

Minutes of the Meeting of the Board of Trustees  
University of Kentucky  
Tuesday, September 10, 2013

The Board of Trustees of the University of Kentucky met at 1:00 p.m. on Tuesday, September 10, 2013 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 1:02 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, William C. Britton, E. Britt Brockman, Sheila Brothers, Mark P. Bryant, Jo Hern Curris, Angela L. Edwards, Oliver Keith Gannon, Carol Martin (Bill) Gatton, Kelly Sullivan Holland, David V. Hawpe, Terry Mobley, Roshan Palli, C. Frank Shoop, James W. Stuckert, and Barbara Young. William S. Farish, Jr., Irina Voro, and John Wilson were absent from the meeting. 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 Chair of the University Senate Council Lee Blonder, and the University staff was represented by Chair of the Staff Senate Jeff Spradling.

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

C. Consent Items

Chair Brockman called attention to the four consent items on the agenda. The items were the minutes for the Board of Trustees meeting on June 11, 2013; PR 2, Personnel Actions; FCR 1, Bequests from the Estate of Dr. E. Vernon Smith; and FCR 2, Barnstable Brown Foundation Gift.

Trustee Stuckert moved approval of the consent items. Trustee Britton 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](http://www.uky.edu/Trustees), under agenda.)

Minutes, June 11, 2013

PR 2 Personnel Actions

FCR 1 Bequests from the Estate of Dr. E. Vernon Smith

FCR 2 Barnstable Brown Foundation Gift

D. Chairman's Report

Chair Brockman reported that there had been no petitions to address the Board since the last Board of Trustees meeting.

Chair Brockman introduced the four new members to the Board of Trustees: Student Government President Roshan Palli, Governor appointed trustees James Booth, Angela Edwards, and David Hawpe. In addition, he acknowledged reelected staff representative Trustee Sheila Brothers and reelected faculty representative Trustee John Wilson.

E. Proposed Revision to Governing Regulation: Executive Committee (GR II)  
(ECR 1)

Chair Brockman stated that ECR 1 was the recommendation that Board of Trustees receive and vote to accept for the first reading the proposed revision to Governing Regulations II relating to the composition of the Executive Committee. The proposed revision adds the Vice Chair of the Board of Trustees as a member of the Executive Committee. As this change would take effect only after a second reading at the October 26, 2013 Board meeting, this change will not affect the term of any member of the Executive Committee elected at the September 10, 2013, meeting.

Chair Brockman opened the floor for discussion. Hearing none, Chair Brockman called the question and it passed without dissent. (See ECR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

At Chair Brockman's suggestion, there was a moment of silence as a show of respect to the victims and families of the tragedies that occurred on September 11, 2001.

F. Presidential Evaluation and Compensation (ECR 2)

Chair Brockman began by reporting that on August 13, 2013, the Executive Committee received the final report of Dr. Capilouto's performance in his second year as President of the University of Kentucky. Broadly speaking, those participating in the evaluation process "rated the President's performance positively" and demonstrated an understanding of, and support for, the President's priorities. He also pointed out that as with any evaluation of an executive of an institution as complex as the University of Kentucky, there are areas for improvement and future consideration.

Chair Brockman reviewed the evaluation timeline, highlights of each phase and the specific processes, and consultant David Hardesty's summary points. The summary points included that President Capilouto is well established as President of the University. He is a skillful, focused and trusted leader, capable of accomplishing several initiatives in a short period of time.

President Capilouto has improved communications with campus constituents, state and community stakeholders and successfully filled critical positions in the senior leadership team.

His priorities are aligned with those of the Board of Trustees and many respondents recognized and were appreciative of Dr. Mary Lynne Capilouto's contributions to the University.

Based on some of the respondent's feedback, Dr. Hardesty also described some areas for future consideration and improvement. These included:

- The development of vision and priorities in the new strategic planning effort;
- A concerted effort to examine initiatives and implications prior to implementation;
- A continued effort to effectively communicate with all constituencies across campus; and
- Concerns about the impact on the University of the changing higher education environment.

Chair Brockman continued that following Dr. Hardesty's report, members of the Board submitted additional feedback. The Board was asked to respond to four questions:

- What were the President's major accomplishments in 2012;
- What are the President's major strengths;
- What areas should the President improve upon; and
- What is your overall assessment of the progress the President made in achieving the University's goals in 2012-13?

