

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Tuesday, April 1, 2014

The Board of Trustees of the University of Kentucky met on Tuesday, April 1, 2014 in the Board Room on the 18th floor of Patterson Office Tower, Lexington, Kentucky.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:06 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., James H. Booth, E. Britt Brockman, Sheila Brothers, Mark P. Bryant, Jo Hern Curris, Angela L. Edwards, Oliver Keith Gannon, Carol Martin (Bill) Gatton, Kelly Sullivan Holland, Terry Mobley, Roshan Palli, C. Frank Shoop, James W. Stuckert, Irina Voro, John Wilson and Barbara Young. Trustees William C. Britton, William S. Farish, Jr. and David Hawpe were not in attendance. Secretary Brothers announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Christine Riordan, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Finance and Administration Eric Monday and General Counsel William Thro.

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

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

C. Consent Items

Chair Brockman called attention to the seven consent items on the agenda. The items were the minutes for the Board of Trustees meeting on January 31, 2014; PR 2, Personnel Actions; FCR 1, Blue Grass Community Foundation Grant; FCR 2, Establishment of the Walter and Nellie Evans Journalism and Telecommunications General Excellence Scholarship Quasi-Endowment Fund; FCR 3, The Estate of Martha M. Keffer Gift; FCR 4, the Joan D. Kincaid and Central Bank and Trust Company Pledge; and FCR 5, the Estate of Genevieve Warren Gift. Trustee Stuckert moved approval of the consent items and Trustee Akins seconded the motion. Chair Brockman called for the vote and it passed without dissent. (See consent items listed below on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Minutes, Board of Trustees Meeting, January 31, 2014
PR 2 Personnel Actions

- FCR 1 Blue Grass Community Foundation Grant
- FCR 2 Establishment of the Walter and Nellie Evans Journalism and Telecommunications General Excellence Scholarship Quasi-Endowment Fund
- FCR 3 The Estate of Martha M. Keffer Gift
- FCR 4 Joan D. Kincaid and Central Bank and Trust Company Pledge
- FCR 5 The Estate of Genevieve Warren Gift

D. Chairman's Report

Chair Brockman's report was interrupted by a chanting demonstration from the United Students Against Sweatshops (USAS) protesting the outsourcing of UK's Dining Services. At the conclusion of their demonstration, Chair Brockman acknowledged there was one phone request to appear before the Board of Trustees, the United Students Against Sweatshops. Chair Brockman respectfully requested that individuals or groups who would like to address the Board of Trustees, use the process set forth in Governing Regulation II, and submit a Petition to Address the Board of Trustees. He explained that the appropriate time to address the Board with questions or concerns is when a recommendation is presented to the Board for discussion or action.

E. Executive Committee Report

Chair Brockman reported that the Executive Committee met to discuss the 2013-14 Presidential Evaluation process. The Committee discussed a proposed timeline and a preliminary list of survey questions. Because the University is engaged in developing its next Strategic Plan (which will provide some of the measures used to assess the President's performance in future years) and because the Board anticipates an expanded performance review in the President's fourth year (2014-15), the Committee recommended foregoing the one-on-one interviews with a facilitator. Constituency groups would be asked only to fill out a written questionnaire.

Also discussed and recommended was the addition of a ninth constituency group, those Board of Trustee members whose term expires at the end of the year being reviewed. This will encourage participation and inclusion of comments from departing Trustee members.

As in past years, the President will prepare and submit an annual self-evaluation. The Executive Committee will review the collected information, share the results with the full Board of Trustees and make a recommendation to the Board.

F. Process for the 2013-14 Presidential Evaluation (ECR 1)

Chair Brockman stated that ECR 1 was the recommendation to approve the revised process, an updated timeline and preliminary list of survey questions. Upon approval of the Board, the preliminary questions will be circulated to the University Senate Council, Staff Senate and the Student Government Associate for review and feedback.

Chair Brockman called the question and ECR 1 passed without dissent. (See ECR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

G. President's Report

President Capilouto began by complimenting the men's and women's basketball teams for their successes on and off the court. Only six NCAA Division I schools had teams compete in both the men's and women's NCAA Sweet Sixteen Tournament. Additionally, if the teams were seeded based on their graduation success rate, the women's team would have shared a number one seed and the men's team would be seeded fifth. President Capilouto thanked Athletics Director Mitch Barnhart for his attention and dedication to the successful academic side of the Intercollegiate Athletics.

President Capilouto wanted to call the Board's attention to two groups of dedicated employees that usually go unnoticed until they are thrust into the campus and community spotlight.

The first group was the Facilities and Physical Plant staff. To ensure the safety of University students, faculty and staff, these individuals worked tirelessly through the ice and snow to clear the paths and roads, parking lots, maintain heating systems, checked and repaired pipes. President Capilouto thanked Vice President for Facilities Management Bob Wiseman, Director of Campus Physical Plant Keven Kriede, Grounds Assistant Superintendent Jerry Hart and Grounds supervisors Bedia Collins, Kenny Drury, Roger Hart, Donnie Jackson, along with the hundreds of Physical Plant Division employees, both on UK's main campus and at extension offices and properties throughout the state.

