

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, June 11, 2002.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, June 11, 2002 in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. Billy Joe Miles, Chairperson, called the meeting to order at 1:00 p.m., and Dr. Elissa Plattner gave the invocation.

B. Oath of Office

Paul Van Booven, Acting General Counsel, administered the Oath of Office to the following members:

Michael Kennedy, elected by the faculty to replace Loys Mather, for a term ending June 30, 2005.

Tim Robinson, who will serve as student trustee for the 2002-03 academic year.

Frank Shoop, reappointed by Governor Paul E. Patton, for a term ending June 30, 2008.

Billy B. Wilcoxson, reappointed by Governor Paul E. Patton, for a term ending June 30, 2008.

C. Roll Call

The following members of the Board of Trustees answered the call of the roll: Ms. Marian Smith Edge, Mr. John "Jack" Guthrie, Dr. Loys Mather, Mr. Billy Joe Miles (Chairman), Dr. Elissa Plattner, Dr. Claire Pomeroy, Mr. Steven Reed, Mr. Tim Robinson, Mr. Frank Shoop, Ms. Marian Sims, Ms. Alice Sparks, Dr. Grady Stumbo, Ms. JoEtta Wickliffe, Mr. Billy Wilcoxson, Mr. Russ Williams, Ms. Elaine Wilson, and Ms. Barbara Young. Absent from the meeting were Mr. Paul Chellgren, Ms. Pamela May, and Dr. Robert P. Meriwether. The University administration was represented by President Lee T. Todd, Jr., Acting Senior Vice President Jack C. Blanton, Senior Vice President and Chancellor of the Medical Center James W. Holsinger, Jr., Acting Provost Michael Nietzel, Acting Vice President for Research James Boling, and Acting General Counsel, Mr. Paul Van Booven.

Members of the various news media were also in attendance. A quorum being present, the Chairperson declared the meeting officially open for the conduct of business at 1:00 p.m.

D. Consent Agenda

Mr. Miles noted the following three items on the consent agenda and asked for a motion of approval:

Approval of Minutes - April 30, 2002
PR 2 Personnel Actions
AACR 1 Candidates for Degrees – Community College System

Ms. Edge moved approval of the Consent Agenda. Her motion, seconded by Ms. Wilson, carried. (See PR 2 and AACR 1 at the end of the Minutes.)

E. President's Report to the Board of Trustees (PR 1)

President Todd called attention to the following items in PR 1 and encouraged the Board to read all of items in the report:

1. Researchers at the University of Kentucky received \$7.2 million in funding for research on biochemical and environmental sciences projects under a \$13.5 million grant through the Kentucky Experimental Program to Stimulate Competitive Research (EPSCoR). The funds are shared with the University of Louisville and Murray State University which is another part of the vision of working with other institutions in the state.
2. President Lee T. Todd, Jr. accompanied Governor Paul E. Patton to Japan to reinforce the Commonwealth's standing as a business partner with that nation. Governor Patton gave President Todd a chance to address a group of 15 or more of the largest Japanese automotive suppliers. President Todd talked to them about their interest level in intern programs where some of UK's students can go to Japan to work and show off their Japanese language and their knowledge of Japanese business. President Todd also told them the University of Kentucky can provide support in a variety of ways with respect to research. President Todd pointed out that Japanese companies were recruited to Kentucky on the promise of tax incentives and cheap labor. If that is the main reason they are here, ten years from now when they amortize their plant investment, they could leave and go to the next cheap land and cheap labor place. President Todd mentioned he met some UK graduates who are interested in starting an alumni club in Hong Kong.
3. The University of Kentucky leads the southeastern states in the Southern Regional Education Board's (SREB) Doctoral Scholars program for minorities. Four doctoral students completed their doctorates in 2001 and nine more are working toward their doctorates this year. SREB recently recognized UK for being the leader.

4. The “Children’s Miracle Network Celebration” benefits the UK Children’s Hospital. In the past 15 years, they have raised more than \$7.5 million for the UK Children’s Hospital.
5. Sister Rosemary Howarth, General Superior of the School Sisters of Notre Dame, toured the Sanders-Brown Center on Aging recently when she came to UK to receive an Honorary Doctor of Letters degree. Sister Howarth is a strong supporter of the Nun Study.
6. Dr. Susan Scollay, Associate Professor of Administration and Supervision, has been appointed Academic Ombud for the 2002-03 academic year. She replaces Dr. Jeffrey Dembo who has served in this role since 1998. President Todd commented on Dr. Dembo’s superb job. He said that he has been extremely pleased with Dr. Dembo’s responsiveness, his empathy, and his ability to deal with issues in a very fair way. He is sure Dr. Scollay will do the same superb job.
7. Carr Sports Associates, Inc. of Gainesville, Florida has been selected to help UK find a new Athletics Director. President Todd gave a couple of reasons for that selection: Bill Carr was an Athletics Director at Florida and Houston, and Gene Corrigan, his associate, was the Athletics Director at Notre Dame and Virginia and then served as the Commissioner of the Atlantic Coast Conference for a number of years. Mr. Carr and Mr. Corrigan are highly respected in their profession. As a part of their proposal, they agreed to come to campus and interview employees in the Athletics Department as well as others across campus, give President Todd a report on their visit, and advise him on the type of leadership the University needed in an Athletics Director. President Todd reported that he has received that report, and he is getting closer to a short list of candidates. There are strong candidates interested in the position, and the position should be filled by the end of July.
8. UK staff elects first Staff Senate. There are 72 senators representing 56 precincts. The first meeting will be on July 11th. The Board of Trustees established the Staff Senate, and it is working very effectively.
9. Work-Life Retreat encourages balance in work and life for UK employees. This retreat was a recommendation by the Commission on the Status of Women. It consisted of an all day seminar attended by the great majority of deans and administrators as well as a select group of people around the campus. There were approximately 150 people in attendance. There were speakers from Michigan State and Microsoft talking about work life issues at those two institutions. The vision for the retreat was to study the type of population of employees the University presently has. Many of them are working two jobs. They have elder care issues as well as family issues. President Todd believes that the University needs to be as advanced as

possible. He expressed appreciation to Carolyn Bratt and her Commission for implementing this seminar.

10. President Todd commented on the Commission on Diversity and reported that the program for 25 African American undergraduates to work with the “Bucks for Brains” professors has been implemented.

F. Report on Grants and Contracts

President Todd said he was pleased to report that grants and contracts received are up 22.6% this year over last year at the same time. Significantly for the first time in the University’s history, the \$200,000,000 mark has been broken with \$200,057,188 received, and there is another month remaining. That is a very significant move forward, and it indicates the quality of the faculty at the University and the good work that they do. He pointed out some of the strategies taken which include opening the Washington, D.C. office, hiring a lobbying organization to represent the University, and hiring some additional grant writers. He said, in his opinion, these are things that will help the University continue its growth and move forward with its charge to achieve “Top 20” status.

G. Report on Kirwan Tower Accident

President Todd gave an update on the accident that happened May 2nd at Kirwan Towers when Jeffrey Pfetzer and Matthew Rzepka died after falling from a third floor window. This is the first time something like this has happened on campus. The investigation is still pending. It is public knowledge that the two of them were wrestling. Wrestling apparently takes place in the dorms because it is an “in thing” to do. The gentlemen had been wrestling for less than a minute when the incident happened. They went in an unfortunate direction toward the window.

President Todd stressed that the University has one of the strongest alcohol policies across the entire country. The University has good educational programs for all of the students who live on and off campus. Each student is asked to sign a contract that states that they understand the policy and agree to abide by it. He said, in his opinion, the policy is not a question.

During the last ten years, the need to repair or replace windows in the Kirwan-Blanding complex has been minimal. The windows in that complex met national building codes when the building was built and still meet national building codes as they are written today. The University will continue, however, to look and review the safety options. President Todd emphasized that he does not want something like this to happen again. He reported that an engineering firm is evaluating the possibility of putting a safety bar across the windows, and two bar configurations are being tested. If a metal bar is put across the windows at an appropriate height, the strength of the frame comes into question; therefore, the frames will be tested. President Todd said that he hoped a decision would be made within a month. He reiterated that the current windows meet the

present day code. He assured the Board that the administration is doing everything to make sure that this does not happen again.

H. Governor's Scholars and Governor School for the Arts

President Todd reminded the Board that UK is now offering scholarships to all of the Governor's Scholars and the Governor School for the Arts. There were 125 Governor's Scholars enrolled last year. The current acceptances are now at 250. President Todd said he was proud to report that the number has basically been doubled.

I. Report on Legacy Program

President Todd gave a report on the Legacy Program, a program to benefit alumni. Alumni who live out of state can send their children to the University at in-state tuition rates. The program currently has 91 continuing students. There are 109 freshmen and 23 transfers. The program brings the University good students, and it also builds bonds with the alumni.

J. Review of Architectural Plan for Administration Building

President Todd said that he gave his advisory committee a couple of guidelines for use in planning for the restoration of the Administration Building. He wanted the building to be an active building and full of life, not a holding place for administrators where people only come with troubles and other issues. He gave credit to Dr. Pomeroy for a comment she made to him about the Administration Building having its back turned to the campus and the student body. Following her comment, he began thinking about placing a door in the back of the building comparable to the front door; however, when you hire imaginative people who are professionals in their field, they come up with some even better ideas. Dr. Todd repeated the following quote made by Dennis Domer in an earlier meeting that day: "We want to reflect history but illuminate the future," referencing the design philosophy desired. President Todd said that this would be a multi-purpose attack on the way to design the building. He introduced Warren Denny, University Architect, who, along with others, has been working hard on the project and said that Mr. Denny would introduce the architects who will make a presentation.

Mr. Denny began with the history of the Administration Building. Following the fire, the first order of business was to stabilize the building, get it enclosed and protect it so that the University could proceed with the design at a normal pace. The University hired Jim Potts as the prime architect and the firm that would manage the consulting team on the project. This team includes Staggs and Fischer, a local mechanical engineer, Poage Associates, who has been working on the structural engineering, and Charles Phillips, an architectural conservator who has just finished a historic structures report on the Administration Building.

He mentioned the advisory committee that is working closely with the architects and Capital Project Management to react to the various issues that arise as the architects

proceed through the design process. The advisory committee consists of a student, Stephanie Letcher, two faculty members, Dennis Domer and Daniel Rowland, and Susan Mullins with the Bluegrass Trust and David Morgan with the Kentucky Heritage Council, all of whom have been very active in the project.

Mr. Denny explained the way he organized his remarks. Following the establishment of the advisory committee and the identification of the objectives that they wanted to follow in the design of the project, he felt it was necessary to seek the services of a consultant that had very specific design experience with this type of project. The consultant would be asked to help develop a program for the spaces that would go into the building and also to arrange those spaces in a very creative way. They looked at many national firms and, based on a long list of criteria, narrowed the choice to two firms that were clearly on a plateau above all of the others. Mr. Denny said that the selection committee focused on the experience factor because that would play a significant role in the success of the project.

