

Minutes of the Executive Committee of the Board of Trustees
University of Kentucky
Tuesday, December 14, 2021

The Executive Committee of the Board of Trustees of the University of Kentucky met on Tuesday, December 14, 2021 in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Chair Vance called the meeting to order at 8:16 a.m. and asked Secretary Webb to call the roll.

B. Roll Call

The following members of the Executive Committee were present: Claude A. "Skip" Berry, III, Kimberly McCann, Derrick K. Ramsey and Robert Vance. Cathy A. Black attended the meeting via Zoom. Secretary Webb announced that a quorum was present.

C. Approval of Minutes

Chair Vance stated that the minutes of the October 15, 2021 Executive Committee meeting had been distributed. Trustee Ramsey moved approval of the minutes, and Trustee Berry seconded the motion. The motion carried without dissent.

D. Presidential Evaluation Discussion

Chair Vance thanked his fellow Board members for their participation in the annual performance evaluation of President Capilouto. He explained that their responses were aggregated without attribution to respondents and highlighted the following results.

Major Accomplishments. Trustees listed numerous accomplishments over the last year including:

- Raising the profile of the university in the community by playing a role in the vaccination process during the pandemic.
- Assembling the infrastructure and the financial support to launch the university's overall Diversity, Equity and Inclusion (DEI) plan.
- Keeping the university at the forefront at a time when the Commonwealth of Kentucky needed it most with testing, vaccinations and treatment.
- Positioning the university to stay strong throughout the first wave of the pandemic and to successfully navigate the second wave with the return to in-person living, education and employment.
- Implementing a campus-wide vaccination and "return to campus."
- Propelling DEI workstreams to mount a comprehensive and meaningful approach to sustainable change.

Major Strengths. Supporting these accomplishments are the president's major strengths:

- Forward-thinking
- Leadership skills
- Intelligence
- Compassionate
- Promoting a moral and inclusive culture
- Encourages and motivates all those he encounters
- Competence in handling crisis situations with an inclusive and effective team approach.
- Addressing short-term challenges in a timely manner without sacrificing mid- and long-term goals of the institution.

Opportunities for Improvement. Still, there are opportunities for improvement in the coming year. Trustees recognized the following opportunities:

- Incorporating more key players into major decision processes.
- Continue making progress in the area of DEI.
- Increase accessibility to exchange ideas with campus partners.
- Receive Board materials earlier to be adequately prepared for the meetings.

Strategic Plan. The Board is pleased with the progress on the strategic plan and recognized the progress with student success, research, public service and healthcare. Chair Vance reported the Board is also pleased with the progress on the university's strategic priorities and the focused commitment to advance Kentucky.

Board Engagement. Members noted the format of the Board Retreat was excellent, giving trustees an opportunity to provide thoughts and feedback in small group settings.

Positioning for Success. There was strong consensus among Board members that the university is positioned well to meet future challenges and praised the President for:

- Effectively maintaining the reputation as the flagship, land-grant university.
- Continuing to anticipate and build rapid responses to unforeseen challenges.
- Remaining aware of the changing landscape of postsecondary education.
- Continuing to safeguard the primary charge to educate and graduate students.
- Continuing to diversify the institution at all levels – honoring and furthering UK's mission to be a more diverse, equitable and inclusive community.

In conclusion, Chair Vance stated, "The President often says that at the core of a university are two fundamental components: people and ideas. President Capilouto's leadership has demonstrated this wisdom. In partnership with faculty, staff and students

who are characterized by fierce resolve and unwavering compassion, he is positioning UK not simply to survive this challenging time, but to thrive. Under his leadership, we are leveraging these innovative ideas, along with grace and grit, to advance Kentucky. Thank you, again, for your support of and participation in this process.”

E. Other Business

ECR 1 Presidential Evaluation and Compensation

Chair Vance stated, “I would submit to you this morning that we are at an inflection point once again as an institution, in some ways similar to where we were six years ago which is the last time we examined modifications to President Capilouto’s employment contract with the university.

Chair Vance continued by detailing the reasoning for ECR 1. “I believe it is time, for key reasons, to reconsider the President’s compensation and terms of his agreement with the university. We are embarking on a new strategic plan, with the explicit and audacious goal: to advance our state in everything we do. We have accomplished so much of what we set out to do six years ago:

- Record retention and graduation rates.
- Record amounts of research (so much of it focused on Kentucky’s biggest challenges).
- Nearly \$3 billion invested in our campus infrastructure.
- A historic commitment to a more diverse and welcoming community.
- Increased focus on meeting the unmet financial need of our students, where it exists, and, on first-generation students who represent a quarter of our undergraduate population and so many of whom are from our state.
- And something none of us could have anticipated, managing through and emerging even stronger from a once-in-a-100-year pandemic.

“We have just now reviewed survey results regarding the President’s performance and the results are incredible. It is clear there is broad and deep support on the Board, across campus and the Commonwealth for this president. I believe we need to communicate to those who support this place that we are ready to continue to expand upon and accelerate our progress in advancing this state. Stability and continuity with a president who has broad support and is seen as a transformational leader is critical to our efforts.”

