

Minutes of the Executive Committee of the Board of Trustees of the University of Kentucky, Tuesday, June 17, 2008.

The Executive Committee of the Board of Trustees of the University of Kentucky met on Tuesday, June 17, 2008, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Ms. Mira Ball, chair, called the meeting to order at 11:12 a.m. and asked Ms. Barbara Jones, assistant secretary, to call the roll.

B. Roll Call

The following members of the Executive Committee answered the call of the roll: Mira Ball (Chair), Stephen Branscum, James F. Hardyman, Myra Tobin, and Billy Wilcoxson. Ms. Pamela May, ex officio member, was absent. Other members of the Board were also present. The university administration was represented by President Lee T. Todd, Jr.

C. Approval of Minutes

Ms. Ball said that the Minutes of the June 29, 2007 Executive Committee meeting had been distributed and asked for any corrections or additions. Mr. Wilcoxson moved that the minutes be approved. Mr. Branscum seconded the motion, and it carried without dissent.

D. Discussion Regarding the Assessment of 2007-08 Institutional Goals and Strategic Objectives for President Lee T. Todd, Jr.

Ms. Ball reported that she had conducted the evaluation process for President Todd's performance for the 2007-08 fiscal year. She noted that 18 evaluation forms were received from the Board. She explained that the evaluation form is the tool that helps the Board determine the proper bonus that is called for in the president's contract. The bonus is to supplement the president's base pay and maintain a compensation package that is competitive in the marketplace with the university's benchmark institutions. She thanked Mr. Hardyman for the work that he has done to bring the process this far and for his assistance to her in the preparation of this evaluation.

Ms. Ball said that it is a very difficult process, both for the Board and President Todd. She does not know very many people in today's world that have their evaluation and performance review done in the public. In fact, with employment law today, most of the time such openness would be considered something that should be avoided.

She thanked President Todd and his staff for the thorough review that they did and sent to the Board. She also thanked the Board for its thoughtful completion of the evaluation forms.

She explained that there were 10 goals that were 10 points each for a possible total of 100. When she completed the analysis for President Todd, he had a total of 96.8. All items were above the 95 percent mark with the exception of two:

1. Communications with students, faculty, staff, and the Board of Trustees.
2. Continue to enhance the quality of the student body.

Overall, President Todd received very high marks for increasing the national visibility of the university, as well as his financial management, his leadership with corporate and government partnerships, and his attention to diversity. He has brought good people into the institution, and he has let them do their job. Dr. Michael Karpf and Ms. Angie Martin made presentations at the University Health Care Committee meeting and Finance Committee meeting, and both have done such good jobs as has everybody at the university that she deals with. She said that she personally feels that President Todd has been and will continue to be the absolute right person to lead the university in its quest to be a Top 20 research university.

Ms. Ball reported that there was a very strong assessment of President Todd's work this year. She said that she had met with President Todd and talked about the Board's assessment of his 2007-08 performance.

She reviewed some comments that had been submitted with the evaluation forms and noted that everything has been shredded.

- Robinson Forest issue, faculty raises, and other touchy subjects have been handled with class.
- I do wish the president would open his door sooner and just listen.
- Dr. Todd has been an exceptional president this year and a perfect fit for UK at this time.
- Important strides have been made in the communications area, especially with regard to president-student communication.
- Dr. Todd's fireside chat with students was a real step forward. His personal appearances in classes of student winners of major national awards were also a real plus.
- More still needs to be done in increasing the number of interactions of faculty and faculty representative bodies.
- There was appreciation from staff and faculty for the invitation to participate in the process of interviewing candidates, specifically Dr. J. J. Jackson.
- There was appreciation for e-mails to faculty and staff while the legislature was in session.
- We recognize Dr. Todd's ability to stewardship of institutional finances despite severe funding restrictions. The president is to be commended for his negotiations with the legislature.
- His leadership role with statewide STEM initiatives is a major feather in his cap. For a school like Kentucky to be one of only 31 in the country to reach \$1 billion in a capital campaign is truly remarkable.
- President Todd has given UK a big boost in increased visibility and really should be given 11 points.
- I am very proud of the performance and efforts of Dr. Todd.

- While no one is perfect, Lee has had an exceptionally productive year. He has persistently targeted each of the set of institutional goals with a variety of methods. At the same time, he delicately balanced a significantly cut budget with grace and has carefully maintained morale among faculty, staff, and students. I am impressed and proud of his work.

Ms. Ball reported that President Todd wants \$50,000 of his bonus to go to the University of Kentucky, and the balance the Board approves be given to him. She asked President Todd for his comments.

President Todd thanked Ms. Ball and said that he is very appreciative of the Board's input. He thanked Mr. Hardymon for putting an evaluation process in place. He knows that a lot of time was put into the evaluation, and he appreciates everybody's role in the process. While the process of having your evaluation done in public is awkward, it puts quantitative measures behind the bonus, which has always been a contentious item. Being an engineer, he prefers to have it on an analytical basis.

President Todd said that it had been an interesting year. He has gained tremendous respect for the people of the institution as the university has gone through what could have been a really tough year. The people made it easier. He said that he feels the institution has benefited from some of the longtime people that the university has been able to retain as well as some of the new people that have been brought to the university. The people at this institution have an unbelievable loyalty, work ethic, professional ability, and capacity to do. He feels that his job is to recruit and let them do their jobs.