The Board of Trustees gave the group a standing ovation.

The next group President Capilouto recognized was the employees involved with the payroll challenge on Friday, February 28, 2014. Through a banking glitch outside of UK's control, thousands of UK staff did not receive their bi-weekly paycheck. The Offices of the Executive Vice President for Finance and Administration, Office of the Treasurer, Human Resources, UK HealthCare and Public Relations responded with purpose to effectively communicate the scope of the situation and do their best to lessen the impact on the UK family. Individuals from these offices came together and worked nearly around the clock for the next 36 – 72 hours to keep in constant communication with campus and to keep the process transparent and people informed. They worked with more than 900 banks to process payroll, sent campus-wide messages, setup offices and help desks, honor overdraft fees, and distribute prepaid cards for employees' bills and expenses.

President Capilouto acknowledged Interim Treasurer Susan Krauss, Human Resources Director Kim Wilson, HealthCare Chief Financial Officer Murray Clark, Police Chief Joe Monroe, the staff from Public Relations and Executive Vice President for Finance and Administration Eric Monday for their outstanding leadership during this time.

The Board of Trustees gave the group a standing ovation.

President Capilouto shared that though rivals in athletics, he partnered with University of Louisville President Jim Ramsey to present a united case for higher education funding to the 2014 legislative session. Both presidents spoke with local newspapers, rotary clubs, at the Kentucky Chamber of Commerce Summit and presented together at the House Budget Review Subcommittee on Higher Education.

President Capilouto was also pleased to note, subject to the approval of the Board of Trustees, the joint executive MBA program. It represented yet another way that the two institutions continue to partner to “uplift the state.”

President Capilouto next invited Student Government Association President and Student Trustee Roshan Palli to announce and introduce the 2014-15 SGA President-Elect.

President Palli stated it had been an honor to serve and work with the members of the Board of Trustees and President Capilouto. He had enjoyed representing the student body and was confident that current Student Government Vice President Jake Ingram (SGA President-Elect 2014-15) would be a strong advocate and voice for UK’s student body.

President-Elect Ingram thanked President Palli, President Capilouto and the Board of Trustees for the invitation. He looked forward to his continued service on behalf of the student body and working with both the Trustees and President Capilouto to see that the voice of the students continued to be heard.

President Capilouto next introduced Dr. Craig Van Horne, Associate Professor of Neurosurgery to share with the Board some of his research work on Parkinson’s disease and neurological disorders.

Dr. Van Horne explained that his research currently looks at two ways to restore brain function or reverse the degenerative process of Parkinson’s disease. The first clinical trial involves the transplant of peripheral nerve tissue to the damaged area in the central nervous system. If peripheral nervous tissue is injured or damaged, it regenerates itself by the secretion of cell growth factors that begin the regenerative process. The theory is that by transplanting the patient’s own regenerative tissue to the damaged area of the brain, new connections will be made and tissue could regenerate.

The second clinical trial involves deep brain stimulation (DBS) or the implantation of electrodes in the specific parts of the brain. Though the mechanism is not clearly understood, the electrodes send electrical impulses which help to manage some of Parkinson’s patient’s motor difficulties. Until recently, patients remained awake during the procedure. As part of the trials, patients can now have both DBS and the implant of peripheral nerve tissue while under general anesthesia.

Through these and other translational research programs, Dr. Van Horne, his team and other members of the Center for Clinical and Translational Science program hope to continue to pursue clinical investigation and translational research that fosters collaborative team science and enhances and develops outreach pathways that confront chronic health issues.

H. Honorary Degrees (PR 3)

President Capilouto stated that PR 3 was the recommendation that the Board of Trustees approve awarding the degree of Honorary Doctor of Humanities to Paul W. Chellgren and Harrison Benjamin Wilson, Jr. as approved and recommended by the University faculty.

Trustee Curris moved approval of PR 3. Trustee Stuckert seconded the motion and it passed without dissent. (See PR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

I. Reappointment to Board of Directors of the Fund for Advancement of Education and Research in the University of Kentucky Medical Center (PR 4)

President Capilouto stated that PR 4 was the recommendation that the Board of Trustees approve the reappointment of Henry L. Jackson to the Board of Directors of The Fund for Advancement of Education and Research in the University of Kentucky Medical Center for a two-year term ending June 30, 2016.

Trustee Akins moved approval of PR 4. Secretary Brothers seconded the motion and it passed without dissent. (See PR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

J. Establishment of Honorary Degree – *In Memoriam Posthumous Degree* (ASACR 1)

Trustee Gannon, chair of the Academic and Student Affairs Committee, stated that ASACR 1 was the recommendation that the Board of Trustees approve a new category and title of an honorary degree, the *In Memoriam Posthumous Degree*, and the conditions for conferral of this honorary degree.