The feedback was reviewed by the Executive Committee on September 10, 2013 and all responses were positive with a consistent theme of praise for:

- Infrastructure and campus revitalization;
- Administrative hires;
- Budget planning and accountability with the new financial model; and
- Leveraging relationships in Frankfort with the legislature and Governor.

Major Strengths of President Capilouto identified were:

- Intelligence, vision, focus, energy and the ability to implement;
- Integrity and ethics;
- Surrounds himself with a strong team;
- Passion for the student experience;
- Understanding the entire University; and
- Working with major stakeholders to establish relationships.

Under areas of improvement, Chair Brockman continued that one third of the respondents stated that it would be hard to find one. The remaining responses dealt with three themes, although none were mentioned by the majority of the respondents. The themes included:

- Communicating more fully the concepts and plans either with the Board or with staff and faculty (depending on the respondent);

- Emphasizing diversity and inclusivity either through top-down hires or campus training; and
- Public relations – telling the great story we have at UK throughout Kentucky.

Chair Brockman concluded that the overall assessment by the Board of Trustees was that all respondents gave the President their highest praise for the job he has performed. With the need to keep our eye on graduate education in 2013-14, says one respondent, “he is achieving most of our broad goals in record time and working tirelessly to make things happen.”

Chair Brockman shared that he felt President Capilouto had settled into his position well and, taking into consideration the recommendations outlined in this performance evaluation, will continue to work diligently to improve the University of Kentucky.

Based upon this report, on behalf of the Executive Committee, Chair Brockman stated that ECR 2 is a recommendation that the Board of Trustees 1) extend President Eli Capilouto’s Employment Agreement to June 30, 2018; 2) increase President Capilouto’s base salary by five percent (5%) (or \$25,000) to \$525,000 effective July 1, 2013; 3) award a one-time bonus of ten percent (10%) of President Capilouto’s original base salary (or \$50,000); and 4) establish a longevity incentive equal to his 2017-2018 base salary if he serves until June 30, 2018. The exact structure of the longevity incentive is to be determined.

Chair Brockman continued that in appreciation for the President's visionary and effective leadership during 2012-13, in addition to the five percent salary increase and the one-time bonus of ten percent, consistent with the President’s Employment Agreement, the Board would sincerely like to discuss an additional performance incentive payment based upon extraordinary performance. However, based on discussions with the President, the board has decided to postpone discussions because of the uncertain budgetary environment.

Chair Brockman opened the floor for discussion. Trustees Stuckert, Shoop, Britton, Curris, Akins, Brothers, Gatton, Bryant, Young, Gannon, Holland, Palli, and Hawpe offered their individual appreciation to President Capilouto.

Chair Brockman called for the vote and it passed without dissent. (See ECR 2 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

There was a round of applause.

President Capilouto thanked the Board for their kind words and support, and reiterated that anything achieved is due to the people he is fortunate to have working with him. He was humbled by the offer of an extension of his contract and replied it would be a family decision. Equally appreciative of the bonus offered, he wanted to “express my confidence in this University and my gratitude in returning my bonus to this University, that I so deeply believe in.”

He closed by acknowledging that he will work hard every day to continue to earn the respect of the University community.

G. Nominating Committee Report

Trustee Shoop reported that the Nominating Committee met on August 28, 2013.

H. Election of Officers

Trustee Shoop submitted the following nominations for the following offices:

For Chair - Dr. E. Britt Brockman

For Vice Chair - Dr. O. Keith Gannon

For Secretary - Ms. Sheila Brothers

For Assistant Secretary - William Thro, General 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 for chair, but felt it would be a conflict of interest to preside over that election. He asked Trustee James Stuckert to come forward to accept the gavel and conduct the election of chair.

Chair Pro Tem Stuckert stated that the Nominating Committee nominated E. Britt Brockman for chair. He asked for any nominations from the floor. Trustee Mobley moved the nominations cease. It was seconded by Trustee Brothers and hearing no discussion, it passed without dissent.

Chair Pro Tem Stuckert called for the vote for E. Britt Brockman as chair and it passed without dissent. Trustee Stuckert passed the gavel back to Chair Brockman who continued with the election.

For vice chair, Trustee O. Keith Gannon was nominated by the Nominating Committee. Chair Brockman asked for nominations from the floor. Trustee Bryant moved the nominations cease. It was seconded by Trustee Stuckert and hearing no discussion, it passed without dissent.