He gave a PowerPoint presentation showing the Administration Building as it was when it was erected in 1882. He then showed a building at Case Western Reserve that was also built in 1882. Though the buildings represent two slightly different styles of architecture, they have a lot of resemblance in their appearance. Both buildings have experienced a great deal of physical change through their history, including changes to their exterior appearance, replacement of windows, and removal of towers. Both buildings have at one time incorporated a chapel, a bookstore, classroom spaces and administrative offices. Both buildings are at the heart of their respective university's identity. Both buildings were severely damaged by fire, and the universities were at risk of losing a very precious asset. Both buildings had the same elements remaining after the fire, basically the exterior walls. There was nothing of value left inside either building and so the base for a beginning was the remaining exterior structure. The loss was great for both institutions, but this tragedy created a great opportunity to improve upon the original condition.

Mr. Denny showed pictures of Adelbert Hall at Case Western Reserve as it looks today, pointing out the typical Board Room, the interior stair leading into a central space, and the skylight that illuminates the upper portion of the central space. Case Western Reserve staff told the architects that they wanted to preserve the character of the old building, but if there were ways to improve it, they also wanted to know about them. The architectural firm did an interpretive reconstruction of the building. While the original stair was replaced, it still maintains the original grandness. He said that the architects plan to "respect the past and illuminate the future." Mr. Denny introduced Robert Kliment and Frances Halsband of Kliment and Halsband Architects. He asked Ms. Halsband to make a presentation on the status of the design of the project today.

Ms. Halsband said it was a great honor and privilege to be at the meeting. She said that they began the process with five principle objectives in mind:

1. Reflect the past and illuminate the future

2. Look at the history of the building
3. Look at the site
4. Look at the program
5. Review a series of cultural and legal requirements

Ms. Halsband said that the building needed to be brought up to code. It needs to be accessible, which means elevators, entrances with no steps, bathrooms, air conditioning, internet access, and all of those things that are essential today. Some attention also needs to be given to energy conservation standards.

Ms. Halsband reviewed some history of the building and discussed the proposed design for the building. She said that they had begun some preliminary sketches of the building and hoped to be back at a later date with some wonderful conclusions. She displayed various photographs of the building and noted that the building turns its back on campus because originally there was a power plant behind the building. She reported that the building has had three different sets of windows, four different roofs, and probably four or five interior renovations. There had been a room that was used as a chapel, and two columns are the only remaining architectural features of that chapel. She said that they have great plans for keeping the two columns. The original plan of the building was mostly just classrooms in the four corners and a big open space in the middle.

She then talked about the proposed offices and conference rooms that would be in the restored building. She noted that there would also be an electronic classroom in the building and a new public room that would seat 110 people. She said that they do have a detailed program for the building; however, this was just a summary to keep the Board informed.

Ms. Halsband reviewed the landscape plan for the building. She talked about the lawn and wonderful green space in front of the building. She said that they plan to offer suggestions about the concrete pavement surrounding the Administration Building and the elevation of the site. One of the things that they discovered is the grade around the building has been raised, and that explains why it is so damp on the first floor all the time. She said their proposal is to go back to the original grade that was around the building. She also mentioned moving the statute of President Patterson to the middle of Patterson Plaza.

In conclusion, she said that she understood that there is a proposal for making Scott Street a part of a traffic connector system. When that happens, it might be wise to move the end of Administration Drive from where it is today to align with the intersection of Limestone Street and Scott Street to improve safety and make an easier place for crossing and stopping. Following the presentation, Ms. Halsband entertained questions from the Board.

Mr. Wilcoxson asked if the University had received the insurance money.

President Todd replied that the University had received the money; however, some of it had to be spent for computers, relocation costs, and drying documents. He reported that there is about \$8 million available to apply toward the project but that was not enough. He explained that it would cost \$14.5 million without changing the grade. If the grade is changed, the cost goes to \$16 million. Those are the rough figures now. It would take either \$6.5 or \$8 million to complete the project.

Mr. Shoop asked if the additional \$8 million would provide more usable space or just improve the appearance.

President Todd said that it would integrate better into the campus and create more green space. That is the main reason for doing it. You get the same program space internally for both \$14.5 million and \$16 million. He said that he did not know how firm the number is. It is a ballpark figure.

Dr. Pomeroy said that the more expensive option gives a “center of campus feeling” and that might be worth a significant investment to get that.

Ms. Young asked what the Development Office had to say about raising \$8 million. She said it sounded like a lot of money, but it did not sound like a huge amount of money. The University is getting a building and, in her opinion, it should not be done halfway.

President Todd said that he always watches the dollar amount, but he is leaning toward the landscaping in order to try to change the way the place looks.

Mr. Shoop said that he thinks the Administration Building is the most important building on campus, and for \$16 million, the Board needs to make a decision to do it right.

President Todd said the administration was not ready to pass on the motion; however, he will save that motion.

Mr. Shoop said he would make the motion when it is the proper time.

President Todd said that was the right attitude, but they were still trying to settle on the exterior. He mentioned that the skylight in the top of the building might require a roof change, and the roof is a big issue because it needs to be made functional so the 2,000 to 3,000 square feet of useless space in the attic can be utilized. He said that he liked the plan to have the Visitor Center in the building, to have the classrooms back, and the feeling of a museum. He said he would like for every student to feel like that building is a part of what they want to join. He recalled when his dad visited him at MIT before he passed away, and remembered his dad reading every inscription on every wall in the place. He said he would like to have people meandering through the building and reading about the history. He said he would just like to see people in the hall.

Dr. Mather said that he was perplexed about the Corinthian columns. He said they looked like they were on the east side of the building in the pictures, and they are actually on the west side. He asked if they would be worked into that large room.

Ms. Halsband explained that the columns are changing from one side to the other. They will be in front of the new public room. The original room took up the entire center of the building, and the proposed new public room will be a much smaller room.

President Todd recognized the members of the advisory committee in the audience. He said he appreciated the preservationist and the restoration support. They are very willing to program the building internally as a modern building while preserving some aspects of the building. He said he thought the terraces would become places that can be used very effectively, and they will also give an openness to the building beyond what he had ever imagined.

Mr. Miles asked the members of the advisory committee to stand and be recognized, following which they received a round of applause.

Mr. Guthrie asked if there was a target date for walking in the front door.

Mr. Dall Clark said it would probably be late fall 2003.

Mr. Denny said with the floor plans developing as they have, that's a major milestone in the design schedule.

Ms. Sparks said that she appreciated the fact that the University did seek the help of a preservationist because she was not sure that was on the agenda.

President Todd agreed that it is an important piece of the project. It also helps to have Dennis Domer on campus as a faculty member now. He has graduate students, and this is a real live project for the students and faculty. That has been one of the more refreshing parts of this project.

Mr. Miles asked about student involvement in the project.

Mr. Domer replied that one student is doing a master's project. The students are more involved in this building than ever in the history of the University. This has been a great thing for the students and faculty in the College of Architecture. Mr. Domer received a round of applause.

With no further questions, President Todd thanked the architects and the advisory committee for attending the meeting.

K. Vice President for Student Affairs

President Todd reported that there would be a press release about the University's search for a new Vice President for Student Affairs. The search has been completed and as of June 10th negotiations were finalized with Patricia Terrell. She is the Vice President of Student Affairs at Utah State University. He reported that Dr. Terrell received her degree from the University of Kentucky and still has relatives in the state. She will be joining the University next semester. He said that Dr. Terrell is an outstanding candidate, and she had very strong support when she came for the interviews.

President Todd noted that the position has been elevated. Dr. James Kuder, who holds the position of Associate Provost, is retiring. Given the significance of the students, the student activities, and the fact that this position involves the entire campus, it has been elevated to Vice President for Student Affairs.

President Todd thanked the search committee for doing a super job. He reported that there were over 100 applications for the position, and he said that he is thrilled with the outcome. He noted that this is just a report because the deal was just closed, and no action was necessary at this meeting.

L. Proposed Amendments to the Governing Regulations (PR 3)

President Todd reminded the Board that PR 3 was discussed at the last meeting. It has passed the 30-day period, and the recommendation is to modify the Governing Regulations. He recommended approval of PR 3.

Mr. Miles asked Dr. Mather if he had any comments.

Dr. Mather reported that this is one of two items coming out of the Ad Hoc Committee on Board Structure. The recommendations in PR 3 have received favorable review from across campus and are ready to go forth.

President Todd said that a faculty member did point out that the numbering and lettering in two sections are the same, and that will be addressed with the staff.

Mr. Miles called for a motion. The motion was made by Ms. Sims to approve PR 3, and Mr. Williams seconded the motion. Mr. Williams called attention to a couple of minor changes that were recommended by the University Senate and the Faculty Senate in PR 3. He said they were in Section 3 at the end of the last sentence of the last paragraph about the President's attendance at meetings of the Executive Committee and also at the end of Section A of the Executive Committee. The Faculty Senate recommended that the Board get input in the performance review process of the President from the University Senate, the Staff Senate, and the Student Government Association. That is an addition from the last Board meeting.

Mr. Miles called for a vote, and the motion carried. He thanked Dr. Mather for the good work of the Ad Hoc Committee. (See PR 3 at the end of the Minutes.)

M. Reappointment of the Executive Director of the University of Kentucky Research Foundation (PR 4)

President Todd said he would like to recommend approval of PR 4. He noted that the recommendation had already been before the University of Kentucky Research Foundation. The recommendation is to reappoint Dr. James Boling as Executive Director of the University of Kentucky Research Foundation through December 31, 2002. On motion made by Ms. Sparks, seconded by Mr. Guthrie and carried, PR 4 was approved. (See PR 4 at the end of the Minutes.)

N. Appointment/Reappointment of Board of Directors University of Kentucky Research Foundation (PR 5)

President Todd said that PR 5 is another University of Kentucky Research Foundation issue. He recommended approval of the appointment of Pamela May as a Trustee member for a three-year term ending June 30, 2005 and the reappointment of Henry Jackson as a public member for another three-year term ending June 30, 2005 to the Board of Directors of the University of Kentucky Research Foundation. Ms. Sparks moved approval of PR 5. Ms. Edge seconded the motion, and it passed. (See PR 5 at the end of the Minutes.)

O. Agreement Between University of Kentucky and Kentucky Medical Services Foundation (PR 6)

President Todd said that PR 6 recommends the approval of the agreement between the Board of Trustees and the Kentucky Medical Services Foundation (KMSF). He pointed out that the agreement changes some dates as compared to the prior agreement, states the annual allocation of the Dean's academic enrichment fund, modifies the Foundation's authorization to bill and collect certain specified items, clarifies the provisions for use of University facilities and provides the Dean of the College of Medicine authorization to waive or reduce charges against clinical income. He said that the document is very similar to the document previously approved by the Board. The changes are rather minor modifications to a document that has been in use for some time. Mr. Shoop moved approval. Ms. Edge seconded the motion, and it carried. (See PR 6 at the end of the Minutes.)