An *In Memoriam Posthumous Degree* allows for recognition of a student's connection to the University of Kentucky regardless of their progress toward completion of degree requirements. Undergraduate, graduate and professional students who were registered in a degree program at the time of their death, but did not complete degree requirements, are eligible. [A student who has completed all requirements will receive the customary degree.]

The proposal has been approved by the elected faculty of the University Senate. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon asked for approval of ASACR 1 and it passed without dissent. (See ASACR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

K. Creation of the Department of Urology (ASACR 2)

Trustee Gannon stated that ASACR 2 was the recommendation that the Board of Trustees approve the creation of the Department of Urology in the College of Medicine, effective July 1,

2014.

Over the last twenty years, most academic centers have moved away from the model of a singular Department of Surgery housing most of the various surgical disciplines. Over time subspecialty practices have grown away from general surgery to become independent departments.

The proposal has been reviewed and recommended by the Senate Academic Organization and Structure Committee and the Senate Council, and endorsed by the University Senate. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon moved approval of ASACR 2 and it passed without dissent. (See ASACR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

L. Creation of the Department of Writing, Rhetoric, and Digital Studies (ASACR 3)

Trustee Gannon stated that ASACR 3 was the recommendation that the Board of Trustees approve the creation of the Department of Writing, Rhetoric, and Digital Studies in the College of Arts and Sciences, effective July 1, 2014.

Upon the recommendation of an external review initiated by the College of Arts and Sciences in 2008 and an internal study commissioned by the Provost and Interim Dean in 2009, the need for stronger writing instruction and a department that could meet the needs of writers across the University was identified. As a result, the Division of Writing, Rhetoric, and Digital Media was founded in Spring 2010; the recently organized faculty in the Division voted to seek departmental status.

The proposal has been reviewed and recommended by the Senate Academic Organization and Structure Committee and the Senate Council; and endorsed by the University Senate. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon moved approval of ASACR 3 and it passed without dissent. (See ASACR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

M. Academic Degree Recommendation: College of Arts and Sciences (Bachelor of Arts/Bachelor of Science in Writing, Rhetoric, and Digital Studies) (ASACR 4)

Trustee Gannon stated that ASACR 4 was the recommendation that the Board of Trustees approve the establishment of a Bachelor of Arts/Bachelor of Science with a major in Writing, Rhetoric, and Digital Studies degree in the Department of Writing, Rhetoric, and Digital Studies, in the College of Arts and Sciences, effective in the Fall 2014 Semester.

A major in Writing, Rhetoric, and Digital Studies will equip students with knowledge of history and theories of rhetoric; critical tools for engagement with popular and professional texts

and digital objects; the ability to create compelling arguments across a variety of media; and methods for participating in public and academic discussions at local, national and global levels.

This program has the approval of the appropriate councils and the University Senate and has completed the 45-day review process of the Council on Postsecondary Education. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon moved approval of ASACR 4 and it passed without dissent. (See ASACR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

N. Academic Degree Recommendation: College of Arts and Sciences (Master of Fine Arts in Creative Writing) (ASACR 5)

Trustee Gannon stated that ASACR 5 was the recommendation that the Board of Trustees approve the establishment of a Master of Fine Arts (MFA) in Creative Writing degree in the Department of English, within the College of Arts and Sciences, effective the fall 2014 semester.

The MFA in Creative Writing will afford interested individuals from across the nation the opportunity to pursue advanced study in the various areas of creative writing (from poetry to fiction) in which University of Kentucky faculty have established national reputations.

This program has the approval of the appropriate councils and the University Senate and has completed the 45-day review process of the Council on Postsecondary Education. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon moved approval of ASACR 5 and it passed without dissent. (See ASACR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

O. Joint Conferral of Master of Business Administration Degree (ASACR 6)

Trustee Gannon stated that ASACR 6 was the recommendation that the Board of Trustees approve the joint conferral of the Master of Business Administration (Executive Concentration) degree with the University of Louisville.

The Master of Business Administration (MBA) concentration for executives targets students with 10 or more years of work experience and who are employed at the director's level or higher. The concentration was proposed because it fills a need for executive education in the Commonwealth of Kentucky.

The proposal for the joint conferral of a single degree has been approved by the Gatton MBA Committee and the faculty of the Gatton College of Business and Economics and reviewed and recommended by the appropriate councils and the University Senate. The Kentucky Council on Postsecondary Education has reviewed the proposed program and agrees that the two

institutions can jointly confer a single degree upon approval of both institutions governing boards. The Provost of the University supports the proposal.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon moved approval of ASACR 6 and it passed without dissent. (See ASACR 6 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

P. Academic and Student Affairs Committee Report

Trustee Gannon reported that Provost Riordan provided the committee a more focused update on the phases of the Strategic Planning process. She detailed the steps that produced the report *Understanding Tomorrow: A Research Report on Trends in Higher Education and Their Impact on UK*. The document identified nine broad trend areas that are likely to “provide daunting challenges and compelling opportunities in the coming years.” The trends addressed in the report were finances and sustainability of funding sources, the changing purpose of higher education, greater accountability, increased use of technology, increased internationalization, changing undergraduate population demographics, challenges to undergraduate professional education, changes in research funding in the era of declining funding and the changing professorate. In each trend area of the report, sub-trends were identified, key points of consideration were identified, supporting data was presented and discussed, and implications for the University within each area were presented.