Chair Brockman called for the vote for Trustee O. Keith Gannon as vice chair and it passed without dissent. Chair Brockman congratulated Trustee Gannon.

For secretary, Trustee Sheila Brothers was nominated by the Nominating Committee. Chair Brockman asked for nominations from the floor. Trustee Gatton moved the nominations cease. It was seconded by Trustee Curris and hearing no discussion, it passed without dissent.

Chair Brockman called for the vote for Trustee Sheila Brothers as secretary and it passed with 16 affirmative votes and one abstention by Trustee Brothers. Chair Brockman congratulated Trustee Brothers.

The Nominating Committee nominated William Thro, General Counsel for the office Assistant Secretary. Chair Brockman asked for nominations from the floor. Trustee Curris

moved the nominations cease. It was seconded by Trustee Stuckert and hearing no discussion, it passed without dissent.

Chair Brockman called for the vote for William Thro as assistant secretary and it passed with 16 affirmative votes and one abstention by Trustee Hawpe. Chair Brockman congratulated Mr. Thro.

I. Election of Executive Committee

Trustee Shoop stated that the Nominating Committee submits the following nominations for the Executive Committee:

Chair, Dr. Britt Brockman  
Member, Dr. C.B. Akins, Sr.  
Member, Mr. Terry Mobley  
Member, Mr. Jim Stuckert  
Member, Ms. Barbara Young

Chair 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.

Chair Brockman stated that the Nominating Committee nominated C.B. Akins, Sr., Terry Mobley, Jim Stuckert and Barbara Young as members of the Executive Committee. He asked for any nominations from the floor. Trustee Curris moved the nominations cease. It was seconded by Trustee Stuckert and hearing no discussion, it passed without dissent.

Chair Brockman called for the vote on the slate of nominated members as presented and it passed without dissent.

J. Reappointment to Board of Directors University of Kentucky Mining Engineering Foundation, Inc. (NCR 1)

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

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

K. President's Report (PR 1)

President Capilouto began by reporting that though enrollment in colleges and universities is declining nationally, UK welcomed its largest first-year class. The enrollment of 4702 students is marked by historic levels of diversity and academic quality. Among them are a

record number of students with ACT's of 28 to 36, including nine students with a perfect ACT score or SAT composite score, the most in a first-year class in UK's history. 25% of this incoming class has a GPA of 4.0 or higher. UK welcomed a record number of Singletary and Patterson Scholars, 59 and 94, respectively. UK also reached a record first-to-second year retention rate for the fall 2012 of 82.5%. Also of note were gains of two percentage points in the second to third year retention rate and a three percent gain in the third- to fourth- year retention.

President Capilouto reported that adding to the diverse richness of the campus community, enrollment grew in many under-represented areas including African American, Hispanic and international students. Academically, UK welcomed a total of 105 National Merit, National Achievement, and National Hispanic Scholars, up from 71 last year.

With the addition of a new transfer center that helps students transition, UK's transfer student enrollments have increased. Doctorate and Masters student enrollment has also been on the rise, thus making UK's total enrollment over 29,000 students.

President Capilouto thanked Associate Provost for Enrollment Management Don Witt and his team for their remarkable work in recruiting this year's class and thanked the efforts of all University faculty and staff for the strides made in retention and graduation rates.

He was pleased to introduce to the Board five of the nine students who achieved a perfect score of 36 on the ACT. They were Jared Wittrock, a sophomore Pre-Chemical Engineering major from Alexandria, KY; Samuel Saarinen, a junior; Pre-Computer Science, Mathematics and Physics major from Shelbyville, KY; Jenna Garofolo, a junior Chemistry major from Butler, KY; Donald Venus, a freshman, Pre-Chemical Engineering major from Richfield, Ohio; and Jon Fish, a freshman Political Science major from Finchville, KY.

The students received a round of applause.

President Capilouto remarked that as Kentucky's flagship, land-grant institution of higher learning, UK has an obligation to serve in many ways. One of the newest innovations in education and service involving UK is the new STEAM Academy; a cutting edge approach to high school emphasizing those disciplines in demand in the modern workforce: science, technology, engineering, arts and mathematics. President Capilouto introduced Dean Mary John O'Hair from the College of Education and Fayette County Superintendent Tom Shelton to share the details of the partnership that is the STEAM Academy.