P. Appointment to Board of Directors of the FUND for Advancement of Education and Research in the University of Kentucky Medical Center (PR 7)

President Todd said that PR 7 recommends that approval be given to the appointment of Mira Ball 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 beginning July 1, 2002 and ending June 30, 2004. Dr. Pomeroy moved approval. Ms. Sims seconded the motion, and it carried. (See PR 7 at the end of the Minutes.)

Q. Report on Result of Alumni Member Election (PR 8)

President Todd said that PR 8 is the Report on the Result of the Alumni Election that has taken place. He recommended that the report of the Secretary of the Board of Trustees be received and put to record, and that she be authorized to certify to the Governor the names of the three persons receiving the largest number of votes from which list a successor to Jack Guthrie will be appointed. Mr. Guthrie moved approval. The motion, seconded by Ms. Edge, passed. (See PR 8 at the end of the Minutes.)

R. Ad Hoc Committee on Board Structure Report (AHCR 1)

President Todd said that Dr. Mather had asked Chairman Miles if the Ad Hoc Committee Report (AHCR 1) could be moved up to this point on the agenda because Ms. Young will be making a presentation in that regard, and she needed to leave the meeting early.

Dr. Mather reminded the Board that at the December meeting Chairman Miles reconstituted the Ad Hoc Committee and gave them, at that point, a two-fold charge. The first charge was to review the charges and structure of the Board of Trustees committees. That charge was completed and handled in PR 3. The second charge was to review the Bylaws of all the UK affiliated corporations and related entities. He talked about the extremely interesting exercise of identifying 49 of them and finding out who these organizations are, what their charges are, and what their mission and responsibilities are. He reported that it was very worthwhile and would be interesting information for the President to use in orienting new Board members. He said that they reviewed the material in considerable detail, looking at the role and function of each of the organizations.

Dr. Mather said that he wanted to thank the staff in the Legal Office, Dr. Blanton and his staff, Henry Clay Owen, Frank Butler and Kathy DeBoer, who were extremely helpful to the Ad Hoc Committee. He said the Committee would not have been able to put the report together were it not for the wonderful cooperation and participation from the administration. It was a committee that hung together and seemed to refuse to die. It was a hard working group.

Dr. Mather explained that the Committee divided into working groups. Russ Williams coordinated the review of the current Board committee and those charges. Barbara Young coordinated the effort for the review of the affiliated corporations. He pointed out that the Committee tried to let the Board have as much opportunity for input as possible. He mentioned the draft materials that were sent to the Board prior to the May 28th meeting inviting them to provide written feedback and to attend the meeting. He then asked Ms. Young to walk the Board through the Committee's report.

Ms. Young said that the current proposal differs very little from the draft proposal presented May 28th to the Committee. A couple of things were reworded, a few comments were added and the location of some statements may have changed. But basically, the report is the same as the one distributed to the Board prior to the May 28th Committee meeting. Since the Committee did not receive any responses from the Board, the Committee assumes it has the Board's approval.

Ms. Young said that Dr. Mather asked her to help try to organize the corporations and entities for him. She talked about the difficulty she had in getting started on the project. She then realized that she must separate things out and organize them according to categories. The two things that the Committee kept talking about were accountability and consistency. Those two things were lacking throughout this whole group of entities. She said they knew better than that, and they wanted to make sure it did not happen anywhere else.

She reviewed the report and said that the first two pages of the report are definitions of the entities. Section A consist of general guidelines that the Committee feels should apply to any organization, corporation or corporate entity associated with the University of Kentucky.

Ms. Young said that the Committee took all of the affiliated corporate boards and related groups and broke them down into groupings. The first large group was athletics. She said they defer basically to Professor Lawson's group in giving some sort of direction but recommend that the general recommendation in Section A be followed by athletics. They have some very specific recommendations for the Athletic Association Board of Directors; however, they know President Todd said that he is also thinking about how that Board is going to be structured. The Committee is not saying that this is exactly the way to do it. It just has some thoughts on that. Basically, the Committee is striving for accountability.

The next section of the report is related to the University of Kentucky Medical Center, including the University Hospital and everything associated with it, i.e. profit and non-profit organizations. The Committee felt that the oversight of the Hospital Board over the Medical Center was a little bit confusing. It does not have a lot of oversight except in the approval or disapproval of applications for medical staff membership and clinical privileges. Historically, that has not been a problem, but the Committee believes it is a good idea to look at the Hospital Board and see how it should be structured in the future, the need for the Hospital Board and the type of oversight they should have. The Committee does not have any answers on this. The Committee feels it is a good time to look at it. If a decision is made to keep the Hospital Board as it is, the Committee would recommend that it be enlarged. Often, it has been difficult to have a quorum with only five voting members.

The Committee had a couple of other recommendations; however, its main focus was on these two groups, the Athletic Association Board of Directors and the University Hospital Board of Directors. The Committee asks that the Trustee representatives on the

Hospital Board and the Athletic Association Board make a report to the Board of Trustees after every meeting. For the rest of the organizations the Committee refers back to general recommendations. The Committee also recommends that the Trustee representatives on the Boards of the affiliated foundations make a report to the Board of Trustees on what the organization is doing at least once a year.

The Committee also recommends that the University of Kentucky National Alumni Trustee representative report back to the Board of Trustees following their annual meeting.

In conclusion, Ms. Young mentioned the other two groupings: entrepreneurial and other related organizations. The general recommendations in the front of the report are the most important things. She apologized for any confusion, but said the Board could not imagine how confusing it was to the Committee.

Dr. Mather thanked Ms. Young. He said if the Board will note from the cover page, the Ad Hoc Committee was not trying to make changes specifically. The Committee is not trying to tell the administration how to correct or deal with situations; rather the Board should look at this mostly as an oversight role. The Committee was looking at this as an oversight responsibility and turning over the recommendations based on their review and study to the administration and leaving it for their consideration. In his opinion, that is a healthy role for a Board Committee to serve as opposed to dabbling or micromanaging. The Committee stayed in close contact with the President in terms of an oversight role and recommendations to the President and the administration. He said that the Committee's recommendation is that the report be received and approved by the Board of Trustees for submission to the President for his consideration and appropriate action. He moved approval of AHCR 1. Mr. Shoop seconded the motion, and it passed unanimously. (See AHCR 1 at the end of the Minutes.)

Ms. Edge said that she would like to personally commend the Committee for such hard work. It is obvious that this is a piece that needed to be gathered together. She thanked them very much, and said their recommendations were great.

S. Academic Affairs Committee Report

Ms. Sparks reported that the Academic Affairs Committee met that morning and approved the Candidates for Degrees for the Community College System. AACR 1 was on the consent agenda, and the Board had already voted it.

T. Disposal of Personal Property (FCR 1)

In the absence of Mr. Chellgren, Chairman of the Finance Committee, Vice Chairman Stumbo reported that the Finance Committee met. He said that FCR 1 gives the administration and the President permission to dispose of property that they deem to be excess or of no use to the University for value less than \$10,000. Anything greater than \$10,000 still comes to the Board on an issue-by-issue basis. He said that the Finance

Committee recommends the adoption of FCR 1, and he so moved. The motion, seconded by Ms. Wilson, carried. (See FCR 1 at the end of the Minutes.)

U. Report of Leases (FCR 2)

Dr. Stumbo said that FCR 2 involves two leases. These are both renewal leases and are at the same rate they were last year. They have been in place, and it is just simply an extension. The administration recommends approving these renewals. He said that the Finance Committee approved FCR 2, and he recommends the approval. Ms. Edge seconded the motion, and it passed. (See FCR 2 at the end of the Minutes.)

V. Approval of Leases (FCR 3)

Dr. Stumbo said that FCR 3 is a request for three renewals for exactly the same rate and the same square footage that the Board approved last year. It is also requesting approval of a new lease. It will bring two University Medical Center programs closer together. He said that the Finance Committee recommends approval of FCR 3, and he moved approval. The motion, seconded by Ms. Wilson, carried. (See FCR 3 at the end of the Minutes.)

W. Authorization to Sell 35.58 Acres of Gift Property in Woodford County (FCR 4)

Dr. Stumbo said FCR 4 involves 35.5 acres of land in Woodford County owned by the University. In 1991 Mr. Allen Paulson made this gift available to the University. The College of Agriculture does not have any use for the land. They have asked and recommended that the land be sold.

He reported that the property is currently leased to former Governor Louie Nunn. Governor Nunn's lease extends through June 30, 2005. There was some extensive discussion at the Finance Committee about this piece of property. Following that discussion, President Todd and Dr. Blanton recommended that the Committee approve the sale.

Dr. Stumbo explained that the money from the sale would go to establish a quasi-endowment for student scholarships. The property will be appraised and will be sold by public auction or sealed bid. The Committee was informed that there are people interested in purchasing the property.

One issue with the property is Governor Nunn's lease on it. Dr. Blanton informed the Committee that they would make the purchaser aware of the lease obligation to Governor Nunn. The Committee did not resolve how that gets worked out; therefore, the lease extends through June 30, 2005. He said he thought it was the general intent of the Finance Committee that having that lease agreement on the property may in fact make the purchaser not want to pay as much for the property. He said, in his opinion, the University should not suffer financially because of the lease, and it should get the top

dollar for the property. He reported that the Finance Committee did authorize the administration to proceed with selling the property. Dr. Stumbo moved approval of FCR 4. Ms. Wilson seconded the motion.

Mr. Wilcoxson asked about the difference in the appraised cost per acre versus the cost per acre when the University originally received the property as a gift.

Dr. Blanton said Mr. Paulson put his value of \$1.2 million on those 35.58 acres at the time he gave the property to the University. You can divide 35 into \$1.2 million and that will give you the value of the property at that time. Dr. Blanton said they are relatively certain it is going to appraise for several hundred thousand dollars more than that when they receive new appraisals on the property.

Mr. Wilcoxson asked if Dr. Blanton was saying that the need for the dollars for the endowment is now, taking also into consideration what that acreage might be worth another five years from now.

Dr. Blanton said that was correct. The administration hoped to put it in a quasi-endowment that would grow over time, and the University would be better off to convert it to uses that it now has.

Mr. Miles asked if there were any other questions. He called for a vote, and the motion carried. (See FCR 4 at the end of the Minutes.)

X. Authorization to Sell 21.875 Acres of Agricultural Experiment Station Land Off the South Farm in Fayette County (FCR 5)

Dr. Stumbo said FCR 5 is an authorization to sell 21.875 acres of agriculture land. In 1956 Dean Frank Welch purchased from the College of Agriculture funds 202.491 acres of land in southern Fayette County for use as an Experimental Research Farm. In later years, the University donated 10.094 acres to the state for the Waveland Historic Site, and a 42.960-acre tract of the farm was severed from the main body by the construction of Man-O-War Boulevard.

The 21.875 acres is transected by a railroad track, and currently is being used by the Department of Horticulture. The property no longer serves the needs of the Department of Horticulture. The recommendation is to authorize the sale of this property, and that the assets benefit the University, specifically the Department of Horticulture. Dr. Stumbo moved that the administration be given permission to proceed with the sale of this property. Ms. Sparks seconded the motion, and it carried. (See FCR 5 at the end of the Minutes.)