Trustee Gannon stated that the Committee and Trustee members asked questions and offered suggestions for the planning document. Ideas offered by the Trustees included: a primary goal should be the recruitment of signature faculty, especially in the liberal arts core; clear objectives related to the health, well-being, job quality and diversity of staff employees; as diversity relates to faculty, what do the specific percentage numbers represent; concern regarding the rank of African American faculty and the numeric definition of inclusivity on campus; attention to infrastructure and research; and attention to student career and academic advising, service learning, and experiential opportunities. Several trustees were concerned about the rising out-of-state competition for UK students and the implication that the data reflects historical borders are changing. Lastly, trustees wondered how will the University revisit and monitor the Strategic Plan and adjust UK’s goals.

Q. University Athletics Committee

Trustee C.B. Akins, Sr., chair of the University Athletics Committee, reported that the Committee had met that morning.

Executive Associate Athletics Director Marc Hill gave a Department of Intercollegiate Athletics report. Highlights since January 31, 2014 includes that the men's basketball team advanced to the Final Four of the NCAA Tournament. UK made its 16th Final Four appearance, and is the all-time leader in NCAA Tournament appearances and victories. Women's basketball finished the season with a record 26-9 and hosted the first and second rounds of the NCAA tournament for the first time in school history. Gymnastics earned its school record tenth straight NCAA championship birth. They will compete in the NCAA regionals on Saturday, April 5, in

State College, Pennsylvania. Rifle completed another successful season, finishing third at NCAA championships. The men's and women's track teams had strong indoor seasons. The outdoor track and field teams have gotten off to a good start, and UK will host the SEC track championships in May. The men's and women's swimming and diving teams each competed at NCAA championships this month under first-year head coach Lars Jorgensen. In spring sports, men's tennis is ranked No. 13 in the nation. Women's tennis is ranked No. 34 nationally. Baseball is now 19-9 and is in second place in the SEC Eastern Division. Softball is 28-7 overall, UK's best record at this point in the season, and is ranked No. 10 in the nation. Men's and women's golf teams are playing strong this season as well. Football opened spring practice and will play its annual Blue/White spring game on April 26th. Though renovations to Commonwealth Stadium are underway, the game will be played at the stadium.

Trustee Akins continued that off the field, Senior Kastine Evans was one of the only five Division I basketball players named to the prestigious Allstate Insurance/Women's Basketball Coaches Association (WBCA) National Good Works Team. This preeminent community service honor recognizes college basketball players who have made a commitment to improving their communities and the lives of others. Men's basketball senior John Hood was named to the SEC Community Service Team. Women's soccer's Arin Gilliland was selected to play on the U.S. Women's National Under-23 Team in the Six Nations Tournament in Spain. Volleyball will embark on a 14-day trip to China from May 20 to June 4, an educational, cultural, and competitive experience.

In business items, Trustee Akins concluded that committee considered the financial statements of the Department of Intercollegiate Athletics. Melissa Gleason, Senior Associate Athletics Director of Finance reviewed the interim financial statements of the department for the six months ending December 31, 2013. The statements included the balance sheet, the statement on revenue and expenses, and the change in net assets. The committee accepted the financial statements as presented.

R. Finance Committee Report

Trustee James Stuckert, chair of the Finance Committee, reviewed the consent items: FCR 1, Blue Grass Community Foundation Grant; FCR 2, Establishment of the Walter and Nellie Evans Journalism and Telecommunications General Excellence Scholarship Quasi-Endowment Fund; FCR 3, The Estate of Martha M. Keffer Gift; FCR 4, the Joan D. Kincaid and Central Bank and Trust Company Pledge; and FCR 5, the Estate of Genevieve Warren Gift. (See FCR 1, FCR 2, FCR 3, FCR4, FCR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

President Capilouto commented on the generosity of the many individuals that continue to invest in the University's future. He was appreciative of the many individuals involved, most notably Mike Richey, Vice President for Development.

S. Acceptance of Interim Financial Report for the Six Months Ended December 31, 2013 (FCR 6)

Trustee Stuckert stated that FCR 6 was the recommendation that the Board of Trustees accept the University of Kentucky consolidated financial report for the six months ended December 31, 2013.