Dean O'Hair and Superintendent Shelton shared with the Board the milestones of the Academy. From groundwork laid by the College of Education's P20 Innovation Lab, to cooperative ideas such as the Bluegrass Economic Advancement Movement (BEAM) and the National Center for Innovation in Education (CIE) based at the UK, STEAM is a lottery-based program where any eighth grade student in Fayette County can apply. The 150 students that make up the first freshman class match the diversity of the Fayette county school district. This includes race, gender, and socio-economic factors.

With the award of a pre-launch planning grant from the Bill and Melinda Gates Foundation, the school is eligible for up to \$300,000 in one-to one matching funds. The STEAM

Academy will use an innovative, hybrid instructional program based in student-paced, mastery- and problem-based experiential learning. Student voice and student agency are central to the school model. Students will take ownership of their learning by choosing their instruction delivery, schedule and leadership style and engage in real-world problem solving projects that interest them. The collaboration will also allow pre-service teachers from the College of Education to be involved in STEAM classrooms early in their college studies, helping to establish a strong clinical-based teacher preparation program. The goal is to ensure that students will graduate college and career ready.

A six-member advisory board of UK faculty and Fayette County Public School administrators will help guide the partnership and collaboration.

Dean O’Hair and Superintendent Shelton thanked President Capilouto and the Board for their support and for the opportunity to create a new vibrant learning experience for both high school and college students.

L. Appointment/Reappointment to Board of Directors University of Kentucky Gluck Equine Research Foundation, Inc. (PR 3)

President Capilouto stated that PR 3 is the recommendation that the Board of Trustees approve the appointment of Bill Thomason and the reappointment of Dan Rosenberg and F. E. "Butch" Wise to the Board of Directors of the University of Kentucky Equine Research Foundation for four-year terms ending December 31, 2017.

Chair Brockman asked for a motion for approval of PR 3. Trustee Akins so moved and it was seconded by Trustee Curris. With no discussion, Chair Brockman called the question and it passed without dissent. (See PR 3 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

M. 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 is the recommendation that the Board of Trustees approve the reappointment of Anita M. Britton to the Board of Directors of the Fund for Advancement of Education and Research at the University of Kentucky Medical Center for a two-year term ending June 30, 2015.

Chair Brockman asked for a motion for approval of PR 4. Trustee Britton so moved and it was seconded by Trustee Stuckert. With no discussion, Chair Brockman called the question and it passed without dissent. (See PR 4 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

N. Academic and Student Affairs Committee Report

Trustee Keith Gannon, chair of the Academic and Student Affairs Committee mentioned to the Board the change in the committee report acronym to “ASACR” to reflect the

consolidation of the Academic and Student Affairs Committees.

O. Candidates for Degree: December 2012 (ASACR 1)

Trustee Gannon stated that ASACR 1 related to three candidates for degrees to be awarded December 2012; due to administrative errors the names were not previously submitted. The individuals have satisfactorily completed all requirements for the degrees for which the applications were made and were approved by the elected faculty of the University Senate.

On behalf of the Academic 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](http://www.uky.edu/Trustees), under agenda.)

P. Candidates for Degree: May 2013 (ASACR 2)

Trustee Gannon stated that ASACR 2 related to three candidates for degrees to be awarded May 2013, that due to administrative errors the names were not previously submitted. The individuals have satisfactorily completed all requirements for the degrees for which the applications were made and were approved by the elected faculty of the University Senate.

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

Q. Candidates for Degree: August 2013 (ASACR 3)

Trustee Gannon stated that ASACR 3 related to candidates for degrees to be awarded August 2013. The individuals have satisfactorily completed all requirements for the degrees for which the applications were made and were approved by the elected faculty of the University Senate.

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

R. University Athletics Committee

Trustee C.B. Akins, Sr., chair of the University Athletics Committee, reported that the Committee heard a report from Athletics Director Mitch Barnhart on fall sports.

Items of note included that football coach Mark Stoops won his first game as head coach this past Saturday and is now 1-1 on the season. Women's soccer is 4-1-1 to start 2013. The volleyball team hosted and won the Kentucky Classic this past weekend and moved to 4-2. Men's soccer is 2-1 thus far, during Coach Cedergren's second season as head coach. Cross-country opened 2013 with a dual meet against Vanderbilt and Tennessee on August 30 in Nashville. Saturday, September 14, UK will host the Bluegrass Cross Country Invitational,

which will be UK's first home meet since the 1990s. The men's basketball program held their Second Annual Alumni Game last night at Rupp Arena. Dollar amounts are expected to total approximately \$1 million dollars for charity raised through the event. The funds will be distributed to 15 different organizations, most of which operate in Kentucky.