Dr. Stumbo said the Finance Committee did not act on FCR 6 pending a recommendation by the President that would be made at the end of the agenda.

Y. Patent Assignment Report (FCR 7)

Dr. Stumbo asked Dr. Boling to present FCR 7.

Dr. Boling said the Patent Assignment Report was discussed in detail in the Finance Committee, and the recommendation is for the Board to accept it.

Dr. Stumbo said that the three patent proposals are straight-forward, and he moved the adoption of FCR 7. Ms. Wilson seconded the motion, and it passed. (See FCR 7 at the end of the Minutes.)

Z. Gifts and Pledges (FCR 8 –20)

Dr. Stumbo called on Mr. Mobley to present the gifts and pledges.

Mr. Mobley gave the following report:

FCR 8 - acceptance of a gift of \$200,000 from an anonymous donor. It is a \$100,000 cash and \$100,000 pledge to the Department of Athletics for the baseball stadium renovation project.

FCR 9 - acceptance of a gift of \$360,000 from an anonymous donor. It is a gift of \$160,000 and a pledge of \$200,000 to the Department of Athletics for the baseball stadium renovation.

FCR 10 - acceptance of a gift of \$183,163 from the estate of John and Betty Heick. Mr. and Mrs. Heick were very involved in the College of Agriculture, and this gift is to fund an endowed scholarship fund that will bear John's name in the College of Agriculture.

FCR 11 - acceptance of a gift of \$50,000 and a pledge of \$150,000 from the University's northern Kentucky friend R. C. Durr. The gift and pledge are for a scholarship fund for the Governor's Scholars Program and the Governor's School for the Arts scholarship fund. Mr. Durr has been very generous to the University, and this once again represents his extreme generosity.

FCR 12 - acceptance of a gift and pledge totaling \$750,000 from the Ford Motor Company. It is a gift of \$150,000 and a pledge of \$600,000 for the College of Engineering.

FCR 13 - acceptance of a pledge of \$50,000 from Secat, Inc. located at Coldstream Research Park campus to create and endow an Aluminum Professorship in the College of Engineering.

FCR 14 - acceptance of a \$125,000 pledge from S. Oden "Denny" Howell from Louisville to create and endow a fellowship in economic education in the College of Education. This pledge is to honor his wife, who is one of the University's graduates.

FCR 15 - acceptance of a gift of \$82,800 and pledges totaling \$262,850 from several individuals to establish the Gloria W. Singletary Professorship/Chair in Women's Health at the Chandler Medical Center. He mentioned the donors who have been extremely generous to honor such a deserving individual.

FCR 16 - acceptance of a gift of \$50,000 from Kentucky Medical Services Foundation (KMSF) to establish and endow the Infectious Diseases Research Professorship in the College of Medicine's Department of Internal Medicine.

FCR 17 - acceptance of gifts and pledges totaling \$197,926 from 60 donors to create and endow the Gifford Blyton Endowed Professorship in Oral Communications and Forensics in the College of Communications and Information Studies. Dr. Blyton was a debate coach for some 25 years at the University and has been a wonderful representative of the University.

Dr. Stumbo said that Mr. Chellgren, who chairs the Finance Committee but could not be present at this meeting, asked him to read the following letter on Dr. Blyton's behalf:

"I am sorry to miss the June Board meeting because of the date change. I was especially looking forward to presenting and getting Board approval of the Finance Committee agenda item FCR 17 for personal reasons. I came to UK in the fall of 1960 to a considerable extent in order to debate for Gifford Blyton. He was a special mentor, teacher and role model to me and many others. The outpouring of gifts supporting this professorship demonstrates the respect and admiration his fellow students hold for Dr. Blyton.

Dr. Blyton, the University, the Board and I personally thank you for your great contributions over so many years."

Dr. Stumbo called upon Dr. Plattner to introduce Professor Blyton and some others in attendance.

Dr. Plattner introduced special guests Dr. Gifford Blyton and Marian Blyton and asked them to stand and be recognized, following which they received a round of applause. Dr. Plattner also recognized their son, Ben, who had accompanied them.

Dr. Plattner said that during President Frank Dickey's administration, Dr. Blyton's program soared through the heavens. She said that she developed her strong voice because Dr. Blyton once yelled at her in the backseat of his car as

they were off to a debate, “Speak up girl. They will never know what you are saying.”

She recognized some former debaters in the audience: Earl Martin from Hartford, Gary Detraz from Lexington, Ed Hastie from Lexington, and Stan Craig who lives in North Carolina, Dr. J. W. Patterson, the Debate Coach who succeeded Dr. Blyton and so admirably continued the great work of the program, Dr. Jim Kuder, the Vice Provost for Student Affairs who is responsible for the Debate Program, and Dr. David Johnson, Dean of the College of Communications and Information Studies which is the home of the Blyton Professorship. She expressed thanks to all of them, and they received a round of applause.

Mr. Craig asked to say the following words about Dr. Blyton:

Dr. Blyton came to the University of Kentucky in 1948. He was recruited by Professor and President, Dr. Donovan. Dr. Donovan wanted the University to have a program that would excel. The University of Kentucky excelled in Athletics, and they wanted to know if there was an academic program in which the University could gain the same recognition.

Dr. Blyton served as Debate Coach from 1948 to 1971, and that year the University of Kentucky became recognized as the most outstanding Debate Program in the United States. It has been a long tradition to have a combination of not only academics but athletics at UK and that is recognized again today.

Mr. Craig shared a 1913 trophy from the University Debate School with the Board. He said that they never had a place to display the recognition that the Debate Program deserves. Bernie Shively, Harry Lancaster and Adolph Rupp were not only great leaders in the athletic program, but they also supported the work of Dr. Blyton. They were financial supporters for the University Debate Program. In keeping with that tradition, the Athletic Association has contributed \$25,000 to construct a Debate trophy case which is now in White Hall. He said all of the trophies that were once buried in the bottom of Patterson Hall now have a place to call home. He thanked the Athletic Association for making this possible.

Mr. Craig said that it is really important to recognize Dr. Blyton and Marian for their work. There are a number of people who were participants in the Debate Program who would not have been able to attend nor graduate from the University of Kentucky had it not been for Dr. Blyton. They would not have been able to enjoy an education from this great institution had it not been for Dr. Blyton. Supporters of Dr. Blyton have come from around the country to this meeting to recognize Dr. Blyton and Marian for their great contribution and to say to President Todd in his efforts to combine athletics and academics that they think that is done so well in the Debate Program and the Athletic Association.

He thanked President Todd for recognizing faculty members because sometimes the unsung heroes of the great university names are never mentioned except by students. He said that this is one group of students who wanted to recognize a professor who made all the difference in their lives and continues to do so. They are hopeful that by endowing the scholarship that 25, 30, and 40 years from now there will be another student standing here saying oral communications and the University of Kentucky changed our lives because of what Dr. Blyton did. He thanked Dr. Blyton, following which he received a round of applause.

Mr. Mobley continued with the gifts and pledges.

FCR 18 - change the name of an endowment in the Medical Center from the U.S. Surgical Professorship in Medical Management to the U.S. Surgical Endowed Professorship.

FCR 19 - change the name of an endowment in the Medical Center from the U.S. Surgical-Pfizer Professorship/Chair in Medical Management to the U.S. Surgical Endowed Professorship.

FCR 20 - reappropriation of funds from the estate of Jes and Clementine Schlaikjer for the study of infectious diseases. FCR 20 will terminate one chair, establish two endowed professorships and rename a chair. This reallocation will result in a funding level of \$4 million each for the three chairs, and of \$250,000 each for the two professorships.

Dr. Stumbo recommended the adoption of FCR 8 through 20. Mr. Shoop seconded the motion, and it passed. (See FCR 8-20 at the end of the Minutes.)

AA. Investment Committee Report

Mr. Wilcoxson, Chairman of the Investment Committee, said that the Committee met that morning. He reported that as of March 31, 2002 the University had \$448.5 million in its endowment. Overall the endowment posted an average total return of 0.8% for the quarter ending March 31, 2002 compared to 0.4% for a blended market index, an out performance of 40 basis points over the capital market indexes.

He reported that the Committee met on May 9, 2002 and four finalists firms were interviewed for an investment consultant. The Committee selected Ennis Knupp and Associates headquartered in Chicago, and they will serve as our endowment investment consultant in the future.

He said the University is in the process of a fixed income manager search. The Committee plans to meet in July to interview and select managers for the fixed income allocation of approximately \$130 million which represents 30% of the total endowment. Mr. Wilcoxson said he would be pleased to answer any questions.

Mr. Miles asked Mr. Wilcoxson to elaborate on the fixed income allotment.

Mr. Wilcoxson stated the return for the fixed income manager was -0.8% for the quarter, compared to the Lehman Brothers Government/Corporate bond index of -0.5%. Since inception, the fixed income portfolio returned 6.8% compared to the bond index of 7.1%, representing an underperformance of 30 basis points.

BB. University Relations Committee Report

Mr. Guthrie, Chairman of the University Relations Committee, reported that the Committee met that morning. They were given an overview of activities that are currently going on in the governmental relations area, primarily in Washington and the Washington office in cooperation with the University of Louisville. He said that the University is already having some results, and certainly the future looks bright on that arrangement.

The Committee reviewed the State of Kentucky legislative activities. Since there is not a state budget, the Committee could not talk too much about the budget. They just know how the organization works. The Committee offered its continued help and also that of the Board to any assistance that might be needed for legislators and government officials.

Mr. Guthrie reported that they talked about the future marketing plans that are on the table and reviewed them with Tom Harris and Mary Margaret Colliver. He said that graphic standards were discussed and noted that PMS 541 is the official blue for the University.

Mr. Guthrie said the Committee also talked about the Board receiving a packet of news clips, especially the national clips of significance, on a monthly basis so that they will be up-to-date on what is being said nationally. He said everyone should also be reading The Courier Journal and the Herald-Leader as well as some other newspapers around the state.

Ms. Sparks asked if the mailing would include The Courier-Journal and the Herald-Leader.

Mr. Guthrie replied that it would not include those two. In his opinion, the Board has a responsibility to read those newspapers.

Mr. Guthrie reported that the Board of Trustee web site is in place. He encouraged the Board to review the web site.

Mr. Guthrie said that the Chair of the Kentucky Kernel Publication Committee, Jay Blanton, has made an offer for all Trustees to receive a subscription to the Kentucky Kernel during their respective terms of office. He said that he would be sending each of the Board members a letter with an enclosed postcard asking if they wish to receive the

Kernel. The Kernel is an outstanding publication. It gives Board members an opportunity to know what students are thinking and see some of their work. It will be mailed on a weekly basis to those members who wish to receive it.

