

Minutes of the Executive Committee of the Board of Trustees of the University of Kentucky, Thursday, September 9, 2010.

The Executive Committee of the Board of Trustees of the University of Kentucky met on Thursday, September 9, 2010, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. Billy Joe Miles, chair pro tem of the Executive Committee, called the meeting to order at 12:39 p.m. and asked Ms. Pamela May, secretary, to call the roll.

B. Roll Call

The following members of the Executive Committee answered the call of the roll: Billy Joe Miles (chair pro tem), E. Britt Brockman, Sandy Patterson, James W. Stuckert, and Pamela T. May (ex officio). Ms. May reported that the members of the Committee were present. The following Board members were also in attendance: Sheila Brothers, Penelope Brown, Jo Hern Curris, Dermontti Dawson, Oliver Keith Gannon, Carol Martin "Bill" Gatton, Everett McCorvey, Terry Mobley, Joe Peek, Charles R. Sachatello, Frank Shoop, Ryan Smith, and Barbara Young.

The university administration was represented by President Lee T. Todd, Jr. Members of the various news media attended the meeting.

C. Approval of Minutes

Mr. Miles asked for approval of the Minutes of the October 27, 2009 Executive Committee meeting. Mr. Stuckert moved that the minutes be approved. Ms. Patterson seconded the motion, and it carried without dissent.

D. Discussion Regarding 2009-10 Institutional Goals and Strategic Objectives for President Lee T. Todd, Jr.

Mr. Miles reported that he and Ms. May spent a lot of time going through the Board's evaluation forms for President Todd. He asked Ms. May to give a report on the results of the evaluations.

Ms. May thanked the Board members for coming to the Executive Committee meeting. She explained the evaluation process and, for the new members' benefit, how it came about. She gave credit to former Chair James Hardyman for the final product.

Ms. May reported that there were 19 evaluation forms returned this year, which indicates that the validity of the responses is good across the Board. She distributed the list of scores and results to the members. She then reviewed the items on the form, noting the final score was 96 percent. She and Mr. Miles felt that it was a very successful evaluation. The comments were

meaningful, and they were shared with President Todd. She congratulated President Todd on the 96 percent evaluation.

President Todd said that it is a challenging job, and he appreciated the 19 out of 20 returns on the forms, which shows that people are interested. The comments are always constructive. Communication is always a challenge, but he is pleased with his 96 percent score. He thanked the members for the time they put into the evaluation.

The Board had a lengthy discussion regarding President Todd's salary, bonus, and compensation. They talked about the Council on Postsecondary Education (CPE) policy regarding the CPE's president's salary. They also discussed the issues that the Board would be facing in hiring a new president of the caliber that the Board wants.

Ms. May expressed her concern about a bonus and said the Board needed to discontinue the bonus and pay a straight salary. She likes the bonus concept, but for a president of a university, the time has come and gone for a bonus. The Board needs to continue to do an evaluation but tying it to the salary is not wise.

Mr. Miles commented on the importance of changing the compensation situation. He is aware of faculty retention issues and tough economic times. Having a research driven university has caused more than one state to prosper. It is up to the Board to find a suitable replacement for the president, and money is going to be the problem. Many institutions pay much more than UK's president's salary, but at the same time, the Board must also acknowledge that the faculty are not being treated fairly. The bank account is the basis for much of the problem at UK.

Dr. Peek said that he had the impression that the structure was forced on the University because of a state regulation that the president of a university is not allowed to be paid more than the Council on Postsecondary Education president. He asked if it were possible to get around that regulation now.

Mr. Miles said that Dr. Peek's statement was correct. He mentioned that some schools have foundations set up, and their presidents receive compensation from the foundations. The Board was in favor of giving President Todd a bonus because UK does not have a foundation to provide additional compensation. By giving President Todd a bonus, it increased his compensation.

Mr. Shoop echoed Mr. Miles' sentiments by saying that the UK Board thought it was doing the right thing in setting up the bonus scheme years ago, but there is now a need to change it.

President Todd offered that another interpretation has been developed over the years about the CPE situation. Although CPE's president must be paid more than any of the university presidents, it does not say that presidents cannot earn a higher salary. If there is a salary disparity, then the CPE has to decide on what to do about it, including whether it should increase the CPE president's salary. President Todd said that his beginning base salary, with the bonus, was set at the average of SEC presidents' salaries. Negativity towards the bonus has become

toxic over the years, and now UK is at the level of having the fourth highest paid university president in Kentucky.

Dr. Brockman stated that he and Ms. Patterson were appointed by Chair Mira Ball nine months ago as a committee to look into compensation for the president of the University of Kentucky. A formal presentation of the results of their work was not given; however, their conclusions have been explained and summarized. UK's current base and bonus scheme is far below the median compensation of benchmarks that were compared. The committee concluded that \$10,000 to \$50,000 is the average higher education bonus. No other institution offers a bonus that is 40 percent of the total compensation package. Although the bonus was instituted with the best of intentions, no one thought it would become the political bombshell that it is today.

He said that he respectfully disagrees slightly with Ms. May's suggestion to go to an all-salary compensation package. His recommendation would be to put \$150,000 of the \$200,000 bonus into salary, leaving \$50,000 for the bonus. If there is no bonus, there is no yearly performance review needed. If the chair wants a motion, that would be his motion.

Ms. May asked to respond before a motion was made. She said that the 96 percent rating gets a bonus of \$192,000. But the Board must be sensitive to the fact that no raises have been given at UK for years, and faculty salaries are not yet at the levels of their benchmarks. She proposed that if the median faculty salary is at 82.5 percent of benchmark salaries, and the president's salary is at 72.8 percent of benchmark salaries, the Board could increase the president's compensation to the point at which the faculty are situated. This would reduce the \$192,000 to \$157,046 and would make the comparison apples to apples.

She proposed that the president's base compensation be increased by the amount of \$157,046 and be effective for fiscal years 2009-10 and 2010-11. The president's base compensation for fiscal year 2010-11 may be further increased by means of a performance-based incentive of an amount not to exceed \$50,000.

A discussion followed in which it was observed that a second was needed on the motion. Ms. May explained that she is an ex officio member of the Executive Committee and, therefore, could not make a motion. The motion was then made by Mr. Stuckert and seconded by Dr. Brockman.

A discussion continued with comments by Ms. Brothers regarding the vast majority of annual salaries for staff being less than the president's bonus. Mr. McCorvey made comments that it is a very viable action to relook at what the Board is doing and figure out a better way to compensate President Todd and future presidents. Mr. Miles called for the question and reminded the Committee that they are voting on a recommendation to present to the full Board regarding presidential compensation. He asked for other comments.

Ms. Young had a comment on the evaluation that involved a recent lack of communication about athletic ticket prices being increased without the trustees having been notified about it. If the evaluation had come to her several weeks later, she would have done something totally different on the evaluation form. She has never had so much negative

feedback about one single issue at the University as this one. Many top donors expressed complaints to the trustees about the action of the Athletic Association Board. Blindsiding the Board would have changed her comments relative to evaluation questions 2, 6, 7, and 9. She asked for no surprises in the future and stated that the Board needs to know ahead of time if something is going to happen. She also suggested that the trustees need to discuss such recommendations with the Athletic Association Board in advance because the media interpret the ticket price increases as showing that UK Athletics is as out of control as the athletics areas in other major universities across the United States.

Others on the Board sympathized with her comments, and a discussion followed. Other trustees had also received critical comments from major donors. There is also resentment that large donors to academics do not receive consideration for athletic ticket privileges as they do at other schools.

President Todd said that he would take the hit for the lack of communication. He wants to look at policies in other schools that tie academic donations to athletic donations whereby a donor making a large academic donation would automatically be eligible for an upgrade in athletic tickets. He said that most large academic donations are from corporations, so UK should consider whether it wants all lower arena seats to go to corporations in return for donations. It is a complicated issue. He would be happy to send information showing Board members where UK prices are relative to the prices of others in the SEC. Also, there are many people with tickets in the lower arena for basketball who have had them for a number of years without providing much monetary support for the institution. He stated that he would also hate to see ticket prices discussed at the Board of Trustees meetings on a regular basis because it would diffuse the real issues that are before the Board. UK hires professionals to deal with athletic issues. Nevertheless, their analysis needs to be communicated better so the Board does not get surprised.

Mr. Miles called for the vote on the motion made earlier, and the motion passed without dissention. Mr. Miles asked for any other business to come before the Committee.

Dr. Peek had an additional comment about the evaluation. He knew that the Board had requested faculty input on the evaluation, but he did not know how their evaluation was figured into the overall score. It was explained that their input was one of the 19 responses that Ms. May described previously. The staff comments were also evaluated and included in the 19 responses. Thus, the Board had only 17 Board members to return evaluation forms.

Mr. Miles suggested that different options could be considered for next year's evaluation, and a discussion followed about changes that could be made – using a different rating scale, changing the criteria to reflect changed university priorities, etc.

President Todd said that the points are sometimes changed on the evaluation, although the criteria remained the same. He stated that no other president at a university has an evaluation like this. Elsewhere, every so many years, a consultant may be hired to assess progress. Having a consultant sets the level of the review as professional, with no possibility of emotional involvement. He suggested that this is a good time to look into the procedure and the process.

He also pointed out that many boards do not have faculty or staff trustees; therefore, the faculty and staff do not have input into the president's evaluation. President Todd believes that UK does the evaluation better and does it right. This is, however, a good time to look at many issues and make changes. He would like to see a change for the next president. It would be helpful for the institution and the president.

Other suggestions and comments from the trustees were heard. Mr. Miles suggested the importance and the difficulty of careful selection of the new president.

E. Meeting Adjourned

With no further business to come before the Committee, Mr. Stuckert made a motion to adjourn. Dr. Brockman seconded the motion, and the meeting adjourned at 1:30 p.m.

Respectfully submitted,

Pamela T. May
Secretary, Board of Trustees