Trustee Akins praised the production of a booklet by Senior Associate Director of Athletics Jason Schlafer and his team: a compilation of student-athletes essays about their trip to Ethiopia. All of the student-athletes who have participated have remarked on the lasting effects of this experience on their lives. The Committee also commended Mr. Schlafer and the Department of Intercollegiate Athletics for organizing and sponsoring these trips that enrich the lives of UK's student-athletes.

The Committee received a very extensive educational report from Ms. Rachel Baker, Senior Associate Director for Compliance. She provided an overview of general NCAA rules to the committee, including guidance regarding their interaction with prospective student athletes and their families and general information regarding autograph and ticket requests. Specifically Ms. Baker stated that members of the Board of Trustees cannot be involved in the recruiting process. Recruiting contacts on or off campus are impermissible under NCAA rules. Additionally, Board members cannot provide benefits to a prospect, their parent, or other family members. Ms. Baker encouraged Board members to contact the Athletics Compliance Office with any specific scenarios or questions they might have.

S. Finance Committee Report

Trustee James Stuckert, chair of the Finance Committee, reviewed the consent items, FCR 1, Bequests from the Estate of Dr. E. Vernon Smith and FCR 2, Barnstable Brown Foundation Gift, and thanked these individuals for their generosity to the University.

T. University of Kentucky Chandler Medical Center Endowed Chair Name Change and Permanent Location (FCR 3)

Trustee Stuckert stated that FCR 3 is the recommendation to change the name of the University of Kentucky Chandler Medical Center Endowed Chair to the Kentucky Medical Services Foundation Endowed Chair in Pharmacy in the College of Pharmacy. The donor, Kentucky Medical Services Foundation (KMSF) has requested that the endowed chair now reside in the College of Pharmacy in perpetuity.

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

U. Dissolution of the Wellington B. Stewart Scholarship Quasi-Endowment Fund (FCR 4)

Trustee Stuckert stated that FCR 4 requested the dissolution of the Wellington B. Stewart Quasi-Endowment Fund and such funds be spent as defined by the original scholarship

guidelines. The quasi-endowment has a market value of \$92,067 (June 30, 2013) , which generated spending distributions of \$3,262 in fiscal year 2013. The generated spending amount no longer has meaningful impact for medical students.

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

V. Patent Assignment Report (FCR 5)

Trustee Stuckert stated that FCR 5 involves the acceptance of the patent assignment report for the period April 1 through June 30, 2013. Dr. Jim Tracy, Vice President for Research, provided a brief report to the Committee and was pleased to report an annual increase in patent applications, patents issued, and in revenue generated.

On behalf of the Finance Committee, Trustee Stuckert moved approval 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.)

W. Disposal of Personal Property (FCR 6)

Trustee Stuckert stated that FCR 5 involves the annual authorization of the disposition of University property having a value of less than \$25,000 per item.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 6 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.)

X. Capital Construction Report (FCR 7)

Trustee Stuckert stated that FCR 7 was the capital construction report for the three months ending June 30, 2013. Vice President for Facilities Bob Wiseman provided a detailed report to the Committee earlier in the day.

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

Y. Repair/Upgrade/Improve Building Shell Systems (W.P. Garrigus Building) (FCR 8)

Trustee Stuckert stated that FCR 8 recommends the approval of the initiation of the repair/upgrade/improve building shell systems for the W.P. Garrigus building. The project will replace the roof structure and provide for the harvesting of rainwater that will improve sustainability.

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

Z. Acquire/Renovate Academic Facilities – Early Childhood Laboratory (FCR 9)

Trustee Stuckert stated that FCR 9 involves the acquisition/renovation of academic facilities for the Early Childhood Laboratory. The project will renovate approximately 10,566 square feet of shelled space in the recently acquired Lexington Theological Seminary facility.

The Laboratory, which is currently located in the basement of the Erickson Building, educates children from six weeks of age through preschool and provides College of Education students with an excellent opportunity to gain invaluable field experience in early childhood teaching. The accommodation capability will go from 52 students to 104 students. The project scope is not to exceed \$3 million dollars and will be funded by a \$1 million internal loan, private gifts, and general funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 9 and it passed without dissent. (See FCR 9 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

AA. Emergency Replacement of Woodford County Feed Mill (FCR 10)

Trustee Stuckert stated that FCR 10 involves the emergency replacement of the Woodford County Feed Mill, located at the C.O. Little Research Center in Woodford County. On May 26, 2013 a fire destroyed the feed manufacturing facility. The facility was used to create precise diets suitable for research for all poultry at the Coldstream Research Center and all swine and sheep at the C. O. Little Research Center. The cause of the fire is undetermined and the facility is insured at full replacement value.