“Against that backdrop, I have spoken with the president in recent weeks about modifying his agreement with us to ensure that sense of continuity and stability. That is consistent with what I indicated I would do in 2020 when we extended the terms of his agreement, following his request to reduce his base compensation that year by 10 percent.”

Chair Vance continued by detailing ECR 1. “I would like the Executive Committee

and the Board to approve adjusting the president's base compensation, effective January 1, from the current \$838,334 to \$1,035,646. How did I arrive at that amount? That is the average base pay of the two highest-paid Southeastern Conference (SEC) public university presidents, plus 10 percent. The data we have are what is publicly available and, in some instances, more than a year old. We went through a similar analysis nearly six years ago when we adjusted the president's base compensation the last time. We are as complex an institution as any in the SEC. We are one of only eight institutions in the country with an array of programs – liberal arts, sciences, professional and graduate programs, agriculture, and a nationally ranked and growing academic medical center.”

Chair Vance continued, “President Capilouto also is the second-longest serving president in the conference, something I consider to be an achievement for us and critical to our success these last several years. I believe it is critical for what we know are challenging times ahead. To reinforce stability and continuity, I also would propose modifying the existing agreement to include a rolling year each year, such that there is always a minimum of three years remaining on his contract. This would include a provision in which either party, the president or the Board, could provide notice, a minimum of 15 months, of the intent to terminate the agreement. This provision would be in place no earlier than April 2023.”

Chair Vance stated, “As part of this contract modification, we would establish a new retention payment starting at \$125,000 on June 30, 2022, and increasing by \$200,000 every June 30th thereafter, while continuing existing deferred compensation payments into the extended term and finally, the contract provisions would permit President Capilouto the option of stepping down into a new position with term, compensation and duties to be negotiated following his tenure as president.”

“We would authorize the Board Chair to negotiate, finalize and execute all final documents needed to carry out these adjustments. The goal in this proposal, again, is stability and continuity of outstanding leadership as we embark on a new strategic plan, continue our path through and out of a global pandemic and work toward ambitious goals to grow and advance the state in critical areas of economic development, health care and developing a more skilled and diverse workforce.”

“The modifications proposed are consistent with what we have done before and, in my judgment, send a strong signal to the campus and Kentucky about the direction we have undertaken as an institution and our resolve to continue making substantial progress in advancing our campus and our state.”

Chair Vance asked for a motion to approve ECR 1. Vice Chair McCann moved approval and Trustee Berry seconded the motion. Chair Vance asked for any discussion. Vice Chair McCann spoke in support of the recommendation and stated, “He has shown great leadership at a time that was so hard for the state and also the country. He has put UK at the forefront, and financially we are also healthy, which is strong.”

Chair Vance thanked Vice Chair McCann and asked if there were any other

comments. Trustee Bowen asked for clarification on how the retention amount was decided. Chair Vance explained it was based on three SEC schools currently looking for presidents and then fair market value with the yearly increase in compensation.

Chair Vance asked if there was any other discussion. Trustee Shoop recalled the Board Retreat after President Capilouto joined UK and a tour of the residence halls. "Needless to say, I was amazed to see the poor condition of the dorm rooms and at that time the Board charged the president to do something about the situation. Now 11 years later we now have 6,800 new beds, and 14 state-of-the-art residence halls with an investment of \$450 million. We have raised more than \$1.6 billion as part of the Kentucky Can Campaign and currently have an endowment for the first time ever exceeding \$2 billion. We have invested \$3 billion in facilities, classrooms, research labs, healthcare facilities and athletics. At the University of Kentucky, we have an outstanding student body, a world-class faculty and staff and at the top, we have the person that has been responsible for putting this all together – President Eli Capilouto."

Chair Vance thanked Trustee Shoop for his comments and asked if there was any additional discussion. Faculty Trustee Swanson remarked, "With no undue disrespect to the president, it is my view that excessive executive compensation increases the gap between the president and the executives, faculty and staff and it sends a demoralizing negative message to those who are on the front lines."

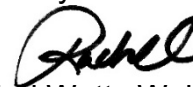
Chair Vance thanked Trustee Swanson and asked for any additional discussion. Faculty Trustee Blonder stated, "I agree with Trustee Swanson, and I intend to vote against this recommendation at the Board meeting for the reasons she detailed. I think this is a very trying time for our state; our students, faculty and staff are struggling, and we have tornado devastation and the pandemic. I am concerned this would send a poor message to our community and erode trust in the university and the Board. I also mean no disrespect, but I intend to vote no."

Chair Vance asked if there was any further discussion. Hearing none, the Executive Committee voted and ECR 1 passed without dissent. (See ECR 1 on the Board of Trustees website, www.uky.edu/Trustees, under "Agenda")

F. Adjournment

With no further business, the meeting was adjourned at 8:36 a.m.

Respectfully submitted,



Rachel Watts Webb,
Secretary