Advancement G.T. Lineberry will lead the efforts to implement FCR3's recommendations for faculty.

Starting this fall, managers, supervisors, and employees will be encouraged to participate in online or in-class training regarding the Performance Evaluation (PE) process. PE's provide a prime opportunity for supervisors and employees to engage in an important conversation, one that provides honest and constructive feedback.

Interim Provost Tracy shared with the Board the guideposts for the new budget model, a values-based budget. They are:

- Aligns revenues and expenses.
- Revenues are attributed to unit that earns them.
- Expenses (both direct, and administrative and service) are attributed to units.
- Incentivizes colleges to be entrepreneurial.
- Allows for longer-term (three to five year) planning.
- Current model is "incremental budget model" and results in managing to expenses.

Interim Provost Tracy shared and explained the implementation timeline for this new budget model. This current fiscal year, FY13, has been and continues to be a year of listening, data collection, and refinement of the system with a constant dialogue with colleges, units and budget officers. FY14 will be a parallel process year with the current incremental budget system and value-based model running side by side. This allows for a transition from one system to the other and the opportunity to make additional adjustments.

President Capilouto asked the Board for comments on the year in review and for suggestions going forward. The Board engaged in discussion, seeking answers to questions about the new budget model and clarification on some of the information.

F. The 21st Century University

President Capilouto shared with the Board his observations and conclusions in his first 16 months. He noted that the University's broad goals should be:

- First choice in the state and region, for the best and brightest.
- First choice in the state and region, for cutting-edge research and creative scholarship.
- First choice in the state and region, for life-saving patient care and service.

He continued that the afternoon would allow for the review of the challenges in higher education.

1) The Burning Platform

Senior Vice Provost Vince Kellen shared with the Board some of the pressures currently facing higher education institutions. They are:

Regulation and Economic Pressures

- Citizen demand for accountability
- State and federal funding reductions
- Concerns about access
- Middle skill job loss, high skill job growth
- Need and desire to cap tuition

Competitive Pressures

- Governors launching university alternatives
- Venture capitalists funding online programs and Massive Open Online Courses (MOOCs)
- Persistent pressure from for-profits, elites
- Traditional students choosing community colleges

Vice President for Research Jim Tracy shared some of the current pressures and challenges of being a Research I (R1) university. They include regulatory laws and compliance and the uncertainty of federal funding. He offered that the University needs to focus on the quality of its research. Examples of this type of investment include the NIH-awarded Center for Clinical and Translational Science, the bid to be a NCI-Designated Cancer Center and the Center for Applied Energy Research. Other aspects of the future of research include:

- Interdisciplinary research teams;
- Convergence of biological sciences, physical sciences and engineering;
- Computational approaches to complex problems;
- Alternative sources of research funding.

Dr. Kellen discussed in detail the impact of MOOCs and hybrid technologies on Universities across the country. Hybrid technologies include lecture capture (Echo 360), blended learning, flipped classrooms, smart boards, projection, and tablets.

President Capilouto and the Board continued the discussion of current challenges affecting the University.

2) Health Care Reform and Its Potential Impact on Academic Medical Centers

Dr. Michael Karpf, Executive Vice President of Health Affairs began his presentation with an overview of health care reform including coverage issues, coverage expansion, and health insurance exchanges.

Dr. Karpf continued his presentation with a look at where health care is going and how UK Healthcare as an academic medical center is currently positioned. Areas of focus moving forward include the following:

- Continue to strengthen subspecialties;
- Continue to expand geographic reach;
- Continuously improve cost effectiveness;
- Meet benchmark targets on patient safety and patient satisfaction; and
- Maintain financial strength

The Board asked questions and participated in discussion.

3) Master Plan Update

Vice President for Facilities Bob Wiseman updated the Board regarding the Master Plan and the current dialogue with both the city of Lexington and the neighborhoods surrounding the University. He stated that the goal of a Master Plan process is the convergence of the financial plan and strategic plan with the physical plan. Conversations with neighborhoods, city leaders, retail owners and merchants, landlords, faith communities, and the University community will contribute to the decisions made regarding housing, roads, and parking.

Mr. Wiseman explained that the planned bus tour would visit Phase II-A sites, and neighborhood areas that show the collective challenges. These challenges include:

- Inappropriate architecture in established neighborhoods;
- Number of apartments in original single family homes;
- General decline of property in older neighborhoods;
- “Vinyl-box” additions;
- Demolition of older structures;
- Parking issues; and
- Code enforcement.

The Board adjourned at 5:00 p.m. to the bus tour, followed by dinner at Maxwell Place.

Sunday, October 14, 2012

The Board of Trustees of the University of Kentucky began its morning recap at 8:30 a.m. (Lexington time) on Sunday, October 14, 2014 at the Board Room, 18th floor of Patterson Office Tower on the University of Kentucky campus.

G. 2012 Retreat Recap and Next Steps

Chair Brockman began the morning with an opportunity for the Board to discuss their thoughts regarding the tour from the previous evening.

H. Discussion Points

President Capilouto shared with the Board a summary of the discussions from the Saturday session. They were:

- Articulated vision
 - Education, Research and Service
- Nimble planning responsive to dramatically changing higher education environment
 - Short-term goals
 - Regular reporting of metrics (dashboard)
 - Continuous assessment
- Continue comparing with aspirant institutions
- Continue to have budget reflect Board and campus priorities
 - Student success at all levels (retention & graduation)
 - Infrastructure
 - Access and affordability
 - Work environment for faculty and staff
- Financial Model of Accountability
 - UK specific
 - Guided by values and not solely by capacity to generate revenue
 - Effective strategic planning at unit level
 - Best practices from other institutions
 - Strategic investment pool
 - Effective implementation (training)
 - FY 13-14 Budget Process
 - Reflect Board and campus priorities
 - Continue transparency and consultation with campus constituencies
- Develop three to five year campus plan for more aggressive integration of technology into learning that leverages unique strengths of a flagship, public research university
 - Online platforms
 - Technology in the classroom
 - Emphasis on faculty/student interaction, learning and success
 - Focus on excellence and outcomes
 - Sensitivity to faculty and staff workload
 - Training
 - Non-traditional learners
- Customized learning (interdisciplinary)
- Assess regulatory obstacles to integration of innovative content delivery and student success
- Strategic investments to position for transformative research and creative scholarship

Chair Brockman led the Board in a discussion of these points. The Board agreed that the following proposed principles should guide President Capilouto and the campus through the next year:

- Continuing the emphasis on undergraduate education and infrastructure (campus core); and
- Strengthening mechanisms for faculty and staff recruitment, rewards and retention; and
- Conducting an assessment of what constitutes a strong environment for research, creative scholarship, and graduate and professional education; and
- 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 individual units develop strategic plans in alignment with the University's overall strategic planning process; and
- 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 21st century living and learning environment and is sensitive to community concerns.

Chair Brockman stated that these principles would be presented before the Board at the afternoon meeting for an official vote.

I. Retreat Adjourned

Chair Brockman adjourned the retreat at 9:45 a.m.

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees