

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

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, September 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 1:06 p.m. Dr. Brockman asked Ms. Pamela T. May, vice chair 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 Curris, Oliver Keith Gannon, Carol Martin “Bill” Gatton, 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 S. Farish. Ms. May 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 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.

Members of the various news media were also in attendance.

C. Consent Items

Dr. Brockman called attention to the five consent items on the agenda. The items included the minutes for the regular meeting of the Board on June 19, 2012, PR 2 which deals with personnel actions, FCR 1, American Music Library Endowed Fund Name Change, FCR 2, Cardiovascular Imaging Professorship Fund Name change, and FCR3, the William E. Seale Family Foundation Gift.

Mr. Stuckert moved approval of the consent items. Mr. Mobley 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, June 19, 2012

PR 2 Personnel Actions

FCR 1 American Music Library Endowed Fund Name Change

FCR 2 Cardiovascular Imaging Professorship Fund Name Change

FCR 3 William E. Seale Family Foundation Gift

D. Chairman's Report

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

Dr. Brockman welcomed the three new trustees, Alumni trustee Kelly Holland of Lexington, Gubernatorial appointee Mark Bryant from Paducah, KY and the SGA president Steven Bilas from Louisville KY.

Dr. Brockman reminded the Board members that in lieu of the October Board meeting, there will be a Board of Trustees retreat on Saturday October 13<sup>th</sup> and Sunday October 14<sup>th</sup>. He announced that there would be some action items that would occur at the retreat.

Dr. Brockman announced that after the afternoon elections, the new Chair would begin work on committee assignments and would be requesting the Board's preferences.

Dr. Brockman reviewed for the Board the difference between the University of Kentucky Governing Regulations and the Administrative Regulations. The Governing Regulations can only be changed by the Board of Trustees and the Administrative Regulations are in the purview of the President. He noted however, there are a few Administrative Regulations that for a variety of reasons are in the Board's purview. Those reasons might be one of the following:

- a) a state or federal law or accreditation agency specifically requires the Board to implement a policy;
- b) the Board has not delegated the authority and specifically retained approval in the general regulations;
- c) the Board originally or historically adopted the policy for whatever reason and has never delegated it;
- d) the subject matter is such that the Board chooses to adopt the policy itself rather than delegate.

Dr. Brockman cited that Administrative Regulation 7.2, titled "Financial Conflict of Interest in Research," is now under the President's purview because it has been changed to comply with federal guidelines and no longer requires Board of Trustees oversight.

E. Annual Performance Evaluation (ECR1)

Dr. Brockman reported that the Executive Committee met in open session on July 31<sup>st</sup> and recommended two action items. The first item, ECR 1 recommended that the Chair of the Executive Committee present to the Executive Committee and to the President, a summary of the July 31<sup>st</sup> discussion. This discussion reported the Executive Committee findings and the recommendations to the President regarding the 2011-2012 Presidential Evaluation.

Dr. Brockman thanked the Board members and the many other individuals who participated in the evaluative process. He reported that President Capilouto, as the evaluation

clearly showed, had an outstanding year; leading the University through important changes, and laying the foundation for more progress and change in the coming years. Dr. Brockman reiterated the evaluation underscored the time and commitment President Capilouto has made to deeply engage with the campus and UK's many constituencies on how best to move forward during very challenging times.

Dr. Brockman stated that as a campus and as a Board, we have set forth two prominent goals: to enhance an already strong undergraduate education program and to move forward with an ambitious revitalization of our campus infrastructure. He stated that he believes that with President Capilouto, the University has the "right person at the right time" to move forward with a blue print for the future.

Dr. Brockman was proud of the constructive feedback that the evaluation contained for areas of improvement. He noted that "everyone can improve" and it reinforced the credibility of the report. It was also a strong endorsement of the University's current direction, while also spotlighting in a constructive fashion where more can be done. It was also a supportive statement in regards to the sense of transparency and commitment.

Dr. Brockman stated that ECR 1 is a recommendation that the Chair of the Executive Committee, on behalf of the Committee, will present the President and the Executive Committee a summary of the discussion from the July 31, 2012 meeting and the Chair's presentation will include a recommendation of the Executive Committee that there be no change in President Capilouto's contract. Dr. Brockman opened the floor for discussion.

Dr. Voro read the following statement:

"I was elected to represent the faculty. So, before I vote for something important, I try to find out what the faculty opinion on the subject is. Our faculty has a long list of grievances with the administration, and the list doesn't seem to get shorter.

The Presidential evaluation is one of those occasions when the faculty can express its judgment about the quality of the administration as a whole and the presidential performance in particular. From my polling of the faculty on this issue in June, I saw that the majority of responses came out negative, sometimes scathing; and that was before the realization that the job and program cuts this summer were probably unnecessary.

I find that this faculty opinion was not adequately represented in the presidential evaluation process. Therefore, I will abstain from voting on the Presidential contract and incentive payment."

Seeing no further discussion, Dr. Brockman called for the vote. The motion passed with 18 affirmative votes and one abstention, Trustee Voro. (See ECR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

F. Performance Incentive Payment (ECR 2)

Dr. Brockman stated that ECR 2 is the recommendation that in recognition of his extraordinary performance, the University of Kentucky Board of Trustees Executive Committee would sincerely like to offer President Capilouto a first year Performance Incentive Payment. However, based on discussions with the President, the Board of Trustees Executive Committee has decided to postpone any such action because of the current economic conditions.

With no discussion on the floor, Dr. Brockman called for the vote. The motion passed with 18 affirmative votes and one abstention, Trustee Voro. (See ECR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

On behalf of the Board of Trustees, Dr. Brockman expressed his personal thanks to President Capilouto for what he considered an exemplary performance over his first year.

There was a round of applause.

G: Nominating Committee Report

Mr. Shoop reported that the Nominating Committee met on August 31<sup>st</sup>.

H. Election of Officers

Mr. Shoop submitted the following nominations for the following offices:

For Chair - Dr. E. Britt Brockman

For Vice Chair - Ms. Pamela T. May

For Secretary - Ms. Sheila Brothers

For Assistant Secretary - a representative from the Office of Legal Counsel

Chair Brockman stated that the Board would proceed with the election of the officers. He continued that he was honored to be the nominee as chair, but felt it would be a conflict of interest to preside over that election. He asked former chair Billy Joe Miles to come forward to accept the gavel and conduct the election of Chair.

Mr. Miles stated that the Nominating Committee nominated Britt Brockman for chair. He asked for any nominations from the floor. With no nominations, he called for the vote. Mr. Miles recognized Dr. Voro.

Dr. Voro read the following statement:

“I emailed you all on this issue of election, and I also had an extensive correspondence with Chair Brockman on this issue as well. So I simply want to remind you that last year my constituency informed me that I should not vote for any candidate for an executive office who does not share his/her agenda for the executive position. And I believe I am not the only board member who would benefit from knowing what our nominating agendas are.

I also feel that it would be beneficial for the University community if these nominee agendas are written and distributed to all members of the Board. This time around, I only happen to know the plans of Staff Trustee Sheila Brothers who is nominated for Board Secretary.

If we really want to improve our Board and university governance, and also in light of the lessons of Penn State, we need to have a real election of Board officers, with alternative candidates and with candidate action agendas presented to the Board. That would improve transparency and accountability of elected officers, improve Board functions, and improve the University. Thank you.

With this my vote is no.”

The motion carried with 18 affirmative and one no vote from Trustee Voro.

Mr. Miles passed the gavel back to Dr. Brockman who continued with the election.

For vice chair, Ms. Pamela May has been nominated by the Nominating Committee. Dr. Brockman asked for nominations from the floor. There were no further nominations from the floor and the nominations closed. Mr. Mobley seconded the motion and it passed with 18 affirmative votes and one no vote from Trustee Voro. Dr. Brockman congratulated Ms. May.

For secretary, Ms. Sheila Brothers has been nominated by the Nominating Committee. Dr. Brockman asked for nominations from the floor. There were no further nominations from the floor and the nominations closed. Mr. Stuckert seconded the motion and it passed with without dissent. Dr. Brockman congratulated Ms. Brothers.

The Nominating Committee nominated a representative from the Office of Legal Counsel for the office Assistant Secretary. Dr. Brockman asked for nominations from the floor. There were no further nominations and the nominations closed. Mr. Stuckert seconded the motion and it passed with 18 affirmative votes and one no vote from Trustee Voro.

#### I. Election of Executive Committee

Mr. Shoop said the Nominating Committee submits the following nominations for the Executive Committee:

Chair, Dr. Britt Brockman  
Member, Dr. Keith Gannon  
Member, Mr. Terry Mobley  
Member, Mr. Jim Stuckert  
Member, Ms. Barbara Young

Dr. Brockman pointed out that by virtue of Governing Regulation II.E.2.(a), the Chair of the Board is a member and the designated Chair of the Executive Committee.

Dr. Brockman stated that the Nominating Committee nominated Keith Gannon, Terry Mobley, Jim Stuckert and Barbara Young as members of the Executive Committee. He asked for any nominations from the floor. There were no further nominations and the nominations closed. Dr. Brockman moved approval of the election of the slate and it passed with 18 affirmative votes and one no vote from Trustee Voro.

Mr. Shoop thanked the members of his committee and stated that concluded the Nominating Committee report.

J. President's Report (PR1)

President Capilouto opened his remarks by remembering the events of September 11, 2001. He appreciated that, through the efforts of the ROTC cadets, the United States flags have been placed on the front lawn of the Main Building as a remembrance. He hoped that we can pause and through our collective grief and respect, ease what must be a very difficult day for the families of those who lost loved ones on 9/11.

President Capilouto stated that this year marks the 50<sup>th</sup> anniversary of the UK College of Dentistry. It also marks 50 years of service for Dr. John R. Mink, who retired in July.

As the inaugural chair of pediatric dentistry in 1962, Dr. Mink succeeded in developing an excellent team that continues to rank among the best in the nation in academic service and clinical service to the community. Dr. Mink was also instrumental in establishing the college's mobile dental program.

President Capilouto continued that Dr. Mink came to UK in 1962 from Indiana University and was essential in recruiting the core faculty for the pediatric dentistry department. He walked into his first classroom in the fall of 1962 and during his time at UK, has taught every single dental student that has graduated in the history of the college, more than 2500 students.

Dr. Mink's influence extended beyond the classroom. In the 1990s, he would drive a forty-foot van, fondly nicknamed by his colleagues "the Mink mobile." This dental clinic on wheels traveled to remote locations in eastern Kentucky, providing oral health care to disadvantaged children. The program has since been expanded to treat children in western Kentucky as well. Today, the Mobile Dental Van program provides dental screening, treatment and prevention services to about 11,000 Kentucky children a year.

Dr. Capilouto remarked that thousands of students, children and their families have been impacted in such a positive way by one man, whose commitment to them, to the University and the state will be felt for generations to come.

Dr. Capilouto thanked Dr. Mink and asked him to share a few words.

Dr. Mink thanked the Board of Trustees and President Capilouto for the honor of being recognized today. He stated that he and his family had thoroughly enjoyed his 50 years at the University. He and his wife had raised five children, three being University of Kentucky

graduates, but he felt it was time to retire. He looked forward to time with his family and with his new horse, which he has renamed “Retirement”.

Dr. Capilouto introduced Dr. Claudia Hopenhayn, an associate professor of Epidemiology at the UK College of Public Health. She is also the director of the Graduate Certificate program in Global Health and the new chair of the Shoulder to Shoulder Global Council.

UK’s Shoulder to Shoulder Global initiative will be recognized by the Association of Public and Land-Grant Universities (APLU) Kellogg Foundation for the exemplary work they do to improve the health and education to the underserved in Ecuadorian communities.

The Shoulder to Shoulder initiative offers educational training and service learning opportunities to UK faculty, staff and students as well as to community members. Dr. Capilouto thanked Dr. Hopenhayn and her colleagues for their hard work and invited her to the podium to share more about Shoulder to Shoulder Global’s initiative.

Dr. Hopenhayn expressed her delight, along with those of her colleagues present in the room, about the opportunity to share with the Board. She stated that Shoulder to Shoulder (Shoulder) began as a small medical mission ten years ago, created to improve the health and quality of life in Ecuadorian communities suffering the effects of severe poverty.

Shoulder had grown to become a prime example of interdisciplinary education and service-learning, with participation of students and faculty from about 10 UK colleges, and many community volunteers. Shoulder currently operates a small, permanent clinic in a poor area of Santo Domingo, Ecuador, with high rates of preventable health problems, lack of safe drinking water and sanitation, just to name a few issues.

Dr. Hopenhayn stated that, with over 100 participants and growing every year, Dr. Hopenhayn and colleagues travel to Ecuador yearly to provide health care, preventive and community services to about 2000 people. She stated that in this way they help both the community and provide unique learning opportunities for our students.

The clinic just celebrated its fifth year anniversary and has seen over 30,000 people in its history. The small, yet amazing Ecuadorian team also performs many year-round outreach activities, such as education for teen mothers, HIV/AIDS prevention, clean water projects, visits to homes with disabled residents, etc. The clinic also serves as an ideal training site for students and residents, for internships, medical rotations and research projects.

Dr. Hopenhayn continued that last year Shoulder added a semester-long course for students, which culminates with the Ecuador travel experience. All of the activities increasingly fulfill credit-bearing requirements of several academic programs, certificates and degrees and give a structured learning context to the hands-on work in Ecuador.

Shoulder now represents the cornerstone of UK’s Global Health Initiatives, crucial for recruiting top performing students to all of our health care colleges.

Dr. Hopenhayn concluded her presentation with a quote from one of the students who said:

“...the brigade was one of the most powerful experiences of my life... , I believe that (it)...helped to provide a strong, collaborative network not only between two nations, but also to promote understanding between groups of people that differ in education, socioeconomic status, cultural belief and social behavior... vital to the success of...well-being on a Global scale,”

Dr. Hopenhayn thanked the Board for their time and hoped the Board shared in her pride of how Shoulder to Shoulder Global fulfills and extends UK’s mission of education, research and service in a globalized community.

President Capilouto thanked Dr. Hopenhayn and all the people who make it possible.

President Capilouto directed the Board’s attention to the publication printed annually called the K Book. The K Book, written by students for students, is a guide to life at UK and is the "go-to" resource for incoming students.

Its 112 pages are filled with everything students would ever want to know about UK and highlights the wealth of opportunities we have for every student at UK. The K Book traces its history back to 1901, when it was a small pocket-sized booklet. It contained freshman rules, school traditions, athletic schedules and school songs. It continued until 1966, when the name was changed and it began to be published by various campus departments.

Students themselves produce this wonderful resource. They are provided with some staff assistance from UK's Student Affairs areas, our PR and Marketing Department, and sponsorship from the UK Federal Credit Union.

President Capilouto asked last year’s editor Morgan Rose, editor Lindsay Stellar and several other K Book editorial board members to stand and be recognized.

The Board gave them a round of applause.

President Capilouto next introduced five students. All five) are new to UK this fall, received some of UK’s most prestigious academic scholarships, and each scored a perfect score of 36 on their ACT. The students are as follows:

Samuel Jefferson Potter, of Pikeville, majoring in Pre-materials Engineering  
Todd William Montgomery, of Lexington, majoring in Pre-mechanical engineering  
Logan Michael Hurley, of East Bernstadt  
Grant Forrest Boggess, of Lexington, majoring in Engineering  
Jacob Michael Mattingly, of Louisville, majoring in Chemistry

President Capilouto pointed out that each student is from Kentucky. He remarked that there is great deal of discussion around this conference room table about UK’s challenges as an



institution. We read and hear a great deal about our challenges and, at times, our perceived shortcomings, as a state.

He continued that these young people demonstrate without question the potential of our state. There are no limits to what these students can do and what their futures can be. That means there does not have to be limits for Kentucky. These students that have entrusted us with opening doors of opportunity and discovery, demonstrate that powerfully. They make the Promise real.

The students received a round of applause.

President Capilouto stated that it is an exciting time at the University of Kentucky in terms of enrollment. He acknowledged and thanked Don Witt, Associate Provost for Enrollment Management and his team for the countless hours in recruiting students to UK. Mr. Witt and his team are at a preview night in Pikeville, but will join the Board at its December meeting.

He continued that the Enrollment management team members are in the midst of 21 preview nights across the state and region. Last night, they were in Somerset, this evening in Pikeville. Preview nights are where we bring the University of Kentucky to communities across the Commonwealth and to cities such as Chicago, Atlanta, St. Louis and Columbus. We have seen incredible interest each night.

President Capilouto presented the news that the University welcomed the largest, most diverse and best prepared fall incoming class in institution history. Included in this class were more than 70 National Merit/Achievement Scholars and 25 percent of the incoming class has a 4.00 high school GPA or higher.

He continued that we have a record number of Singletary Scholars and he thanked UK Athletics for their generous monetary contribution to make it possible. He remarked that increasingly, not only Kentucky's best and brightest, but additionally other students from our region, recognize that UK is providing a world-class education and a comprehensive college experience. This college experience is a credit to UK's talented faculty, dedicated staff, and the success of our current students and alumni.

President Capilouto continued that, nearly a year ago, the Board of Trustees provided a clear direction for our future, to ensure that the best possible undergraduate experience awaits Kentucky's sons and daughters. Part of that is growing the student population, increasing UK's commitment to diversity, and recruiting talented students from Kentucky and the region. This first-year class provides resounding proof that we are moving in the right direction on all these markers.

President Capilouto reported that applications are up more than 18,000, a 24% increase from last year. At more than 4,600 students, this is our largest incoming class. Our resident undergraduate enrollment increased to more than 3100 students. Non-resident enrollment is up, adding an important quality to our campus community.

President Capilouto continued that enrollment has increased across the board in terms of underrepresented groups. UK's African American student population went from 422 to 533 for a 26% increase. The Hispanic population grew from 113 to 166 students. UK's international students nearly doubled from 56 to 110 students. The largest international group is from China, a reflection of our efforts there.

Even as the first year class has grown by more than 500 students, the average ACT score has maintained the University's highest-ever mark of 25.5 and the number of students with ACT scores ranging from 26-36 is at record levels.

President Capilouto was pleased to report that the number of National Merit scholars went from 29 to 71 in just one year. In 2011, UK was ranked 57<sup>th</sup> of 359 institutions in terms of the National Merit scholars. Comparing the same list, with 71 scholars, UK would move up to 36<sup>th</sup> amongst publics and privates and 15<sup>th</sup> among all publics. For comparison, the five institutions just below us include Cornell, Dartmouth, Illinois at Urbana-Champaign, Maryland at College Park. The five just above UK are Indiana, Ohio State, Berkeley, Baylor, and Duke.

This year's class has a record number of Governor's Scholars and School for the Arts students, 427 up from 394 last year. We welcomed 309 new Honors students, up from 226 students last fall.

President Capilouto reviewed the schedule of Preview Nights. He thanked Chair Brockman and Trustee Brothers for attending the recent Preview Night in Lexington and encouraged all the Board to be a part of the visits in their hometown. The team crisscrosses the state from the northeast (Maysville, Ashland, Pikeville) to the western Kentucky (Owensboro, Hopkinsville, Paducah) to cities in between (Elizabethtown, Somerset, Bowling Green). Many of these areas have increased enrollment anywhere from 27-147 %. As an example, President Capilouto reported that this fall, UK has 74 students enrolled as freshmen from Atlanta, Georgia. This is up almost three times from last year.

President Capilouto reported that transfer enrollment remains important to UK and is important to higher education in Kentucky. It builds pathways for students in the statewide community and technical college system and four-year public and private universities. The incoming class includes 1,169 students who transferred from two year and four year institutions. An article in Inside Education yesterday contained a report by state that showed how many students in all degree completion programs in Kentucky, previously enrolled in two year colleges. In Kentucky, 43% of all students who graduate from a four year college came through two year colleges. He noted that this is a reminder of how important this geographic access is to our state.

President Capilouto remarked that in addition to our recruitment success, this is the fifth year in a row UK has exceeded 80% first-to-second year retention. He stated that there is still more work to do in this area. UK's professional school enrollments are up slightly as is the Graduate School. Doctoral and masters students are up 2.6%, slightly over 1% overall.

President Capilouto also reported that UK is the first choice for research in Kentucky. The University of Kentucky leads postsecondary education research in Kentucky, with more than 60% of all the federal research expenditures, more than 75% of the state and local expenditures per year, and nearly sixty five 65% of industry sponsored research.

Last week, the Chronicle of Higher Education listed and ranked those universities with the most licensing revenue in the United States. Only two universities in the state made the list of the Top 155 and UK's licensing income is 10 times greater than the other university listed. UK was ranked 71<sup>st</sup> out of 155 universities. We were just above UNC Chapel Hill and Ohio State.

President Capilouto continued that through the strengthened investment in our medical enterprise (and the numbers deserve to be repeated), UK HealthCare revenue has increased from \$300 million to \$1 billion. Admissions have increased from 19,000 to 35,000 and we are the first choice for patient care in Kentucky. President Capilouto commended Dr. Karpf and his team.

President Capilouto stated that UK's success is a testament to the work of its faculty and staff. From the unparalleled efforts of the Enrollment Management team, to the commitments made by this Board of Trustees to excellence in looking forward, it is a signal that we have set the right course and our priorities are in the best interest of moving Kentucky forward.

President Capilouto is convinced that students recognize that UK is committed to education, high-quality curriculum and a modern campus community. Patients in need of advanced medical care choose UK Healthcare. Research partners at all levels of government, as well as our industry partners, come to this University because of our world-class intellectual and human capital. On all levels, UK is growing in size, quality and most important, in value. We are strengthening our national and global brand and, by that, in everything we do, from Athletics to UK HealthCare to our academic programs, we are increasing student demand.

Though not content to rest on our laurels, President Capilouto continued that we are proceeding with an aggressive agenda that will redouble our success in many areas. We are continuing to make progress in our facility transformation. He mentioned that the Board of Trustees would have an opportunity to review a new partnership with Shriners Hospital. In October, the Board will review Phase II A of our housing revitalization program.

He stated that Interim Provost Tracy is leading the charge to implement our new Financial Model of Accountability, which will empower colleges and units to make long-term decisions in the best interest of their work. Additionally, Provost Tracy is building a framework to implement suggestions for faculty recruitment, development and reward.

President Capilouto reminded the Board that from the recommendations from the Huron reports, several administrative changes will improve operations and ensure transparency and accountability. In terms of reorganization of the President's office, we have removed direct reports and are restructuring the Office of Commercialization to work with our many partners. The Vice President of Research is now a direct report to the President and the Vice President of Student Affairs is a co-report to President. The Vice President for Institutional Diversity continues to be a direct report to the President.

Interim Provost Tracy recently announced the strategic realignment of the Provost's office to better support our colleges and priorities. Through reorganization, the elimination of four positions, and the transfer of two programs, we have reduced the number of direct reports by seven. As part of the reorganization, we created one position, the Senior Vice Provost for Student Success, because of the essential role student success plays in UK's activities. Dean Dan O'Hair will assume that role on an interim basis while maintaining his commitment to the deanship with the College of Communication and Information.

President Capilouto was very thankful for not only the leadership of the Board, but to all whose efforts and commitment have made these successes possible for advancing this Kentucky Promise. He looks forward to what is ahead for our new students and the good works that we are capable of providing at the University of Kentucky.

There was a round of applause.

K. Proposed Revision to Governing Regulations: University Faculty Appointments (PR 3)

President Capilouto said that PR 3 is a recommendation that the Board of Trustees receive and vote to accept for the first reading the attached revision of Governing Regulation (GR) VIII.B, relating to faculty appointments and the appointments based on salary that are submitted to the Board for final action. The Chair of the University Senate, the Interim Provost and the President support these proposed revisions. In accordance with Governing Regulation XIII, the University Senate will review this proposed revision before the second reading, which will be the final action by the Board of Trustees.

Dr. Brockman asked for a motion and Mr. Stuckert moved approval of PR 3. Dr. Gannon seconded the motion. Dr. Brockman asked if there was any discussion and recognized Dr. Voro.

Dr. Voro pointed out that the Chair of the University Senate was incorrect and it should read Chair of the Senate Council. Dr. Brockman thanked Dr. Voro and noted the correction will be made.

Dr. Brockman asked for any other discussion and there was none. He called for a vote and 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.)

L. Appointment of Dean of the College of Engineering (PR 4)

President Capilouto stated that PR 4 is the recommendation that Dr. John Y. Walz be appointed as Dean of the College of Engineering, effective September 1, 2012. Dr. Walz served as Chair and Head of the Department of Chemical Engineering at Virginia Tech. He earned his bachelor's degree in chemical engineering from Tulane University before spending six years as a process support engineer for Shell Oil. In 1988, he left Shell to pursue a Ph.D. in chemical engineering from Carnegie Mellon University. After receiving his Ph.D., he returned to Tulane as

an assistant professor. In 1997, he joined the faculty at Yale University, becoming their department chair in 2002.