CC. Operating Budget for Fiscal 2002-03 (FCR 6)

President Todd presented the budget for fiscal year 2002-2003. He said it is hard for the University to have a budget when the state does not have a budget. The University is operating under the assumption that the budget that was proposed by Governor Paul Patton in House Bill 1 is the one that the Governor appears to be going to operate under. Given that assumption, the University has targeted its budget to operate under those same guidelines. He noted that the Governor cannot approve bonding. Hopefully, the State will have a budget by January, and the bonds for the "Bucks for Brains" program will go forward. With the exception of the bonding issue, the other operational dollars will be as they were in that plan. If there are changes in the state budget, the University will obviously have to revisit its budget. He said he would be asking the Board to vote on the budget as proposed with that one caveat. He presented a series of slides and elaborated on each of them.

He reported that the budget is \$1.341 billion. This is up approximately 2.7 percent over last year. The University gets 23.4% of its funding from the State. He pointed out that this is the first year that hospital revenues (23.9%) have actually exceeded what the University has received from the State. He reviewed the various areas that make up the budget, including tuition, general fund money, money received from fund balances, sales and services, investment income, etc. He mentioned the restricted portion of the budget, the non-general fund contribution to the total from federal and non-federal appropriated spending. He noted that auxiliary services money stays within their area because they are supposed to stand on their own.

He then explained the way the University expends these funds: 58.3% to employees, a small amount for capital outlay and mandatory transfers primarily for debt service, and 36.8% for current expenses. These funds are broken down and distributed according to certain tasks. The 23.8% of funds generated by the Hospital are consumed by the Hospital, 20.1% for instruction, 15.6% for research, 12.7% for public service and about 28% for other support functions that take place such as auxiliaries, maintenance and debt service.

President Todd noted that the University's percentage that it gets from the state has been decreasing for quite sometime.

He explained that part of the reduction in the percentage is because the University is generating more money for its research functions and its auxiliary services. He said for the University to be really successful, we will have to look for alternative revenue sources. We are going to have to do things ourselves to increase our non-state income. We still want our fair share from the state, and we have always tried to keep our tuition as low as possible. We had about a 6% increase, and if you really look around the country,

there are an awful lot of states that have lost state revenue and are cutting back on higher education. The solution for those institutions is to ramp up the tuition substantially. We have tried very carefully to keep the tuition contribution as low as possible for a state where our per capita income is low. We have been true to our student mission in that regard.

President Todd said that the state has given the University the “Bucks for Brains” money during the last two sessions of the General Assembly. This amounts to \$134 million that the University gets over and above the operating money. In his opinion, this is the responsibility the state took upon itself when it challenged the University of Kentucky to become a “top 20” institution. It said you do not need community colleges to do that. We are going to ask you to forego the community colleges, take this money and build a “Top 20” institution. They have made that investment in the University. He said that he is very confident it will be made a third time, and he is very committed to the program. The percentage of money that great institutions get from their states has probably declined, too, because as you become great you drive up other revenue sources.

President Todd talked about the budget environment. He mentioned the \$6 million cut in the present year budget and said that it had to be taken into consideration when preparing the budget. He said that he knew that the University would get no new operating or capital dollars. The University still has people out there thinking that there could be some miracle that would give the University capital funds; however, he is not sure that he believes as strongly as they do. The legislators are certainly being told that we want capital for our projects, especially pharmacy and biology. He said that he did not assume that would happen in this budget.

The next piece of the environment dealt with widespread employee dissatisfaction with the University’s health plan. One purpose in this budget was to fix that issue.

Another part of the environment is faculty and staff salaries. This is always a concern because the University of Kentucky is behind its benchmarks. He reported that he did not have the latest data for this year, but it is clear that some other universities are having some trouble, too. The benchmark institutions will be reviewed; however, he still has a responsibility to try in every way he can to improve the salary situation. He wants to try to do something there, even given the budget uncertainty.

President Todd reported that he laid out four major objectives when he met with the budget group.

1. Find a way to absorb the \$6M state cutback without passing that reduction to the academic units.
2. Significantly improve health plan benefits to employees.
3. Give a modest salary supplement based on merit performance.
4. Fund program improvements.

He said that the group felt that it had to have a new way to look at the budget process and find more money. They decided to do some different things and try some innovation. He said that he would not take credit for the innovations that took place, but he is really proud of the budget and the thought that went into it.

He then reviewed the following innovations that provided funds:

Question: Could we reinvest the savings from administrative reorganization?

Answer: Yes, savings totaled \$1.25 million that was reinvested.

Question: Could we develop a sound cost accounting basis for allocating the cost of central services to self-supporting units? These are services such as purchasing, accounting and human resources.

Answer: Yes, made available \$3.1M with this concept.

President Todd said he wanted to reconstitute the general fund because if you have a self-supporting unit they can generate other revenue and other income. But, when a professor walks into a classroom they cannot generate any more money that day. They have to teach, and that is all they can do. He said they actually pushed out to the self-supporting units some of the services that they have been getting for free.

Question: Could we make more effective use of non-recurring funds available during this tough time?

Answer: Yes, \$16.4 million basically by looking very carefully at working capital.

President Todd explained that the working capital is what you use to run the place. Payments come in at a different time, and expenses come in at a different time. You have to have working capital. Working with the Treasurer and his organization, we came to the conclusion that we were very conservative in the working capital definition. This is a time that we felt we could tap it in order to put in some money so we could do some of the things that we felt we needed to do.

He said that while we are pulling down \$16.4 million, we are reducing our working capital. We will put some of that back in fairly quickly once we look at the books at the end of this fiscal year because we intend to get more revenue than what we budgeted for and under spent. Those two things will help build this back. But he did think that in this day and age if we can use the working capital more effectively to continue to grow the institution that's the right decision. He assured the Board that Henry Clay Owen would never have let them put the

University's cash flow in jeopardy. The University is still in very strong financial condition.

Question: Could we construct a model such that each department could pay miscellaneous fringe benefits, thereby making these costs chargeable to federal contracts and grants?

Answer: Yes, total savings using this process – \$3.9M.

President Todd said that these departments were getting by free in a sense because the general fund was paying for these expenses. Mr. Owen went through a process that was approved by the Department of Health and Human Services. They went through a methodology to come up with a new rate that was approved by Health and Human Services. As we go forward, we can attach that new overhead rate to federal contracts and grants, and that money will be brought into the institution rather than taking it out of the general funds. We picked up \$3.9 million dollars that we can use on a recurring basis by using this methodology.

Question: Could we adopt a new model for funding departmental operations?

Answer: Yes, the model yields \$4.9M.

For example, President Todd discussed the Robotics Center which has the ability to go out and do research and consulting on a contract basis with businesses in the state or anywhere in the world as an example. They can find those who will pay the tab and instead of them getting \$3 million out of the general fund, they will get \$1.5 million out of the general fund. They can go out and bring in new contracts and write more proposals to try to make up that difference.

He reported that they took a million out of athletics, a million out of UKRF, and a million out of development. He said they went out to those units where they felt that they could find that funding because they have that flexibility unlike the professor in the classroom. He said they were able to build up additional money into the general fund that way. He noted that they did not increase parking fees this year, and he thinks those fees have been increased rather regularly.

President Todd went back to the philosophy he mentioned in his inaugural address. He is trying to be true to the first principle, and that is that people are the University's most important commodity. You do not do any good by giving a 3% raise and then take it back through another means.

He said that these were the questions that were asked and the work that the group did to find some additional money to put recurring and some non-recurring money back into the general fund pool that can be reallocated for some advances. The decision made was to absorb the \$6 million without reducing the academic budget. They could implement the health plan task force recommendations and give a 3% salary supplement

to the faculty and staff. He said a recurring 3% raise would start in October to the hospital staff. A decision was made to treat the hospital as a business that is competitive and allow it to have the 3% salary increase. This means that the hospital employees get it into their retirement and their salary.

President Todd said that he was always told that the Friday after Thanksgiving would cost the hospital about a half a million dollars because those people have to work and the University would have to pay time and a half if it were made a vacation day. Since the hospital employees were being treated differently for the raise, then the rest of the campus could be treated differently for that holiday. The day after Thanksgiving will now be an official holiday for the non-hospital faculty and staff.

He reviewed the decisions to achieve all four objectives:

1. Used \$6M of recurring pool to reduce the budget base therefore protecting academic budgets.
2. Implemented the Health Plan Task Force recommendations
No increase for single employee coverage
Held benefits constant
Improved family coverage from 32% to 54%
Cost of \$5M to the General Fund budget, but when extended to self-supporting units the total cost is \$9.7M

President Todd asked Dr. Tom Samuels to talk about the health issue because it is important to see what the University is doing in this budget year.

He called attention to an article in the paper that said HMO rates jumped 20%. In light of that 20% jump, the University's HMO came in at 12% increase, and that made a lot of this possible.

Dr. Tom Samuels said none of it would have been possible without President Todd appointing the Task Force, letting them do their work, and setting a priority to fund it. After that is the existence of the Medical Center and the fact that we have been able to leverage that and provide benefits that are far superior for the University employees without having a substantial increase in cost. As President Todd said, UK's HMO came in at a 12% increase, and 22% is the average increase so far this year. It is increasing on a regular basis. UK's HMO has certainly done very well.

He reported that there were no changes in the plan benefits. There were no increases in out of pocket cost to the active employee in terms of the premium, nor were the benefits changed. The fact is that employees for the same cost or less cost for improved family coverage went from 32% of the cost being paid by the employer to 54%. The benchmarks are at about 90% of funding by the employer for the cost of family coverage.

Dr. Samuels talked about some of the things planned for next year. They want to start to try to control these costs and improve the benefits. The first thing is to make the member, the employee, a consumer of health care. In the past the patient has been basically a passive participant in the process of consuming health care services. The University's plan is to invest a substantial amount of money in educating the employees so they can be better consumers of health care. They can take on more of the responsibility. Over time, the plan is to be able to even pass some of the financial benefits of better husbanding of their benefits back to the employee.

He gave an illustration in Pharmacy where an employee takes the medication that they take on a regular basis to the pharmacists. The pharmacist goes through the medication and tells the employee how they might be able to get the same therapeutic benefit for a lower price. In working with the employee's physician, they see if in fact they want to change the prescriptions in order to get the same benefit but a lower price to the individual in terms of co-pay and a lower price to the plan in terms of what it cost the University for the medication. This is a win-win situation.

In addition, the University has many programs available in the wellness program. There is the Behavioral Health Intervention Program that allows individuals to work with obesity and other problems that contribute to disease. The program allows them to get involved, and be able to reduce the health care cost.

In addition, about 50% of Americans are considered medically literate in that they can participate in their own health care. The plan is to improve that. A specific program is planned at the University of Kentucky indicating to people that they really need to understand their own health care in terms of what kind of benefit they buy as well as what kind of health services they consume.

He reported that two new committees have been formed. One is a Quality and Access Committee that includes members from the Employee Benefits Committee so that employees can be involved in working with the both health plans, UKHMO and Humana, which is the University's third party payer for the PPO plans in order to be able to improve the access and quality of health care provided to the employees. The second is a Retiree Committee to help advise employees on how to construct benefits to better coordinate with Medicare in order to better provide benefits to individuals that have early retirement.