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

BB. Renovate Schmidt Vocal Arts Center (FCR 11)

Trustee Stuckert stated that FCR 11 involves the renovation of the Schmidt Vocal Arts Center. The Board of Trustees recommended/approved the initiation of this capital project at the September 2008 meeting. The estimated scope is \$1.7 million dollars and will be funded with private gifts and general fund balances. It will renovate the rehearsal rooms, teaching studios, practice rooms, music library, and office space for staff and graduate assistants.

On behalf of the Finance Committee, Trustee 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.)

CC. Renovate Academic Facility – University Lofts (FCR 12)

Trustee Stuckert stated that FCR 12 is the recommendation that the Board of Trustees approve the initiation of the renovation of the University Lofts. The Lofts will house the School of Art and Visual Studies in the College of Fine Arts.

At the June 2011 meeting, the Board approved the purchase of this facility. Renovation and system upgrades were initially estimated to cost \$8,000,000. A more detailed assessment and design have revealed that early assumptions about reliance on existing systems are not feasible. The necessary system upgrades to HVAC, communications, plumbing, electrical, fire safety, and security have increased the project scope to \$15,000,000.

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

DD. Repair/Upgrade/Improve Building Mechanical Systems – Fine Arts Building (FCR 13)

Trustee Stuckert stated that FCR 13 is the recommendation that the Board of Trustees approve the initiation of the repair/upgrade/improve building mechanical systems in the Fine Arts Building. This project will replace and upgrade major mechanical systems, which include air handling units and associated temperature controls, exhaust fans, and reheat coils.

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

EE. Patient Care Facility Project: Phase I-E Fit-Up Ground Floor Clinical Decision Unit (FCR 14)

Trustee Stuckert stated that FCR 14 is the recommendation that the Board of Trustees approve a \$500,000 architectural planning and design phase for a project that will provide up to 24 beds in the Clinical Decision Unit (CDU) in the Patient Care Facility. These beds will relieve the patient load and increase throughput in the Emergency Department. This project was discussed extensively at the University Health Care Committee on Monday, September 9, 2013.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 14 and it passed without dissent. (See FCR 14 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

FF. University of Kentucky Ground Lease to Shriners Hospitals for Children (FCR 15)

Trustee Stuckert stated that FCR 15 is the recommendation that the Board of Trustees authorize the President or his designee to enter into a long-term ground lease with Shriners

Hospital for Children (SHC) for the purpose of the construction of a new Shriners Hospital facility.

This ground lease was discussed at the University Health Care Committee on Monday, September 9, 2013. The lease will be a ground lease for up to 99 years by which the University will lease land to SHC, who will develop a new facility in Lexington to provide outpatient surgical services, outpatient clinics, physical therapy and other related services. All inpatient care for the children SHC (Lexington) serves will be provided by Kentucky Children's Hospital.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 15 and it passed without dissent. (See FCR 15 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

GG. Proposed Revision to Administrative Regulations: University of Kentucky Retirement Plan (HRCR 1)

Trustee Terry Mobley, chair of the Human Resources Committee, stated that HRCR 1 is the recommendation that the Board of Trustees approve changes to the Retirement Plan Vesting Schedule contained in the University of Kentucky's Retirement Plan as defined in Administrative Regulation (AR) 3:1 from five to three years.

This change would be retroactive to January 1, 2013, and helps the University attract and retain top talent.

On behalf of the Human Resources Committee, Trustee Mobley moved adoption of HRCR 1. Chair Brockman opened the floor for discussion. Trustee e Sheila Brothers offered that the change from five years to three years is in the University's best interest, and in the best interest of staff, and would support this resolution.

Chair Brockman asked for the vote and it passed without dissent. (See HRCR 1 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

HH. Investment Committee Report

Trustee Carol Martin "Bill" Gatton, chair of the Investment Committee, reported that the committee met on Monday, September 9, 2013 to review performance results and conduct other business.

