

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Tuesday, December 12, 2017

The Board of Trustees of the University of Kentucky met on Tuesday, December 12, 2017, in the Board Room on the 18th floor of the Patterson Office Tower.

A. Meeting Opened

E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 2:06 p.m. Chair Brockman asked Trustee Kelly Holland, secretary of the Board, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Jennifer Y. Barber, Claude A. “Skip” Berry, III, Lee X. Blonder, James H. Booth, E. Britt Brockman, Mark P. Bryant, Benjamin Childress, Michael A. Christian, Angela L. Edwards, Cammie DeShields Grant, Robert Grossman, David V. Hawpe, Kelly Sullivan Holland, Elizabeth McCoy, David Melanson, Derrick K. Ramsey, C. Frank Shoop, Sandra R. Shuffett, Robert Vance, and Barbara Young. Trustee Carol Martin “Bill” Gatton was not in attendance.

Secretary Holland announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Tim Tracy, Executive Vice President for Health Affairs Mark F. Newman, Executive Vice President for Finance and Administration Eric Monday, Vice President for Research Lisa Cassis, Chief of Staff Bill Swinford, Vice President for Philanthropy D. Michael Richey, Vice President for Institutional Diversity, Sonja Feist-Price, and General Counsel William Thro.

The University faculty was represented by Chair of the University Senate Council Katherine McCormick, and the University staff was represented by Chair of the Staff Senate Jon Gent.

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

C. Chairs Report

Chair Brockman reported that there had been no petitions to address the Board since the last Board of Trustees meeting and called attention to the consent items on the agenda. The items were as follows:

Minutes	Board of Trustees Meeting, October 19-20, 2017
PR 2	Personnel Actions
ASACR 1	Candidates for Degrees: December 2017
ASACR 2	Candidates for Degrees: December 2015
FCR 1	Pledge from Toyota Motor Engineering and Manufacturing North America, Inc.

- FCR 2 Acceptance of 2016-17 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and Required Supplementary Information
- FCR 3 Acceptance of Interim Financial Report for the Three Months Ended September 30, 2017
- FCR 4 Proposed 2018-19 Room Rates for University-Constructed Housing
- FCR 5 2017-18 Budget Revisions
- FCR 6 Approval to Declare as Surplus University Property and Initiate Capital Project for the Kirwan-Blanding Resident Housing Complex and Dining Commons Housing Update
- FCR 7 Approval to Declare as Surplus and Dispose of University Property (Commonwealth Village - Graduate Housing)
- FCR 8 Authorization of Negotiated Disposition of Personal Property
- FCR 9 Real Property Exchange (Lexington Fayette Urban County Government)
- FCR 10 Renovate/Improve UK Good Samaritan Hospital Facilities Capital Project (Air Handling Units) (Scope Increase to Consolidate Units)
- FCR 11 Improve UK HealthCare Facilities - UK Chandler Hospital Capital Project (Gill Heart and Vascular Institute Catheterization Lab Expansion)
- FCR 12 Funding Revision to Renovate/Upgrade UK HealthCare Facilities (Phase I-F, I-G, I-H, and I-I) Capital Projects
- FCR 13 Capital Construction Report
- FCR 14 Patent Assignment Report

Hearing no requests to remove items from the consent agenda, Chair Brockman asked for a motion for approval. Trustee Hawpe moved approval of the consent agenda. Trustee Christian seconded the motion and the consent agenda passed without dissent. (See consent items on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

D. Executive Committee Report (ECR 1)

Chair Brockman stated that the Executive Committee met with regard to the Presidential Evaluation, which has been thoroughly reviewed over the past 5-6 months, culminating in ECR 1. Chair Brockman recommended to the full Board a Resolution (ECR 1) reading "...commending President Eli Capilouto on his strong leadership over the last six and half years and the progress we are making as a University and community. We are proud of the work we have done together and are deeply committed to our partnership with the President as we address future challenges and the opportunities for improvement we have identified in this evaluation." Chair Brockman opened the floor for discussion. With no discussion, Chair Brockman called the vote. It passed without dissent. (See ECR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

E. President's Report (PR 1)

President Capilouto began by thanking the Board for their comments in his evaluation; and recognized his staff for executing many of the items, for which he was credited. The President continued with acknowledging the football team reaching bowl eligibility, and the women's volleyball team's exceptional year. The President went on to commend the University of Kentucky

Cheerleaders, who will represent the Commonwealth at the Winter Olympic Games in Pyeongchang, South Korea.