In conclusion, he said that it has been a very exciting time, and he thanked President Todd. In his opinion, the University and the employees have been the winners.

President Todd gave praise to Dr. Samuels. He said the manner in which Dr. Samuels ran that exercise was absolutely a picture perfect way of doing it. It involved everyone and cut through a lot of controversy. It came through a lot of decision-making, and he is very proud of that decision.

President Todd reported that the next objective was to implement a 3% salary supplement on a non-recurring basis. This is the novel way of doing things that has not been done before. Each employee will get a one-time check. It will be based on merit performance for the previous year at a cost of \$7.6 million. This is some of the money that was taken out of the working capital because it is a non-recurring one-time expense.

He reported that the fourth objective was to invest into some new programs. He mentioned the innovative funding from the University of Kentucky Research Foundation (UKRF) where the University is funding 11 grant writers to help faculty members put out more proposals. That is covered in the budget as well, and he is very pleased about that.

President Todd said he wanted to highlight a couple of initiatives that are being funded out of his budget. One is the Commission on the Status of Women and the other is the Commission on Diversity. There is not a fixed budget for these two initiatives. Professor Carolyn Bratt and Dr. Deneese Jones inform him of their needs. These initiatives are actually funded at the same level. The only difference in the two is the basic salaries of the individuals involved, and that is the only reason those two numbers are not the same. They share a clerical person. Equipment, operating expenses, and programmatic needs are provided.

In addition, some capital had to be funded because there are some things that just needed to be done. President Todd said he was pleased to say that the Koinonia House renovation is \$397,000. This House provides Everett McCorvey and his vocal program with some practice rooms. It allows him to outfit the lower floor of that building with some practice rooms. This stands as an example of how we are aligning our investment with our Future's Committee decisions because that was one program that they earmarked as an outstanding program for future growth.

He reported that the Library Science Library is moving to the Lucille Little Library located in the old King Library. This will be a major step forward for the Library Science Program. It cost \$600,000.

President Todd said that the Singletary Center's electrical system needed upgrading. If the electrical project is not funded, the lights will go out in there. He said that \$500,000 will be put in the Singletary Center project.

He continued to review the capital projects and reported that \$1,000,000 will go into classroom improvements and \$914,500 for capital space. That money is needed to do basic fix-ups on campus. Those were funded out of non-recurring money.

President Todd asked Dr. Holsinger to speak about the Medical Center and the special initiatives that he requested funding.

Dr. Holsinger said it was a pleasure to let the Board know how closely the President and he have been able to work this year on developing some funding for new Medical Center initiatives. He gave the following presentation on the Medical Center:

Over the past five years, the Board of Trustees has approved a dozen new graduate and professional degree programs that have gone on to be approved by the Council on Postsecondary Education. By the time these programs were fully subscribed, they resulted in 500 additional graduate and professional students on campus, which is a significant assistance towards the University's goals that the Council and the Governor have given for the future. In doing so, they have used the Medical Center's strategic planning process and its support of the University's strategic planning process to drive toward "Top 20" public research university status and to lay out the initiatives. Several of these are new programs that respond to statewide and national health care needs and trends, including the programs in the School of Public Health, the Master Public Health, the Doctorate in Public Health and the Doctorate in Nursing Practice.

He reported that they also looked at programs that have a need for planned enrollment increases to respond to statewide and to national work force shortages. That specifically is the case among pharmacists, and the Doctorate in Pharmacy is being increased from 88 to 100 students. He said they began that process last year, and this will be the second year in that process. It will be completed over a four-year period, and the College of Pharmacy will end up with a total of 400 students.

The third initiative is programs that will enhance the multidisciplinary research efforts and a stronger graduate education. He said that they have focused on two particular areas this year: Nutritional Sciences in the Graduate Center on Nutritional Sciences and the Integrated Biomedical Sciences program in the College of Medicine.

In the College of Medicine there is a total of \$125,000 recurring and a total of \$200,000 non-recurring to support the School of Public Health. The recurring dollars will go to support a new epidemiology program in the College of Medicine. Also, there will be \$200,000 non-recurring that will be used to buy time for faculty to teach in the Public Health programs. The Doctorate in Public Health program is entering its third year this January. The individuals that have become a part of that degree program are students that read like Who's Who in Public Health in the Commonwealth of Kentucky.

Dr. Holsinger reported that \$125,000 recurring would be used for graduate student stipends for seven students to enable them to be a part of this program. It is a very innovative program in that it has taken all of the master's degree programs across the basic sciences and the College of Medicine and brought them together into a single Integrated Biomedical Sciences curriculum. This has allowed them to have a very active and very productive masters degree program in the basic sciences.

In the case of the College of Pharmacy, the total recurring dollars are \$175,000 that will be used to hire additional faculty to teach the additional students. There are currently 24 additional students that will be in the course this next year, 12 in the second year and 12 in the first year. That will eventually grow to additional 48 students over the 4 years of the program.

The College of Nursing will have \$200,000 recurring and \$50,000 non-recurring. These dollars go specifically to support the Doctorate in Nursing Practice. They are for two additional faculty members. This degree is specifically geared to provide leaders in health care delivery systems, individuals who are strong clinicians and able to provide leadership in their particular health care setting.

Dr. Holsinger reported that they also have a Ph.D. program in nursing which is a very effective and very strong program, but it is designed to develop individuals who will do research in nursing topics as well as individuals who will be faculty members in colleges, schools and departments of nursing around the country. The Nursing Practice Doctorate is a very innovative one. It has set the University apart from others, and the University has received a tremendous amount of national visibility for this. A number of institutions are already sending their people to the University of Kentucky to take a look at it. The second class will be brought on campus this fall.

There will be \$83,000 recurring in the Medical Center Graduate Centers and Institutes. This will provide an additional faculty member in Nutritional Sciences. That particular space will be on the fifth floor of the new Allied Health building. That is shell space right now, but funding has been put together for that project. It is anticipated that they will have the contract to complete the fifth floor as soon as the building is completed, probably around the first of October. There will be a new home for the Center for Nutritional Sciences.

Dr. Holsinger reported that the President has made available \$315,000 on a non-recurring basis. Part of that money will be used to maintain the smart classroom program that has been a very effective program in the Medical Center classrooms, and in addition, a significant number of these dollars will go to provide equipment for the new teaching laboratory for undergraduate nursing students. As you might imagine with the increased level of acuity in health care settings, it is very difficult for the staff nurses and the University Hospital to provide the time, effort and energy to be able to teach undergraduate nursing students the basic skills that are required. There will be a teaching laboratory that will provide those skills to those students before they reach the wards, and therefore, provide them with the basic knowledge that they need to be effective.

Dr. Holsinger said that there are several things pending that are state allocations based on the state budget approval. One is \$115,000 recurring in support of the Breast Cancer Task Force. The second one is \$300,000 recurring for two new programs at Morehead and in Corbin for Family Medicine Residency program that will pay salaries for the residents in those areas. Based upon what happens with the state budget, the third one is to use non-recurring funds from the Medical Center to continue to expand and support, on a non-recurring basis this next year, the items that he and President Todd have worked on so closely together to develop as far as these initiatives are concerned. He said he would be pleased to answer any questions.

President Todd asked Provost Nietzel to speak about his programs.

Provost Nietzel said that he appreciated the chance to talk about the philosophy of budgeting that they took toward issues in the Provost area and some specifics that express that philosophy. He reviewed the process that they used in determining the three priorities and said they wanted the request for the Provost area to be sharp, limited in number, and very clearly focused on areas. He explained that they began in the fall with a series of meetings with each dean and with each associate provost. In those meetings, they presented them a profile, particularly for the college deans, that showed the accomplishments, the achievements, the productivity, and the investments in their individual colleges over the past five years. Those data refer to things such as degree productivity, enrollments, student credit hours generated, the number of external grants that were submitted, the award dollars, the research expenditures, and first to second year attrition. They even had a figure on what percentage of classes met on Friday with respect to the way instructional resources were being used. Those data were given to the deans to check and verify for accuracy. This gave them a base line to operate from. Out of those individual meetings, they began to identify and distill what were, in his opinion, reasonable priorities for each of the colleges. Those were discussed once again in individual meetings with the deans. Then he made a presentation in a couple of meetings to all deans and associate provosts about the setting of these priorities and also had the opportunity to meet with the Senate Committee on Finance to discuss them. It was a process that, in his opinion, put them for the first time on a pretty solid basis with respect to what they had been accomplishing with their dollars and what they wanted to accomplish in the future. They are also beginning to diagnose areas where they need to put some funding.

Provost Nietzel reviewed the three priorities that emerged. The first priority was to address some historic budget problems that had existed for sometime or that had grown in magnitude due to something that President Todd had made reference to and that was the “taxes” budget cuts that had gone to the academic units on an annual basis. These have become real burdens, particularly for the colleges. He said that they were anchors that were dragging those programs down, and they felt they needed to begin to do some things to address those and put some colleges on a better financial foundation.

Provost Nietzel said they also felt that they needed to be able to move forward with some initiatives that would advance areas that were very important as far as the Council on Postsecondary Education (CPE) and the University were concerned. Those had to do with enrollment growth and improvements in student retention rates. The trust fund model that CPE had endorsed addressed clearly those two goals for all the public universities. There has been a little bump in that road now in terms of the allocation of funds. Enrollment growth and student retention gains will continue to be good goals and they will make investments in these areas in the future to make sure they do better in those two areas. Those are areas that routinely are monitored with respect to the way the universities are ranked, are rated, or regarded nationally, and they are two areas where the University of Kentucky continues to need to improve.

Provost Nietzel said that they wanted to do some things that would grow their ability to bring in new research funding and strengthen graduate education quite similar to some of the things that Chancellor Holsinger had talked about in the Medical Center programs. They wanted to use a funding model that embraced two aspects. One was to be able to put funding forward from the Provost's area that was used as a supplement or match. This was money that he asked for from President Todd. Also, they wanted for any request to have very specific measurable goals on an annual basis and on a five-year basis so that they could check to see if in fact they had made a good investments and those investments were being used to accomplish what the deans or associate provosts had indicated they would be aimed at. He pointed out that they used some specific incentive based formulas for allocating these dollars. In looking at this kind of funding model, he said that he very quickly realized that under the conditions that he inherited, he would not be able to hold up his end of that bargain. The recurring funding available to the Provost was something between woefully inadequate and imaginary as far as funding on a \$270,000,000 budget basically in terms of unrestricted funds. They had a \$27,000 recurring reserve. With this support and help from each of the college deans and associate provosts, they reallocated 2% of all of those budgets. One and a half of those 2% allocations were within the units that each dean and each associate provost reallocated 1.5% of the base budget toward priorities that they were going to talk to them about in terms of additional funding. He reported that he recaptured a quarter of that 2%, in other words, a half percent. That began to build a little bit of a recurring reserve, approximately \$600,000 from which they can do some of the things that they talked about. He said that he believes that the reallocation for all of the colleges that he discussed came to about \$2.7 million.