The endowment had a net market value of \$957.8 million as of June 30, 2013. For the year ended June 30, 2013, the endowment pool returned 11.6% on the academic year due to strong equity returns during this period. The endowment pool outperformed the policy benchmark during that same academic year by 150 basis points due to the strong relative performance by the international equity, fixed income, and absolute return managers. Unfortunately the fiscal year performance of the endowment pool was dampened by a two percent loss during the month of June due to market uncertainty. However, the endowment pool rebounded strongly in July, going up by 2.6% to where it was 0.6% higher than it was before,

so the endowment pool outperformed its policy benchmark by 20 basis points for the month.

## II. University Health Care Committee Report

Trustee Barbara Young, chair of the University Health Care Committee, stated that the Health Care Committee had three action items. FCR 14 concerned the Phase I-E Fit-Up of the Ground Floor Clinical Decision Unit, and FCR 15 concerned UK's Ground Lease to Shriners Hospitals for Children. Both FCR 14 and 15 were approved by the Health Care Committee and were passed on to the Finance Committee, where the Board voted to accept them. The third was UHCCR1.

### JJ. Appointment to Board of Directors of the University of Kentucky Center on Aging Foundation, Inc. (UHCCR1)

Trustee Young stated that UHCCR 1 is the recommendation that the Board of Trustees appoint Mr. Dennis Pike as a member of the Board of Directors of the University of Kentucky Center on Aging Foundation, Inc. for a three year term ending August 30, 2016. Mr. Pike's nomination is supported by Foundation board members and the Executive Vice President of Health Affairs, the President and the University Health Care Committee.

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

Trustee Young continued the committee report stating that Dr. Susan Smyth presented an update on the Cardiology program and the Gill Institute. She reported that the mission of the Gill Heart Institute is trifold. It designed to serve as the premier destination for advanced cardiovascular care in the region. It is dedicated to having an impact on the national cardiovascular research agenda and it is committed to improving cardiovascular health in Kentucky and beyond. The Gill Heart Institute offers advanced patient-centered cardiovascular care built on a foundation of research and innovation.

Dr. Bernard Boulanger presented a Quality and Enterprise Goal Performance Update. After a strong performance in 2013, 2014 presents some challenges. These challenges can be met if UK HealthCare continues to emphasize quality, patient safety and satisfaction. UK must also understand the marketplace in a way that will enhance its appropriate market share and position. Finally, by emphasizing efficiency and cost structure, it can maintain its strong financial position. UK is strategically pursuing its vision to be a leader in quality of care and is working hard to meet or exceed the enterprise goals as approved at the June 2013 University Health Care Committee retreat in the areas of mortality, effectiveness, patient safety, efficiency, patient centeredness and work environment. Attention to these goals is ongoing and will be addressed and reported at all UK Health Care Committee meetings. The UK mortality index, 30 day survival, patient safety composite and efficiency of care are now also available online.

Trustee Young reported that Dr. Colleen Swartz, Chief Nursing Executive, presented an update on the capacity issues facing UK's Chandler Hospital. In short, because of a lack of bed

capacity the Chandler Hospital is not able to accept a good number of transfer patients who have requested admittance to UK. In addition, the Emergency Department and Post-Anesthesia Care Unit have far too many patients boarding in halls while waiting for a bed. Dr. Swartz also reported on the significant improvement UK has shown in the area of patient centeredness, which includes patient likeliness to recommend, communication with doctors and nurses, pain management, discharge procedure, overall doctor rating etc. Recently, University HealthSystem Consortium Care (UHC) has named UK Chandler Hospital as the facility with greatest improvement following the 2011-2012 UHC Patient Experience Improvement Collaborative.

Trustee Young reported that Vice President for Health Affairs and Chief Financial Officer Murray Clark presented the preliminary June year-end financial report. In summary, patient care activity was very robust in FY 2013. Inpatient cases exceeded the budget significantly and most all other key indicators exceeded the budget and/or the prior year levels of activity. The growth of inpatient cases, however, is placing significant pressure on the capacity of the facility. A series of short-term, mid-term and long-term efforts are underway to add capacity. The income statement for FY 2013 was positive in most respects. Revenue exceeded expectations driven by both volume and greater net revenue per case. Expenses were below budget even though volume was up. Non-operating revenues exceeded expectations as a result of strong investment income with a year to date gain of \$24.6 million and year-end balance of \$232.7 million. Year-end income from operations was \$64.3 million with an operating margin for the year of 6.8%. This strong year end resulted in spite of a \$9 million adjustment from Medicare that recalculated reimbursement since 2008 on disproportionate supplemental social security, Medicare and Medicaid.