The President congratulated Provost Tim Tracy on his new position as CEO of Aprecia Pharmaceuticals, and shared many of Provost Tracy's accomplishments; including the nationally recognized University of Kentucky program, Leveraging Economic Affordability for Developing Success (LEADS), which addresses unmet financial needs of the University's students. President Capilouto thanked Provost Tracy for his leadership, compassion, and commitment to the University, and wished him well on his new and exciting calling. The Board of Trustees recognized Provost Tracy and his commitment to the University with a round of applause.

The President introduced Chair Brockman to present a resolution for retiring President's Office staff member, Amy Hisel. Chair Brockman read...“Amy K. Hisel, for her service to the University of Kentucky Board of Trustees, the University, her community, and the Commonwealth. Whereas, for more than 25 years, Mrs. Amy K. Hisel, has ably and thoughtfully served the University of Kentucky in its mission to provide quality education, conduct groundbreaking research, heal patients and comfort families, and uplift communities through service and outreach to the Commonwealth of Kentucky; and whereas, a Psychology graduate of the University of Kentucky and sister in Kappa Kappa Gamma, she remained deeply committed to the success of her alma mater, and, as a member of the University Commencement Committee, supported countless graduates who followed in her footsteps; and whereas, she served many departments during her tenure at the University, including: The Sanders-Brown Center on Aging, the College of Arts and Sciences, and the Office of the President; and whereas, Mrs. Hisel, in the College of Arts and Sciences, supported the teaching, research, and outreach efforts of the departments of Chemistry and Geography, as well as the Office of the Dean of the College; and whereas, during her more than 10 years of service to the College of Arts and Sciences, she assisted three deans and was a constant and committed presence, ensuring that the activities of the College were reliably executed and that all needs were anticipated and met; and whereas, acting with an abiding sense of community, she was the heart of the College, fostering a collegial and familial environment, and earning the respect and admiration of her faculty and staff colleagues, and the students she encountered; and whereas, since 2012, she has brought the same sense of duty, extraordinary skill, attention to detail, and welcoming approach to the Office of the President, and Board of Trustees; always being a positive and spirited colleague who in ways known and unknown has helped put the University's best foot forward. Now, therefore, be it resolved, that the University of Kentucky Board of Trustees does hereby adopt this resolution on December 12, 2017, and expresses, on behalf of the University community, our individual and collective gratitude to Mrs. Amy K. Hisel, for her exemplary support and service, wishes her well in all of her future endeavors, and orders that this resolution be made part of the minutes of the meeting. Signed Eli Capilouto and myself. Amy, Thank you.” The Board of Trustees recognized Amy for her leadership and service to the Board of Trustees, with a round of applause.

Amy thanked the Board of Trustees, President Capilouto, and his staff. “It has been an extraordinary honor and pleasure working with each of you.” Amy continued by thanking Chair Brockman for his leadership and support, as well as offering her the opportunity to serve the Board every day. The Board of Trustees recognized Amy Hisel and her service to the University with a round of applause.

President Capilouto introduced Amy's successor, Katie Hardwick, who has served as the Assistant Vice President of Programs and Events at Commerce Lexington Inc. for the past twelve years. Prior to her work at the Chamber, Katie worked at UK Athletics as the in-house travel agent, coordinating recruiting, and team travel.

President Capilouto continued his report, highlighting a recent trip to Washington D.C. with a team of University of Kentucky faculty and clinicians; outlining the University's response to opioid addiction, and the response needed for the University to continue their work. The team included faculty from seven different colleges and UK Health Care, who engaged in the laboratory or within the community, to tackle substance abuse and addiction research; earning \$22.5 million dollars in support to study these issues. This support is part of the \$350 million dollars the University achieved in research funding for the year. The President pointed out, this viable progress is not possible without the support the University receives from committed graduate students. "These students are on the front lines of our research, in our labs, and independently, learning effective instructional techniques they will use as they teach the next generation."