Provost Nietzel addressed some of the historic problems. These are areas that he thought they needed to take care of as soon as possible. With the loss of some revenue from the Robinson Forest Trust, they had a shortfall with respect to faculty in the College of Agriculture.

He said that there has also been a shortfall in the College of Architecture that was \$100,000 or more a year. This had to be fixed on a non-recurring basis. That shortfall was not due to bad management. The College had some increases in enrollment and some other increases in expense. He said, in his opinion, they were using their money well. It just was not enough money.

Provost Nietzel explained that they also had some commitments to the College of Law associated with an accreditation visit that had been made and a funding plan that had been put in place to enhance the College of Law.

He reported that they had some commitments associated with the hiring of a new dean in the College of Education, and mentioned the retention of some faculty in the Martin School and some personnel issues that still had not yet been completed in the Office of Institutional Planning and Effectiveness which amounted to a \$116,500 obligation.

Provost Nietzel said the budget problems in these areas had been there for a long time, and he felt it was important enough to look at these areas first with respect to putting these units in a better position to move forward.

He then discussed ways to improve the university's ability to increase its enrollment capacity and to improve its first year retention. He reported that five faculty lines were added in the two colleges experiencing the largest growth in enrollment and course demands. He said that they reviewed very carefully the academic units where enrollment growth was largest on both the local and national basis. They identified the programs in the Gatton College of Business and Economics and the College of Communication and Information Studies as the two colleges with degree programs falling further and further behind in their ability to take into new measures and to provide the upper level courses that the current measurers were demanding. These were leading to a ratcheting up of grade point average requirements and restricted admission decisions for these two colleges that did not seem to be the correct way to go in a public university that had already moved to selective admissions. He said that they have about a \$370,000 investment in improving their ability to shore up these two areas where the undergraduate student demand is very, very strong. He added that the graduate student demand is strong in these areas as well.

He said, in his opinion, they are really hitting two birds with the same stone by adding these five faculty lines. Five new lines with essentially 1,000 full-time faculty is a very, very small addition. But, they made it very selectively. They made it based on an analysis of the empirical data that suggested here is how you can hit this target the best with those limited funds. And, then this returns also to the issue of the fact that the operating budgets in the colleges had been eroded year after year as deans sought to meet the recurring taxes. The net effect of this, of course, was that faculty lines that were vacant were held open as a way to compensate, and that has a double impact. That further harms the ability to address instructional needs and it diminishes the ability to advance the research program.

Provost Nietzel said that they proposed a formula whereby they would make available \$440,000 to the operating budgets of the colleges. First of all, \$400,000 would be available for full-time faculty members. He said \$40,000 went to address some changes in communication charges, and they put those into the colleges that were the most effective. \$200,000 of that \$400,000 is made recurring to the colleges. The other \$200,000 is given on the basis of those colleges needing annual specific targets for increasing the retention of first year students and for increasing their sponsored project activity. He explained that it is basically \$100 a head per faculty member for meeting their goals of improving retention of first year students and increasing sponsored project activity. These are the two areas to keep moving ahead so the colleges can earn that money by meeting those goals.

He said that the other area that they tried to address concerned a number of issues with respect to students and their support of students in general at the University. They discovered in their benchmarking process that the university's investment in the disabled

student office was by far the lowest of any of the benchmarks. They, therefore, decided to put some new money into the Office of Disability Resources and that is in the general area of student affairs. They also increased the funding in the Teaching and Learning Center and the Honor's Program, which is a wonderful recruiting tool for excellent undergraduate students. Public universities are more and more targeting Honor's Programs as a way to attract undergraduate students. Some additions have been made in reorganizing the Admissions Office. These additions were made to address the fact that expenses are going up considerably and more people are being put on the road to enhance recruitment and admissions.

In conclusion, Provost Nietzel mentioned some expanding initiatives that will be done on a non-recurring funding basis. The Futures Task Force has identified 10 priority areas. He said that he has put away about \$400,000 with the reallocation that he talked about with the college deans to address those priority areas with a competition process. He will be receiving the applications from the deans in September. These funds can be used to advance any one of those ten areas plus three that he has identified as priorities for the University in terms of future growth and certain areas of scholarship. He reported that President Todd has put \$200,000 in support of Lyman T. Johnson graduate fellowships, and he has added \$50,000 to the \$150,000 that had typically been there for a total of a quarter million more dollars available for minority graduate fellowships. This helps address a big gain that was achieved last year and the anticipation of another gain in this area for the upcoming year. He announced that they are bringing back the Women's Writers Conference to the University of Kentucky. This money will help fund a director who will also have an additional duty to help the University expand its applications and hopefully its success in the awarding of external scholarships to students such as Ford, Truman, and Marshall scholarships. Those are scholarships that bring the greatest press releases to the University in terms of its recognition as an outstanding undergraduate institution. That also will reflect in a wonderful way on the students who earned those scholarships. This is an attempt to keep things moving with some non-recurring support. He said that they hope to be in a position to make some of these funds recurring in upcoming years. They have taken the strategy of making sure that these initiatives are focused as much as possible on priorities that were guided by the faculty or by their own careful attention to data as indicating that these were crucial needs. He said he would be pleased to answer any questions.

President Todd thanked Chancellor Holsinger and Provost Nietzel for their remarks. He said that their presentations give the Board some sense of the kind of efforts that have been put into the need to spend the money and the level of involvement they have had among deans and faculty to pull this budget together.

President Todd thanked the people who worked on the budget. He recognized Gene Williams, Karen Combs, Clay Owen, and Jack Blanton and asked others in the audience whose names were on the screen to stand and be recognized, following which they received a round of applause.

President Todd said that he would make his concluding remarks very brief because this is probably one of the longest Board meetings the members have ever attended, but the meeting had some good stuff. He reiterated the following:

1. We are being true to our people.
2. We have changed health care and improved it.
3. We have provided a salary supplement.
4. We have provided an extra day off.
5. We are looking at program improvements to move forward.
6. We looked at some strong methods to reconstitute the general fund and bring back some recurring fund dollars that we can reinvest on a recurring basis.

He noted that they did not tap the departments and said that the departments' morale will be as high as ever because they have been able to remain whole and are actually putting back money on a per-faculty basis. He further pointed out the need for alternative revenue. He said they have to look at things like an executive MBA program, intellectual property, and corporate relationships. He said everyone must put pressure on the state to make sure the University of Kentucky gets its fair share of money.

Mr. Miles called for a motion to approve the budget. Mr. Shoop so moved. Ms. Sims seconded the motion, and it carried. (See FCR 6 at the end of the Minutes.)

Mr. Miles said that he needed to bring an item before the Board that involves the budget. He reminded the Board of the search for a President when the Board hired President Todd. When the Search Committee toured the state, they asked the citizens of Kentucky what they wanted in a President for the University of Kentucky. There were approximately 15 key items that surfaced in every meeting. When the Committee negotiated to hire Dr. Todd, the law stated that the University could not pay Dr. Todd more than the President of the Kentucky Council on Postsecondary Education, Gordon Davies, was being paid.

He reported that several of the universities are circumventing that law by using foundations to pay their president. He said that he thought that the Board had to take a little responsibility for this. When the Committee talked about hiring Dr. Todd and establishing his salary, they looked at the salaries of the Southeastern Conference presidents. They also looked at the other "Top 20" universities.

Mr. Miles said that the Board has insisted that everything be open, that they never have anything hidden, that no foundation pays anyone, and that the media not be able to fault anyone. During that process, the Committee was restricted by the law and by Gordon Davies' salary.

He reported that President Todd's salary was originally set at \$365,000, and the Committee later decided to offer him \$265,000 with a \$100,000 bonus, provided he achieved the 15 goals. Within 90 days, President Todd exceeded those goals. As the media got involved in the discussions about the goals, he explained to the media that the

citizens of the State of Kentucky set those 15 goals not the Board of Trustees. By that time, it became an item in the news about the faculty raises and other things.

Mr. Miles said that this issue has to be addressed in this meeting because this is the final meeting of the year. He said that the Board has to decide whether President Todd has earned the bonus and how the Board is going to deal with it. He mentioned that President John Shumaker, University of Louisville, is going to Tennessee for a salary of \$750,000. The University of Kentucky will be hiring an Athletics Director soon, and everyone knows what those people are paid around the country.

He repeated that the Board has to deal with this issue today. If the Board does not have some motion about this, it really has not done what it agreed to do when the Search Committee went to the people of Kentucky and told them what it was going to do. President Todd needs to be the example of the faculty and every staff member at this university. Everything really needs to be based on an incentive, and there would not be a controversy today if the Board had just said President Todd's salary will be \$365,000. He asked for a motion regarding how the Board feels about the issue and where it is going with it.

Mr. Shoop said that the Board owes President Todd money, and he thinks they need to correct it. He said that he never felt right that they did not pay him earlier; however, he does not know what the Board can do legally. He wished the Board had discussed it prior to the meeting. In his opinion, President Todd could not have done a better job than he has done. He said the Board tried to abide by the law, and it does not have a foundation. He emphasized that he was not advocating a foundation, but he thinks the Board needs to correct a mistake that it made earlier.

Mr. Guthrie moved that the Board pay that \$100,000 bonus to President Todd. Mr. Shoop seconded his motion.

Mr. Miles said that this would bring President Todd's salary up to bottom level of the SEC presidents.

Mr. Shoop suggested that a Compensation Committee be established to review President Todd's package for next year.

Mr. Miles asked if there was any discussion on the motion. He said that the Board needs to be open.

Mr. Guthrie said that he recalled that President Todd had declined the bonus at one time. He said he had forgotten the exact language but thought it was because of the status of the budget and salaries. He said that he believed the Board could ask President Todd to reconsider the offer and accept the bonus.

President Todd said that he thought that the words he used were he was willing to defer it for this year because of the financial situation. It was reported that he declined it,

but deferring it and declining it are two different issues. He had said that about three or four months earlier.

Mr. Miles said he was looking at this as unfinished business that he had to bring up because the Board agreed to do that.

Mr. Shoop reiterated that President Todd is owed this money. It is the Board's responsibility to correct an injustice. The Board needs to go ahead and pay President Todd the money that the University of Kentucky owes him.

Ms. Edge asked where would they get the money, and Mr. Miles replied that it is already in the budget. It was in the budget when the Board hired President Todd.

Ms. Sparks said that the Ad Hoc Committee on Board Structure discussed the fact that any sitting president would want a formal review set up, and that was one of the reasons why she thought it was wise to delay the bonus. The Board has not had a formal evaluation. With the presentation of the budget, the steps that have been taken regarding the budget, and what the people of the Commonwealth mandated, that is enough of a review for her. She said that she concurred in the bonus. She recommended, however, that the Board follow the Ad Hoc Committee's recommendation and have a formal review process for everyone's sake, particularly President Todd.

Mr. Miles said that Gordon Davies was gone.

Ms. Sparks said that the law was not leaving with him. She said that she did not concur with the University of Louisville's actions either even though it would be nice to have a foundation and have that much money.