Susan Krauss, Interim Treasurer, presented the consolidated financial report. As of December 31, 2013, the University had recognized \$1,305,117,747 of current funds revenue representing 48 percent of the 2013-14 approved budget of \$2,728,069,400. Expenses and transfers total \$1,265,869,615 or 46 percent of the approved budget.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 6. Trustee Voro asked if the medical center had repaid its loan. President Capilouto and Trustee Stuckert both affirmed that UK HealthCare had repaid the cash advance and this status had been reported at a prior Board of Trustees meeting [May 2013]. Chair Brockman called for the vote and it passed with 16 affirmative votes and one abstention from Trustee Voro. (See FCR 6 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

T. Approval of Amended Agreement (FCR 7)

Trustee Stuckert stated that FCR 7 was the recommendation that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute an amended agreement between the University of Kentucky and the Lexington-Fayette Urban County Government regarding the partnership in developing and operating the University of Kentucky-Lexington-Fayette Urban County Government Arboretum.

The Arboretum was created in 1986 as a joint effort between the University of Kentucky and the Lexington-Fayette Urban County Government (LFUCG). Designated as the official state botanical garden in 2000, the University and LFUCG are in discussions regarding the long-term future of the Arboretum. Among the issues under discussion are:

- Establishment of Arboretum boundaries that realistically reflect the growth and progress that has been made over the last two decades;
- Extension of the duration of the agreement to assure the Arboretum's future for many decades to come; and
- Clarification of the organizational and operational responsibilities of the University and LFUCG for the future.

The University's goal is to reach an amended agreement which fully supports a sustainable future of the Arboretum as it is a critical asset both for the community and for the University's educational mission.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 7 and it passed without dissent. (See FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

U. Capital Construction Report (FCR 8)

Trustee Stuckert stated that FCR 8 was the recommendation that the Board of Trustees accept the capital construction report for the three months ended December 31, 2013.

Vice President for Facilities Management Bob Wiseman reviewed the report at the Finance Committee. Trustee Voro inquired about project 2382, the Fine Arts Building. She asked about the possibility of windows being installed and the storage of instruments during construction. Mr. Wiseman explained that this project upgrades the interior air handling systems and temperature controls for the building. There have been complaints in past years about humidity in the building and damage to instruments. As for storage of instruments during the process, though he was not in attendance at the meetings with construction managers, Mr. Wiseman promised to follow up with College of Fine Arts Dean Michael Tick.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 8 and it passed without dissent. (See FCR 8 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

V. Investment Committee Report

Trustee Bill Gatton, chair of the Investment Committee, reported that the Committee had met on March 31, 2014 to review performance results and conduct other business. He reported the endowment pool had a market value of \$1,160,000,000 as of February 28, 2014. For the eight months ended February 28, 2014, the Endowment pool returned 11 percent due to strong equity market and returns during the period. The endowment pool outperformed the policy benchmark during the eight—month period by 104 basis points due to strong relative performance by the US and non-US equity asset classes, and the absolute return and real estate asset classes.

W. University Health Care Committee Report

Trustee Barbara Young, chair of the University Health Care Committee, reported that Dr. Mark Evers, Director of Markey Cancer Center Biospecimen Care, reported on the Markey Cancer Center (Markey). As Kentucky's only NCI-designated cancer center, Markey has provided care to Kentuckians and patients from other states lifesaving cancer genomic programs that provide cutting-edge personalized diagnostics and mutation-specific drug treatments. Dr. Craig Horbinski, director of Molecular Anatomical Pathology and director of the Markey Cancer Center Biospecimen Core, reported on molecular diagnostics at Markey. He reviewed two patient cases as examples of improved patient care resulting from the use of advanced molecular diagnostics at UK. He reviewed existing and potential Markey affiliates across the state and reported on the next generation of sequencing that could potentially make the diagnosis and treatment of cancer at Markey even more efficient and timely.

Dr. Bernard Boulanger, chief medical officer presented an update on quality at UK HealthCare, stressing UK's goal to be a national leader in quality of care. This initiative is being

driven by the patient; the alignment of effort; culture and goals; the empowerment of the clinical care providers; transparency; culture; and the emergence of value-based health care. To honor the efforts and success of UK HealthCare's quality improvement, UK recently received the 2014 Gage Award given by the National Association of Public Hospitals and Health Systems in recognition of UK's continued improvement in quality of care and reduction or elimination of harmful events to individual patients or groups of patients through its "SWARM" process. [When an incident associated with real or potential risk takes place within the UK HealthCare enterprise, leaders and involved team members get together to examine the problem in a blame-free environment. These gatherings are called SWARMS]. Currently UK is ranked eighth nationally among leading university hospitals in the area of mortality. UK is now ranked 18th among the nation's leading university hospitals in the area of patient safety and in the top 25 in the area of efficiency or length of stay and patient readmissions within 30 days of discharge.

Trustee Young continued that Dr. Colleen Swartz presented an update of the patient experience. By concentrating on improving the patient experience through active attentiveness and employee engagement, she reported that UK has made a vast improvement and now is close to University HealthSystem Consortium's (UHC) 80th percentile. This score includes overall patient ranking of the hospital and ranking in communication with nurses, doctors and ambulatory care.