President Todd said that he never thought he would have a job like this. To have the opportunity to have influence over students, faculty, staff, and the state is a tremendous honor. There are times when you get frustrated because of your desire to move faster. The hard part is adjusting to the levels that you do not have control over.

President Todd said that the university has made progress this past year. Its external reputation around the nation is probably higher than its internal reputation in the state. Dr. Yanarella reminds him often that the collaboratives need to be pushed harder. The university is doing some really important things in the state.

President Todd reiterated that the attitude of the people of the university is important, and the attitude that he has seen on campus this year has been remarkable. He said that he would say more at the Board meeting and thanked the Board for the evaluation.

Mr. Hardymon said that it was rewarding for him to see how President Todd has grown in this job. When that stops, the evaluations become difficult. He said that he has gotten a lot more out of the evaluation process the last four years than President Todd. He commended Ms. Ball for understanding the process and conducting the evaluation. He said that he was not involved that much this year. The process is not perfect, and it will change as years go along.

Mr. Hardymon said that he understood Ms. Ball's comment about public evaluations, but when you look at the current proxy statements that have been driven by the shareholder activists, the CEO is getting more and more of his or her evaluation in public. They are actually pushing for it to be quantitative. This is a sign of the times, and whether it is right or not, it is what it is. He said, in his opinion, the university is a couple of steps ahead of other people in attempting this type of evaluation. The Board has the right president to work with, and it could not have gotten off the ground without him. President Todd does watch his goals.

Mr. Shoop said that a person of President Todd's caliber really shines in an atmosphere like this. The Board recognizes his talents, and he really stands out. He shows his strength when the Board gets to review him in public.

Mr. Branscum said the Executive Committee and Board's primary responsibility is the evaluation of President Todd's performance. There is a contract in place. There is a process in place. There is an evaluation in place. It is the Board's responsibility to administer that and to let the process, contract, and bonus fall in place as it is. The process works.

Dr. Sachatello said that he did not fill out the evaluation form because he was not on the Board when the criteria were established. However, having been a member of the faculty and a competitor of the Medical Center, Dr. Todd has saved the Medical Center by virtue of the people he has brought to run it.

Ms. Tobin praised President Todd for the ability to sit in the Hospital Retreat from 8 a.m. to 3 p.m. without saying a word. That was a wonderful example of listening and letting people do their job. She was very proud.

Mr. Wilcoxson said that the process the Board uses in determining President Todd's evaluation impresses him the most. The Board is fully involved in the process. He thinks the process is fair.

Mr. Williams added his support for the process; how it has evolved, and how it will continue to evolve. As for the governance of the institution, the next logical step would be to implement an evaluation process for the Board that is as vigorous as the one done with President Todd. It is a standard procedure with a lot of higher education boards. The Association of Governing Boards has processes in place and can provide assistance. He suggested that this be on the agenda for the Board's retreat in August.

E. Discussion Regarding Consideration of Bonus for President Lee T. Todd, Jr.

Ms. Ball reiterated that President Todd asked that \$50,000 of his bonus be retained by the university and suggested those funds be transferred to programs on campus that he and his wife Patsy have personally contributed to in the past. She entertained a motion that the Board award President Todd \$95,500 as a performance award for the academic year 2007-08 and that \$50,000 be retained by the university to be designated to campus programs that will be determined at a later date. She noted that she rounded the percentage off from 96.8 percent to 97 percent, which

has been the practice in the past. Mr. Branscum made a motion for approval. His motion was seconded by Mr. Wilcoxson and passed without dissent.

F. Discussion Regarding Consideration of Contract Extension and Amendment for President Lee T. Todd, Jr.

Ms. Ball asked General Counsel Barbara Jones to distribute a one-page amendment to President Todd's contract. She said that there were only two paragraphs that change in the contract. This one-page amendment extends the contract for three years. This extension is to show the Board's appreciation for the job that President Todd is doing and continues to do. The Board wants President Todd to be the university's leader for the next three years. She noted that the extension does not change his salary. She reviewed the changes.

The officers' compensation may be increased in the bonus by \$25,000 in each of the next two years. Language has been inserted that will enable the Board of Trustees to defer part or all of any bonus earned. This will enable the Board to bring his compensation more in line with that of his benchmarks because the university is still well under most benchmarks.

It also enables the Board to compensate him for a job well done. It enables the Board to defer the compensation if he and the Board feel like it should be deferred. The current contract does not have that language in it. If President Todd wants to defer the bonus, he will not have to pay tax on it until he cashes it out.

If the officer is serving as president on June 30, 2011, he will get a lump sum payment. There is not a bonus that year, but there is a lump sum payment that year. The old contract had mandatory retirement at age 65, which the Board eliminated when it approved a change in the Governing Regulations previously. This amendment reflects that change.

This amended contract rewards the president for his performance thus far. It challenges him to take bold steps in the future and creates a more competitive compensation package for a leader of an institution that aspires to be one of the best in the country in a very complicated institution. She said that she is glad he has agreed to the extension, and she hoped the Board was too.

Ms. Ball called for a motion of approval of the contract extension. Mr. Hardyman moved approval. Ms. Tobin seconded the motion, and it carried without dissent. President Todd received a round of applause.

Ms. Ball thanked the Board for being so attentive, for completing the evaluation form, and for making comments. She read all of the comments and appreciated them very much.

G. Meeting Adjourned

With no further business to come before the committee, the meeting adjourned at 11:38 a.m.

Respectfully submitted,

Barbara Jones
Assistant Secretary, Board of Trustees