Dr. Walz has received numerous honors and awards from the universities where he has taught as well as the Research Initiation Award in 1993 and a Faculty Early Career Development Award in 1997 from the National Science Foundation. He is the Past-Chair of the American Chemical Society Division of Colloid and Surface Chemistry. Dr. Walz has been the primary investigator or co-investigator on 26 grant awards, including over \$3.3 million in awards since 2002. And he is a great teacher, having directed 14 graduate theses and published over sixty articles and papers.

President Capilouto stated he was honored to present him to the Board for appointment.

Mr. Gatton moved approval for PR 4, with a second by Mr. Britton. There was no discussion and PR 4 passed without dissent. (See PR 4 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

The Board gave Dean Walz a round of applause.

M. Candidates from Degrees (AACR 1)

Dr. Gannon stated that the Academic Affair Committee did not meet this morning, but there are two straightforward pieces of business to bring to the Board.

AACR 1 is related to Candidates for Degrees at the close of the 2012 summer session. It has approved been approved by the University Senate. On behalf of the Academic Affairs Committee, Dr. Gannon asked for approval for AACR 1. Ms. Young seconded the motion, 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.)

N. Candidate for Degree (AACR 2)

Dr. Gannon stated that AACR 2 is related to an administrative error for applications at the end of the 2012 spring session. One candidate's name was left off the list. On behalf of the Academic Affairs Committee, Dr. Gannon asked for approval for AACR 2. Mr. Britton seconded the motion and it passes without dissent. (See AACR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

O. Athletics Committee Report

Dr. Akins reported that the Athletics Committee met this morning. The Committee reviewed two items, FCR 7 and FCR 8. FCR 7 pertains to a scope increase for the softball complex. It was presented to the Finance Committee this morning and approved by them.

FCR 8 pertains to the initiation of the renovation/expansion of the soccer facilities, with a scope not to exceed \$7 million. It was also presented to the Finance Committee and approved.

Athletic Director Mitch Barnhart introduced the Men's and Women's Soccer coaches, Coach Cedergren and Coach Lipsitz respectively. Dr. Akins reported that Coach Cedergren has just joined us from Dartmouth and Coach Lipsitz has been here for five years.

Dr. Akins reminded the Board of the September 18<sup>th</sup> Joe B. Hall statue dedication at the Wildcat Coal Lodge.

Dr. Akins reported of the moving presentation from eight female student athletes who had taken a trip to Ethiopia. Kayla King, with assistance from Brooke Keyes, Megan Moir, Kayla Hartley and Kastine Evans, gave a touching report on their service trip to Ethiopia. Funded by the student athlete operating budget, they were accompanied by Associate Athletics Director Jason Schlafer, Director of Marketing Nathan Schwake and Vickie Bell, a member of our Athletics Committee as a community representative.

Dr. Akins commented that this was the third trip to Ethiopia for some of our athletes and we are very appreciative for that kind of life lessons exposure beyond athletics.

P. Finance Committee Report

Mr. Stuckert reviewed consent items FCR 1, FCR 2, and FCR 3. All were approved earlier in the meeting.

Q. Easement Authorization for Kentucky Power Company Transmission Line (FCR 4)

Mr. Stuckert said that FCR 4 is an easement authorization for the Kentucky Power Company (KPC) Transmission Line. He shared that on his "bucket list" would be to travel to Terry Fork of Balls Fork at Troublesome Creek, Knott County, Kentucky, where the transmission line is located. He continued that KPC proposes to pay a total of \$55,000 to the University for conveyance of an easement for the purpose of constructing, operating and maintaining the KPC Line.

On behalf of the Finance Committee, Mr. Stuckert moved adoption 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.)

R. Construct Farmhouse Fraternity (FCR 5)

Mr. Stuckert stated that FCR 5 involves the construction of the Farmhouse Fraternity on Rose Lane at lots 454 and 456, a three-story, approximately 20,000 square foot housing structure, housing 52 fraternity members. The building will utilize a geothermal heating and cooling system. The project scope is \$3.6 million and will be funded by private funds.

On behalf of the Finance Committee, Mr. Stuckert moved adoption of FCR 5 and it passed without dissent. (See FCR 5 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

S. Renovate Dentistry Class Lab (FCR 6)

Mr. Stuckert stated that FCR 6 asks for approval of the renovation of the Dentistry Class Lab. It seeks additional approval for funds to increase the scope of the project, due to the need of an air handling system.

On behalf of the Finance Committee, Mr. Stuckert moved adoption of FCR 6. Dr. Brockman opened the floor for discussion and recognized Mr. Gatton, who asked about the \$25 million. Dr. Brockman recognized Bob Wiseman, who explained it that it is a place holder pool in the state budget of \$25 million so that UK can authorize an air handler replacement whenever we may need one. In this case, there is a need for an air handler replacement within that building. UK is asking for authorization to use that pooled authority.