Murray Clark presented the February financial and statistical review. He reported that the level of activity for inpatients is well below budget and slightly below the prior year. However, activity in the system is higher than prior years due to an increase in case mix (complex patient care) and the resulting increase in length of stay. This level of activity has created capacity constraints which have kept total admissions down. The outpatient activity is strong and on budget. FTEs are up but in line with activity and acuity. In preparation for the new beds opening by year's end, some increase is expected. As with January 2014, the payor mix has shifted with more patients now on Medicaid. This shift has had a significant and positive effect on bad debt. In all likelihood, this shift reflects the new availability of health care insurance for Kentuckians through the Affordable Care Act. The income statement shows that net revenues for January and February have significantly exceeded expectation driven by the case mix index and the Medicaid expansion program mentioned above. Net revenues outpaced expenses for the month contributing to a significantly higher margin than budgeted. The month's results brought the year-to-date operating margin to \$62,000,000, which is \$14,500,000 above budget. Income from operations coupled with non-operating revenues has exceeded budget for the year. These revenues include a strong investment income of over \$26,000,000 for the year-to-date.

Mr. Clark continued that on the balance sheet, cash and cash equivalents for the month total \$58,600,000. The total consists of \$48,200,000 in unrestricted funds, \$8,400,000 in restricted funds and \$2,000,000 in the plant fund set aside to carry out projects currently underway. The unrestricted fund includes \$7,000,000 in funds advanced for Eastern State which will be used for operations in May and June. The financial median analysis indicates that days of cash on hand have declined since year end by 3.5 days. However, total cash on hand has increased. The decline of days of cash on hand is due to the acuity of the patients in the system thereby driving operating expenses per day. Operating margin and earnings before interest

depreciation and amortization (EBIDA) exceed target. Debt to capitalization has improved slightly since year end and cash to debt has improved. It should also be noted the positive report by S&P and Moody's regarding the financial health of the UK HealthCare system.

Mr. Clark also gave an update on the construction project. The completion of the eighth floor of the Patient Care Facility (PCF) was on schedule and due to be completed in November with an opening date some time in December. This new floor will provide 64 new beds. The Critical Decision Unit is on budget and will provide 24 beds and the new Pharmacy is on schedule. Additionally, 20 beds are scheduled to open at Good Samaritan Hospital. He noted that the \$150,000,000 request for self-bonding authority for the completion of two additional floors in the PCF was included in the University budget request this year.

Trustee Young concluded that Dr. Michael Dobbs presented for approval the current list of privileges and credentials. The committee made a motion to accept the privileges and credentials brought before them. The motion carried and was approved by the committee.

X. Item for Discussion

President Capilouto welcomed Provost Christine Riordan to share an update on the Strategic Plan process, named "see Tomorrow."

Provost Riordan reviewed the principles adopted in October 2013. They were undergraduate education, graduate education, research, infrastructure, positive work environment and impact on the Community and Commonwealth. Six teams (composed of faculty, students and staff) totaling 103 individuals were organized around these six principles. Challenged to work with diversity of thought and diversity of activity, their first goal was to research and collect existing data. This first step produced the report *Understanding Tomorrow: A Research Report on Trends in Higher Education on Their Impact on UK*.

With the knowledge of trends, the teams have proceeded to integrate their work and ideas into a cohesive document. During this phase, additional areas of focus have emerged from the continuous conversations with the community. One of these areas is the Academic Brand Initiative. Executive Director of Public Relations and Marketing Jay Blanton and the Provost are leading teams to discuss UK's identity as an academic institution.

Provost Riordan stated that community conversations (town hall meetings and speaker series) and the resulting feedback will continue as the draft "see Tomorrow" document is updated and revised. These community conversations include broadly defined groups such as UK faculty, staff, students, administrators, Lexington community members, organizations, local government offices and officials, neighborhood groups and benchmark institution administrators.

From these discussions, strengths, challenges and opportunities have been identified. Equally constructive are the paradoxes that have emerged. Examples are "teaching and research seem to be at odds; can a university really be good at both?" Or "given the growth of technology, and the rapidly increasing demand for online education, is it possible for a residential campus to thrive?"

One clear objective in the “see Tomorrow” vision is that UK must be a national model for a thriving, public residential research-intensive campus. Areas of focus include: student success at all levels; modernizing the residential campus while expanding its reach through online programs, multidisciplinary focus and partnerships; a priority on being a top research-intensive institution; and UK being indispensable to the Commonwealth while having global impact.

Three central strategies now embody the eight goals. They are:

Strengthen and Focus Our “Core” Mission

1. Create a Vibrant Undergraduate Learning Community
2. Advance a High-Quality Graduate and Professional Education Portfolio
3. Cultivate a Robust Research and Creative Environment
4. Ensure a Meaningful Impact on the Commonwealth and Beyond

Advance a Community of Engaged Citizens

5. Foster a Positive Work Environment for Faculty and Staff
6. Become the State’s Meeting Place for Diverse Peoples and Ideas

Engage in smart growth, operational excellence and accountability

7. Strengthen UK through Strategic Growth, Improved Efficiencies, and Accountability
8. Develop a Strong and Sustainable UK Infrastructure

Provost Riordan concluded that the teams will continue to refine the document and ask the tough questions over the next month.