The balance sheet comparison to June 30, 2012 shows a significant change has occurred in strengthening the balance sheet in FY 2013. June ended with a total of \$48 million in cash. Operating cash was \$34 million and restricted cash held for capital and facilities projects in progress totaled \$14 million. The cash advance owed the University has been reduced from \$62 million to zero. In order to improve the cash position, diligence has been applied to collect cash from all sources. The effect has been significant as demonstrated by the growth in cash equivalents.

An increase in cash on hand is essential in preparation for the continued build-out of the Patient Care Facility (PCF) and investment in the program. Also included in the financial statement is a new schedule titled Financial Median Analysis. This schedule includes targets in area such as cash on hand, operating margin, operating EBIDA (earnings before interest, depreciation and amortization) margin, MADS (maximum Annual Debt) coverage, debt to capitalization, cash to debt and capital expenditure ratios, which must be met in order to finance completion of the PCF. While several of the targets are below where we need to be, we moved in a positive direction in FY 2013.

Mr. Clark continued that preliminary financials for July indicate a very positive month driven by Neonatal Intensive Care Unit) cases, adult outlier cases, positive Operating Room activity and outpatient visits. In summary, the income statement presents a very strong operating income and positive non-operating income, which have combined to produce an increase in net assets for July significantly above budget and the prior year. On the balance sheet cash and cash

equivalents for July were \$24.1 million in operating cash compared with \$34 million at year end and restricted cash of \$13.2 million compared with \$14 million at year end. Cash decreased as a result of the reduction in payables and current liabilities are down significantly from year end. In summary, UK HealthCare is off to a very positive start with an operating income of \$14.1 million for the month.

Trustee Young reported that Dr. Steven Strup 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.

KK. Item for Discussion - Strategic Plan

Provost Christine Riordan updated the Board of Trustees on the work underway for the 2014-2020 Strategic Plan.

Six areas have been identified as key initiatives. They are:

- Create a vibrant undergraduate learning community;
- Advance a high quality graduate and professional education portfolio;
- Cultivate a robust research environment;
- Develop a strong and sustainable UK infrastructure;
- Create a positive work environment for faculty and staff; and
- Have a meaningful impact on the community.

Teams of faculty, staff, students and possibly alumni will be assembled to evaluate and define, benchmark, and prepare action plans. All six of the areas will be integrated to create a useable plan that can be resourced and executed over the next six years.

Provost Riordan continued that pre-work was initiated in August, basically laying the foundation. In September, the President will put out a call for nominations for the planning committee. Based on the six key initiatives, six committee chairs will be selected and committees assembled. From September to March 2014 the committees will do their work and will submit a draft plan to the executive team and President for review in April. It is anticipated that a final plan will be brought to the Board at its June 2014 meeting.

Provost Riordan explained that in term of organizational structure, the Steering Committee will be composed of the executive team and the six working group chairs. There will be a communications team, led by Jay Blanton, Executive Director of Public Relations and Marketing, to create a visual identity, a name for the plan, and strategies to keep the campus informed. There will be support teams helping the working groups, which includes a data analytic group and administrative support. The data analytic team has already been preparing internal analysis, to provide portfolios of benchmark information and research to each working group.

Trustee Britton expressed his hope that financial metrics and accountability, the utilization of the expertise in the Gatton College of Business and Economics, and a strong

emphasis on enhancing business relationships, in terms of internships or research, would be included in the plan.

Trustee Brothers inquired if there would be any changes to the UK's Values. Provost Riordan stated that the Values were ratified last year, have been endorsed by the entire campus, and she hoped to keep them intact.

LL. Other Business

Chair Brockman stated that requests for committee assignments would be sent to Trustees this week for their consideration.

Trustee Brothers introduced and welcomed the new Staff Senate chair, Jeff Spradling. Mr. Spradling is director of the Robinson Scholars program and will serve as chair until June 30, 2014.

MM. Meeting Adjourned

Hearing no further business, Chair Brockman declared the meeting adjourned at 3:06 p.m.

Respectfully submitted,



Sheila Brothers  
Secretary, Board of Trustees

(ECR 1 and 2, NCR 1, PR 1, 2, 3, and 4, ASACR 1, 2, and 3, FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15, HRCR 1, and UHCCR 1 are official parts of the Minutes of the meeting)