Dr. Brockman called for the vote and it passed without dissent. (See FCR 6 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

T. Renovate/Update Softball Complex (FCR 7)

Mr. Stuckert stated that as Dr. Akins mentioned in his Athletic Committee report, FCR 7 asks for the approval of a scope increase for the Renovate/Upgrade Softball Complex project.

There are two components, the first component being the new softball stadium with all site infrastructures and the second component was the new batting pavilion practice facility and coaches' office. Utilizing the post bid addendum process as allowed by Kentucky's Model Procurement regulations, revised bids were received for each component on August 26, 2012 with each part received as an independent contract. Based on the revised bids, the stadium component was awarded utilizing the \$7,500,000 authority. The Board is being asked to increase the scope of the project by \$2,200,000 for the batting pavilion and coach's office components. This increase will be funded with private donations.

On behalf of the Finance Committee, Mr. 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.)

U. Renovated/Expand Soccer Facilities (FCR 8)

Mr. Stuckert stated that FCR 8 was vetted fully through both the Athletics Committee and the Finance Committee this morning. It involves the expansion of the soccer facilities. The estimated project scope is not expected to exceed \$7 million and will be funded once again with UK Athletics' private funds.

On behalf of the Finance Committee, Mr. 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.)

V. Development Plan with Shriners Hospitals for Children (FCR 9)

Mr. Stuckert stated that FCR 9 is the development plan continuation with the Shriners Hospitals for Children. Currently the Shriners Hospital is located on Richmond Road. The historical utilization was for 50 overnight patients. Their in-patient demand has decreased over the years and their out-patient services have increased dramatically. As most of the practitioners at Shriners Hospital are faculty at UK, it is a good economic discussion to have.

The Board is being asked to approve the authorization for the President or his designee, to negotiate and prepare a final development plan with Shriners Hospitals for Children to relocate Shriners Hospitals for Children, Lexington to the University of Kentucky campus.

On behalf of the Finance Committee, Mr. 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.)

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

Mr. Stuckert stated that FCR 10 is lease/purchase of medical equipment. The Finance Committee is asking the Trustees to approve a \$10 million UK HealthCare Enterprise Medical Equipment Lease/Purchase Pool for FY 2012-13. The University's Debt Committee has reviewed the proposal and determined that acquisition of these items by lease/purchase up to \$10 million is consistent with the University's Debt Policy. The lease/purchase pool will be funded by UK HealthCare's revenues. In the interim, it will be funded by involving debt in the form of capitalized lease obligations, which will be submitted to the Board for approval.

On behalf of the Finance Committee, Mr. 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.)

X. Capital Construction Report (FCR 11)

Mr. Stuckert stated that FCR 11 is an update on our Capital Construction Report for the period April 1 through June 30 of this year. He reported that there five new contracts, five completions this quarter, two amendments, and six change orders. He thanked Vice President for Facilities Management Bob Wiseman for his great job in delineating this information.

On behalf of the Finance Committee, Mr. Stuckert moved adoption of FCR 11 and it passed without dissent. (See FCR 11 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees) under agenda.)



Y. Patent Assignment Report (FCR 12)

Mr. Stuckert stated that FCR 12 is a Patent Assignment Report. The report was given to the Committee this morning by Vice President for Research Jim Tracy. Three new patents were filed in the 2<sup>nd</sup> quarter. Fiscal year to date as of June 30, 2012, UK has filed 13 patent applications, issued 24, and has a patent gross revenue is \$1,652,000.

On behalf of the Finance Committee, Mr Stuckert moved adoption of FCR 12. Dr. Brockman opened the floor for discussion.

Mr. Shoop commented that he was glad to see the patent income growing. He remembered not too long ago when it was a few hundred thousand dollars. He is glad to see the University putting emphasis on it and trying to grow this income stream. He was very encouraged by the performance and wanted to commend the manager of the program for a job well done.

Mr. Stuckert agreed and referenced the statistic mentioned earlier by President Capilouto, that UK is 71<sup>st</sup> out of 155 licensing universities.

Dr. Brockman asked for the vote 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.)

Z. Investment Committee Report

Mr. Gatton stated that the Investment Committee met this morning to review performance results and conduct other business. The Endowment had a net market value of \$368.3 million as of June 30, 2012. For the fiscal year ended June 30, 2012, the endowment pool lost -0.85%, that is less than 1%, underperforming the policy benchmark return by 74 basis points. The poor absolute return of the Endowment pool was mainly due to the University's 20% allocation to non-U.S. equities, as the asset class performed poorly during the fiscal year due to the European debt crisis. The 20% target allocation to non-U.S. equities is expected to benefit the Endowment over the long-term. Mr. Gatton commented that this was discussed thoroughly this morning.

The fiscal year underperformance of the endowment pool against the policy benchmark was partially due to an under weight to the real estate asset class, as real estate was the strongest performing asset. At June 30<sup>th</sup>, the University's actual allocation to real estate was 6.6% versus the target allocation of 8%. We are building the value-added and opportunistic real estate allocations over several years to ensure appropriate vintage year diversification. The fiscal year underperformance against the policy benchmark was also due to underperformance by both real return managers and one of the fixed income managers. The Investment Committee does not have concerns with these managers and has great confidence in these (PIMCO and Wellington) experts, and expects them to perform their respective market benchmarks over full market cycles, or three to five years.