Trustee Brothers commented she was pleased with the addition of the “Diverse Peoples and Ideas” and it being “front and center as a marker for everything we do.”

Y. Other Business

Chair Brockman called the Board’s attention to the invitation of the final celebratory event of the Student Center’s 75th anniversary. A finale picnic will be held on the Main Lawn on Saturday, May 17.

Trustee Curris requested the opportunity to address the Board regarding outsourcing of UK Food Services. She offered the statement below.

I was extremely disappointed that two working days after our Board of Trustees meeting on January 30 and 31, that President Capilouto on Tuesday, February 4th, forwarded the Board an email in which he announced that on Monday he had ‘authorized our Purchasing Division to begin negotiations with the expectation of creating a public-private partnership to provide UK’s dining services.’

At no time on the 30th and 31st did the President refer or allude to this decision when the Board was available for discussion. Why? By whatever label you wish to use, this institution is poised to sell our University of Kentucky Dining Services to an outside vendor. While being clothed in the guise of another form of public private partnership, its common name is called “outsourcing.”

Perhaps outsourcing is the most financially advantageous approach to offset the continuing decline of state funding. We all recognize that the financial affairs of the Commonwealth have significantly reduced the University’s operating budget over the last several years by \$55,000 and an additional \$4 million was announced this week. However, I respectfully bring to your attention the fact that I have heard no presentations to the Board addressing the financial, social and historic cost, the lost opportunity costs to the University if the outsourcing route is taken. We have heard of the alleged benefits, but none of the intrinsic detriments. As examples:

- 1) From its inception, the concept of outsourcing our UK Dining Services has alluded to a potential source of immediate funding to the University in the approximate amount of \$20-30 million as a premium payable or attributable to the University in some form, in addition to a future revenue stream.

Let us not be naïve. No one should think that any anticipated premium will be a charitable donation. There is no such thing as a “free lunch,” and we should not hide our heads in the sand about an external vendor’s corporate purpose. A significant premium serves as an enticement, a marketing tool if you will. But any external corporate food service that advances those funds, intends to recoup that investment and more. Its goal (as it should be) is not only to cover costs, and premium, but further to generate sufficient profits to satisfy corporate headquarters and to provide an adequate return to owners and shareholders. In short, there has been no discussion about the fact that earnings above costs that have heretofore remained in the Commonwealth, will now flow to coffers beyond the borders of Kentucky.

Food services have traditionally had two major cost centers, food and labor. Is it the external vendor’s plan to gradually lower food costs, which for an operation our size will likely come from lowering food quality or recovered through reduced labor costs, such as holding down wages or perhaps through reducing our 109 employee’s benefits?

I was unaware that a student delegation would be in attendance about this issue today. Our addressing the same cause is purely coincidental. However, I think that it is interesting that their concerns focused on the same external vendor for which I planned to use the following example, which was: I presume everyone in this room is aware of one major corporate food service, Sodexo (a French company I believe) recent efforts to replace full time

employees at the University of Vermont with part-timers so Sodexo could reduce the number of employees for whom health benefits would be provided.

We have been assured that if outsourced, our UK employees will be protected within the rules and regulations of the University. I am certain that the University of Vermont received assurances as well. Fortunately Sodexo was precluded from changing the terms of the initial agreement.

Of course there is a third option, increasing dining rates for students beyond what would normally occur in order to recoup the millions and more. The answer could be “all of the above.”

This University is considering a multi-million, multi-year contract with an outside vendor. At the very least we should be comfortable that such contract includes terms well advantageous to the University and its food service personnel.

- 2) At no time during the initiation of the public private partnership with Education Realty Trust (EdR) to construct badly needed new dorms was the issue of Dining Services ever raised. If it had been, there would have been sufficient time during the interim for UK Food Services to have the opportunity to help us “create a new, expanded and enhanced dining operations for our campus and the broader community we serve.....as well as having the flexibility to provide students and the campus community with the diversity of food offerings they have told us they want.”

These are the words of expectation that the President did not share with us at the regularly scheduled Board meeting, but has now included in the Tuesday, February 4th directive to the Purchasing Division.

Also, during the time of creating a public-private partnership with EdR, this Board was actively engaged with the CEO of EdR and its leadership in preparing for the new adventure. Strong involvement by the Board of Trustees has not been a hallmark of the efforts for outsourcing the UK Food Service.

Further, UK did not have an in house construction team established for the construction of dorms, so the equating of employees of Housing with Dining Services is a false premise.

- 3) I am particularly concerned that by outsourcing we are destroying the special relationship which evolved as Food Services built a strong bond with the Commonwealths agricultural community.