Mr. Reed said that he thought everyone there would certainly agree that the President has earned the \$100,000 bonus several times over. Everyone has to live with the law that is on the books. It is the law. The Board may not like it, but it has to respect it. He said that he gets nervous when people try to circumvent the law, doing something indirectly that they cannot do directly. It is important that the Board distinguishes what it is trying to do, and that is not circumventing the law.

The Board is trying to pay President Todd what it agreed to pay him initially in the form of a bonus if he were to achieve specified goals and criteria. He said that he vividly remembered going around the State of Kentucky participating in town forums during the search process. He said that they compiled a report called "Connecting with Kentuckians," and the people of Kentucky made it clear what they wanted. They set up the criteria they wanted in a President, and that was what they wanted the President to accomplish once he became President.

Mr. Reed reported that Chairman Miles and he met with the President soon after the President took office. They gave him a copy of the report and made clear to him that it contained any number of factors that the people of Kentucky wanted him to go by and

live by. The Board wanted him to keep this report as his “University Bible” on his desk. Many of the things that he did within his first six months were taken directly out of the report, including the Commission on the Status of Women, Commission on Diversity, and a more student-friendly campus. While the Board never formally said that the goals contained in the report are the ones that they wanted President Todd to adopt by a specified timetable, it is his opinion that the President was communicated this informally by Chairman Miles, himself, and thus the people of Kentucky. He said if the President chooses to defer or not accept the bonus, that is his prerogative, but it does not alleviate an obligation of the Board to pay him what he has earned and what it promised. The question then becomes what is the best process by which to do this. Mr. Reed said that he thinks that it is important that the Board follow the wise advice of his fellow colleague and subject this to a formal review process.

Mr. Miles said that he thought the Board would agree to that. He called for a motion.

Dr. Pomeroy asked that the motion be stated.

Mr. Miles said that Mr. Reed made the motion that the Board pay President Todd the bonus based on his achievements.

Mr. Shoop said that the motion is recognizing that President Todd met the goals that the Board set, and the Board is paying him money they feel he has earned. The other motion is separate and involves a review of the president’s performance. The first motion settles the issue of a bonus. The Board has recognized that President Todd met the goals early on, and it owes him the bonus.

Mr. Guthrie said that the only thing President Todd did before was defer the bonus. He said that he did not know whether the Board needed a motion.

Mr. Shoop said the Board needed a motion to make sure they did it right.

Dr. Pomeroy said that there is uniform consensus that President Todd has done everything that he was hired to do in an outstanding fashion, and the Board is grateful for that. There is also consensus that President Todd is not adequately remunerated for all the work that he does. As was mentioned, these are very difficult budget times, and the faculty and staff are taking pay cuts despite everybody’s efforts. The impact that President Todd had when he made the announcement about deferring the bonus is very important to public relations. She said that she personally wanted it officially recognized that President Todd has met all of these criteria. It is critical that the Board state that for itself and for the public. The decision of how to accomplish that might best be considered by a different group in a more formal fashion.

Mr. Miles reiterated that the money was allocated at the time they hired President Todd, and it is in the budget.

Dr. Pomeroy said that the answer that the Board gives today is that President Todd has met all of the criteria for the bonus that was allocated.

Ms. Sparks said that she wanted to clarify that the Ad Hoc Committee's recommendation is that henceforth a formal evaluation of the president's first year should be set in motion. Most universities do that by the Board. That is the Board's charge, and she thinks it is important that the Board establish that.

Mr. Miles called for a vote, and the motion carried unanimously.

President Todd said that he greatly appreciated the show of support. He has certainly enjoyed working with the Board. He explained that the reason he deferred the bonus was because he did not think that this was the year to be receiving a \$100,000 bonus. He said that he would hope that the action the Board has taken would be to encumber that money financially and pay him at some point in time but not this year. He asked that it be earmarked so he can decide what he wants to do with. He said he still wants to be doing some other things with the University. If the Board's official act is to encumber that money to belong to him at sometime, that would be acceptable to him. He would choose to receive it when the financial situation of the University improves. He said that is the kind of approach he had intended. It is not the year to be receiving that kind of a bonus. He said that he has been so impressed with everybody's performance around the institution this past year. To give a 3% non-recurring bonus is not the idea he had coming into the job. He told the Board that he appreciated their intent, and he appreciated the review. Going through the formal process that the Ad Hoc Committee has recommended is very important. He said that he appreciates the comments, but he is still not looking for cash right now.

Ms. Wickliffe said President Todd's remarks illustrate the type of person that he is and the caliber of man that is leading the University. She said that he makes her very proud. President Todd received a round of applause.

Ms. Plattner said that she simply would like to add that it is customary in colleges and universities across the country for the spouse of a president, be it a man or woman, to receive as a token of appreciation for the enormous contribution of that spouse an honorarium, an annuity, or in some case a way of showing deepest appreciation for the support and encouragement that that person has rendered. She said that she would be glad to bring a list from the Chronicle of Higher Education. She would like to think that the University of Kentucky is of the 21st Century and also considers the enormous contribution of the president's wife to the university. She said that she is hopeful that in further financial deliberations a token of appreciation will be forthcoming.

Mr. Guthrie clarified that Dr. Plattner's statement was just a comment.

Mr. Shoop said that the Board needed a Compensation Committee to look at President Todd's salary as the Board goes forward to review his performance. The University of Louisville is getting ready to hire a new president, and Dr. Davies is

leaving the Council on Postsecondary Education. In his opinion, the Board needs to review President Todd's salary in the coming year, and it would be wise to appoint a committee to review his salary situation.

Ms. Sparks said that the Ad Hoc Committee's recommendation did not mention the compensation at all. It recommends that a formal evaluation process be initiated through the Executive Committee.

Mr. Miles appointed the following members of the Board to serve on a Compensation Committee: Frank Shoop, Chairman, Steven Reed, Vice Chairman, and Tim Robinson. He said that he would let the faculty choose a member and the alumni choose a member to serve on the Committee. By letting them choose their representatives, they can have whoever they want to represent them.

DD. Jack Guthrie's Farewell Remarks

Mr. Guthrie gave the following remarks:

"The past six years have been certainly most interesting, certainly at a time in my life being a member of this Board. Some trials and tribulations, of course, but most importantly, some major milestones in the history of this University, and I've had the privilege of being part of this history.

Last night trying to think of what comments I wanted to make on this last day of mine, many things came to mind, but the one thing that I will always remember is being a member of this group, is also being a member of the Presidential Search Committee, and having the opportunity to play a role in putting forth Dr. Lee Todd for the President of this University. We've seen many changes during this first year, and I wish him and his administration continued success in the years ahead, and I know that they will be successful.

I want to extend my thanks to the University's National Alumni Association and to my two compatriots here for giving me the opportunity to represent them. I have been involved in one way or the other with the National Alumni Association and the alumni for 35 years. I counted that up last night and I didn't really realize it, but it has been 35 years. The relationship between the University and the Board of Trustees and the alumni has never been stronger, and the Alumni Association is truly dedicated to helping the President in any way possible and this University to meet its goals.

I also want to extend my appreciation to my fellow Trustees for their friendship over the past six years. We have shared many good times together, and I have made some longtime friends during that time.

I would be remiss if I didn't thank Peggy Way and Judi Quire of the President's Office for all of their efforts in making our lives collectively, as Trustees, a little easier. Peggy, you're the best.

All that being said, Mr. Chairman, I wish you, the President, and the Board all the best in the months and years ahead, and I thank you for allowing me to be a part of this institution."

Mr. Guthrie received a round of applause.

EE. Loys Mather's Farewell Remarks

Dr. Mather gave the following remarks:

"I'm not as well prepared as my good friend and colleague from Louisville, but I will offer some comments as well and basically second what Jack has to say except that I did not serve on the Presidential Search Committee.

As I look over my nine years on this Board, I have to say the things that I will remember the most and cherish the most are the friendships that were made and the spirit of collegiality that has reigned on this Board. The major highlight is this absolutely fine gentleman and leader of our institution who is sitting at the end of the table and being a part of his selection of this institution. As I said yesterday at the budget briefing, and I didn't repeat it again today, but you know that because of the man and his leadership team's thoughtfulness and creativity, basically being served a bunch of lemons and making lemonade. And you know it is such a bad budget year and yet coming up with signs of hope the way they have, I congratulate the whole team.

I, too, want to thank Judi Quire and Peggy Way. Peggy and I have worked together very closely for a good number of years, even before I came on the Board.

In April, I thanked the faculty for entrusting me with this position, but above all, my thanks to the University for providing a place at the table for faculty representation. And I trust that you all, as I said back in April, will give my successor the same spirit of collegiality and cooperation that you gave me. I have enjoyed it, and I will miss you. I look forward to seeing you all again sometime."

Dr. Mather received a round of applause.

FF. Resolution for Jack Guthrie

Ms. Sims and Ms. Edge read the following resolution:

Whereas, John “Jack” Guthrie has served the Board of Trustees as a voice of reason and good will for six years and has defined loyalty and perseverance as a hallmark of honor, we today honor his time, his talent and energy on behalf of the University of Kentucky.

When the alumni of this University selected Jack as their representative to the Board, they knew what they were doing. His commitment to U.K.’s largest constituency allowed him to be the voice of a band of men and women who care the most, and over decades and even a century. In that voice he has expressed the hopes, the missions and the dreams of a vast army of graduates whose footsteps are heard across the years. His is the voice of wisdom, and truly he does have a voice of wisdom.

Whereas, on this day, June 11, 2002, in recognition of his endeavors, the Board of Trustees salutes Jack Guthrie, offering him our deepest appreciation and thanks for work well done and as a fellow alum Trustee, thank you for your leadership. Marian and I truly appreciate it as well as all of the Trustees. Thank you.”

GG. Resolution for Loys Mather

Ms. Pomeroy said that it was her honor and privilege to read the following resolution on behalf of a friend and colleague, Dr. Loys Mather:

Whereas, Dr. Loys Mather has served the Board of Trustees for several terms as faculty representative and has in those years set a standard for ethics and integrity and has ably guided our ship through wind and waves. A man of peace, he has found ways for us to work through the difficult, creating the possible.

Sometimes there comes a person who by intellect, integrity, and optimism creates a new definition for the term excellence. Within that definition there is a person of decency and forthrightness who sublimates all vanity. Honored many times by the University of Kentucky and this community for his contributions and accomplishments, it is Loys Mather, the man, who defines excellence.

Whereas, on this day, June 11, 2002, in recognition of his good works, the Board of Trustees salutes Dr. Loys Mather and offers him our deepest appreciation and thanks for work well done. Thank you.

HH. Meeting Adjourned

With no further business to come before the Board, Mr. Miles adjourned the meeting at 4:17 p.m.

Respectfully submitted,

JoEtta Wickliffe
Secretary, Board of Trustees

(PR 2, 3, 4, 5; 6, 7, 8, AACR 1; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and AHCR 1 which follow are official parts of the Minutes of the meeting.)