As of July 31<sup>st</sup>, the endowment pool had fully recovered the fiscal year loss, returning 1.22% during July. The endowment pool outperformed the policy benchmark by 10 basis points for the month.

Investment consultant R.V. Kuhns & Associates led a spending policy discussion, which included a review of the different types of policies used by endowment funds, and the pros and cons of each. The three main types of spending policies used are the percentage of weighted average method, (which spreads it out over 12-20 quarters, so that cuts out the volatility somewhat), the inflation-linked method and the hybrid method, which is a blend of the first two methods. Currently, the University follows the percentage of weighted average method, allocating 4.25% each year of the average market value of the endowment over the preceding 60 months. The investment staff and consultant are performing a review of both the spending policy and asset allocation and expect to recommend a revised Endowment Policy to the Investment Committee in December.

#### AA. University Health Care Committee

Ms. Young stated that the Health Care Committee met yesterday afternoon. The July financials were presented by Teresa Centers, director of fiscal planning, budgeting and analysis. The UK Health Care Hospital System's financials remain strong with assets of \$1.24 billion up from \$1.18 billion of July 31, 2011. Cash and cash equivalents are at \$13.1 million and our endowment is \$210.4 million. The net revenue cycle continues to perform at a high level and the Net Patient AR days are at 40. Patient revenue net of bad debt is \$2.8 million higher than FY 2012 and the AR balance is \$119.3 million. Comparing balance sheets for July FY 2013 and FY 2012, cash has increased \$13.1 million. UKHC is utilizing working capital from UK to fund the variability in cash flow and preserve Board designated investments. The internal loan for the operating rooms from UK is currently at \$31.1 million with a current portion of \$3.8 million to be paid in FY 2013.

Discharges are 223 higher than last year or 96.7 per day and overall operation performance remains strong. Operating revenue YTD is \$3.0 million higher than last year. Variable expenses remain in line with higher surgical volumes and fixed expenses and depreciation are at similar levels to last year adjusting for Pavilion A. Personnel expenses are lower than last year by \$940,100 and reflect the investment in personnel related to the opening of Pavilion A and the growth in volume both in the inpatient and outpatient setting. The operating margin is \$849,200 above last year and \$6.8 million above budget. Operating revenue for the month and YTD totaled \$75.3 million which is \$4.1 million above budget. UKHC hospital system posted an operating income of \$2.9 million this month, and a margin of 3.8%.

Preliminary August statistics indicate that UKHC continues to operate at a very high level with record discharges, and CMI and daily census balanced against a declining length of stay and good payer mix. This data indicates that August will be a very strong month and early September statistics point to continued high activity.

Dr. Bernard Boulanger presented the Quality, Safety and Efficiency report. Dr. Boulanger reported that the UK HealthCare system is meeting its goals in the areas of mortality,

effectiveness of care (i.e. core measures and readmissions) and patient centeredness (or satisfaction). However, he noted that, in the areas of safety (or complications that arise during a hospital stay) and efficiency, the hospital system is falling somewhat short of its goals. As a result additional attention will be focused on these areas. Overall, UK HealthCare has made great strides in all areas and is operating at very high level of service, quality, and safety.

Dr. Colleen Swartz presented an update on UKHC patient satisfaction. She reported that starting in July UKHC transitioned to 100% HCAHPS and CG-CAHPS surveys, or, in other words, a national assessment of inpatient and outpatient consumer satisfaction. Dr. Swartz indicated that scores continue to show progress across the Enterprise and that standard work reaps the biggest results. For example, hourly rounding has markedly improved patient satisfaction. She also presented an update on UKHC employee turnover.

In an operations update, Ann Smith reported on UKHC's continued focus on reducing worker injuries and monitoring expenses as they relate to labor and supplies.

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

BB. University Relations Report

Ms. Curris reported that due to time constraints Dr. Karpf, Vice President for University Health Care, graciously agreed to reschedule his presentation for the Board of Trustees December meeting. She asked that the record reflect that the University of Kentucky Albert B. Chandler Hospital has been ranked #1 in Kentucky in the U.S. News and World Report Best Hospitals of 2013, which was released this July 17<sup>th</sup>.

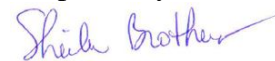
CC. Other Business

Dr. Brockman noted that the 2013 schedule for meetings of the Board of Trustees was printed in the back of the agenda book.

DD. Meeting Adjourned

Hearing no further business, Dr. Brockman asked for a motion to adjourn. Ms. Brothers made the motion, with a second from Ms. Curris, and the meeting ended at 2:30 p.m.

Respectfully submitted,



Sheila Brothers  
Secretary

(ECR 1 and 2, PR 2, 3, and 4, AACR 1 and 2, FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12 are official parts of the Minutes of the meeting.)