This is another critical area for which a review of the potential of lost opportunity and for which no Board presentation has been made. Our existing

UK Food Services has built a strong bond with the Commonwealth's agricultural community. Those ties include, but go beyond the recognized success and widely acclaimed purchase of Kentucky made products. They are part of the historic land grant relationships fostered by faculty in agriculture and food sciences, the cooperative extension service and the cooperating research program with the state's agricultural community and in a larger sense with rural Kentucky itself. A link from our Kentucky farmers and growers through the UK classroom and research to our UK dining tables.

Can you honestly say that these finely crafted and unique relationships which are a part of our fabric and proud traditions will not be destroyed by the outsourcing of our Food Service? I do not think so.

In a joint dissemination with Robert Mock, Vice President of Student Affairs, of President's intent presented in the fall of 2012, it was stated "A Request for Proposals' will be issued early next year. Our in-house Dining Service will be provided the same opportunity as everyone else to submit a 'Proposal for Change and Improvement' to retain the operations in-house. This is not about the quality of our current Dining Services and its state. What is the issue is examining the best way in a time of continued economic challenges to provide this critically important service."

What was not fully comprehended by many was that the Request for Proposals (RFP) and presenting a Proposal for Change and Improvement or (RFI) were two separate types of procedures. The Request for Proposals (RFP) submitted by External Vendors included the opportunity to present significant information. However, the submission of a Proposal for Change and Improvement (RFI) (the vehicle permitted to UKY Dining Services) was a more limited process, and more importantly did not include an opportunity for UK Dining Services to make a presentation directly to the president and his team, as was afforded the outside vendors.

Further, even though at issue is a multi-million, multi-year contract, the Board has been informed that outsourcing of anything is a managerial matter, not something that rises to the Board's participation, aside from the aspect that may trigger Board involvement.

- 4) A final area of information not presented to the Board is the fact that over the years from their own budgets, the UK Food Service operations have funded building and dining services that have contributed millions to many areas within the University and across the Commonwealth.

Because I believe that University of Kentucky employees can continue to provide high quality food services at affordable rates, continue to provide funding for other University purposes, and retain its important links throughout the Commonwealth's agricultural community, I believe that other

alternatives to funding construction of facilities can be found without the University becoming ‘indentured to a corporate enterprise.’

I believe that we should retain discretionary dollars in the state to the degree feasible. I support the men and women throughout the Commonwealth who have steadfastly worked for and supported this University.

At the very least we owe them an opportunity to equally compete in a process that is open and fair on its face to this historic and integral part of our University. It is easy to use regulatory language and legal word smithing to preclude such openness, but it is necessary to the support of our values.

As the President and Board members are aware, I have consistently requested that the University of Kentucky Dining Services be provided an opportunity to fairly compete in the bidding process, and that they not remain an afterthought in a process designed on bureaucratic technicalities.

Therefore I ask again – that our existing UK Dining Services be encouraged to develop and present a well-developed plan which would encompass all the expectations of an RFP and any additional requests made of the outside vendors and that a presentation be permitted to the President and his administrative team.

There should be no complaints as to providing additional time for them to do so, as requests for this opportunity have been made since early fall of 2013.

I will close by asking are we, like Esau of Genesis 25, who came from the fields, famished from his labors, going to sell our birthright for a mess of red pottage?

And request again that the lost opportunity costs to the University if the outsourcing route is taken, be seriously addressed before finalizing any action.

Respectfully submitted, and thank you to Chair Britt Brockman for the opportunity to make this statement.

Jo Hern Curris
University of Kentucky Alumni Trustee

Trustee Curris respectfully submitted her statements for inclusion in the minutes and thanked Chair Brockman for the opportunity to speak. Chair Brockman stated that when the topic becomes timely, he is confident President Capilouto will address and educate the Board regarding food services and there will be opportunity for discussion.

Secretary Brothers added that she concurred with Trustee Curris’ comments. She also wanted to share with the Board some observations on shared governance and the role of the Staff

Senate.

Secretary Brothers stated that Staff Senate elections will be held in April. The Staff Senate is part of the shared governance process, in that it allows for discussions that include a wide variety of viewpoints. These viewpoints inform the decisions made. Employees who are a part of this process gain a better understanding of the University.

The Staff Senate also offers professional development. The Staff Senate organization fosters opportunities on committees to develop other skill sets that employees may not utilize in their daily assigned position. Staff Senate also offers dialogue with campus leaders and senior administrators on a number of issues.

Secretary Brothers concluded that “shared governance” is one of the core values in our Values statement. It is important for supervisors across campus during election time and throughout the year to understand the benefits of serving in the Staff Senate. It is important for all employees to have an opportunity to participate in University discussions and learn from diverse perspectives.

Z. Meeting Adjourned

Hearing no further business, Chair Brockman declared the meeting adjourned at 3:05 p.m.

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees

(ECR 1, PR 1, PR 2, PR 3, PR 4, ASACR 1, ASACR 2, ASACR 3, ASACR 4, ASACR 5, ASACR 6, FCR 1, FCR 2, FCR 3, FCR 4, FCR 5, FCR 6, FCR 7 and FCR 8 are part of the minutes of the meeting.)