The President stated another reason our delegation traveled to Washington, was to express our concerns regarding tax reform. Not all of the University's 7,100 graduate students, participate in programs that come with tuition waivers. Depending on the degree, 29% of these students receive tuition waivers; which amounts to \$28 million dollars that would become taxable income. In our last year alone, the University gave \$13 million dollars in tuition benefits to our employees and their dependents; that too was scheduled to be taxed. The delegation explained, at the University of Kentucky, 40% of all individuals making less than \$25,000.00 a year, are taking advantage of this tuition benefit. When you examine individuals making up to \$50,000.00 a year, 68% were participating in the program. President Capilouto pointed out that ending this important benefit was not included in the Senate version, and he feels confident, after speaking with our congressional delegation, it will be preserved.

Dr. Capilouto concluded his report by urging everyone to examine all of the accomplishments in PR1.

F. Proposed Revision to Governing Regulation: Staff Senate (PR 3)

President Capilouto proposed PR 3 as a recommendation for the Board of Trustees to review and vote to accept for the first reading; the attached revision of the Governing Regulations by the Staff Senate. The revision, if approved, will allow the Staff Senate to determine its own membership requirements; in order to increase participation in the Staff Senate by University of Kentucky staff employees.

Chair Brockman asked for a motion for approval. Trustee Christian moved approval of PR 3. Trustee Melanson seconded the motion and it passed without dissent. (See PR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

G. University Athletics Committee Report

Trustee Jennifer Barber, chair of the University Athletics Committee, stated that the University Athletics Committee met yesterday, and heard remarks from President Capilouto and Director Barnhart. We reviewed financial reports from Treasurer Krauss, and Executive Associate Athletics Director and CFO, Melissa Gleason. Volleyball Coach Skinner, was also recognized, as well as numerous student athletes, who joined us. Trustee Barber congratulated the Athletics Department, and thanked the many individuals who contribute to this exceptional program.

H. Audit and Compliance Committee Report

Trustee Skip Berry, chair of the Audit and Compliance Committee, reported that the committee met earlier in the morning to review the University's external auditors' reports and the proposed third quarter work plan.

The University's consolidated financial statements, single article reports, schedule of expenditures for federal awards, and the accompanying Baird, Kurtz & Dobson (BKD) unmodified opinion were reported by BKD's partner, Jim Creadon. Treasurer Susan Krauss reviewed the report for Eastern State Hospital, Kentucky Medical Services Foundation, and the NCAA. Trustee Berry stated, BKD did not express an opinion or conclusion as a result of the agreed upon principles.

Internal audit gave an update on the audit from the Student Financial Aid Verification Process; and their continued collaboration with Enrollment Management. The proposed Fiscal Year, third quarter plan for UK Internal Audit, was reviewed, and approved by the Audit and Compliance Committee.

I. Finance Committee Report

Trustee Jim Booth, chair of the Finance Committee, reported the group passed fourteen FCRs in the committee meeting.

J. Investment Committee Report

Trustee Mark Bryant, chair of the Investment Committee, reported the committee met yesterday and reviewed the performance results. The endowment pool had a market value of \$1.44 billion, as of October 31, 2017, and gained an estimated 2.24% or \$35 million dollars, in the fourth fiscal year period to date. International and Domestic equity allocations, were the primary contributors to the endowment pool performances for the period. The Investment Committee also approved a revised Endowment Investment Policy. The key revision includes a temporary increase of management fees of up to one half point, for a maximum annual assessment of one point; to support the additional expenses related to the capital campaign. The increased fee will be effective July 1, 2018.

K. HealthCare Committee Report

Trustee Robert Vance, chair of the HealthCare Committee, stated the committee met on Monday, December 11, 2017, at the Charles T. Wethington Building. Brett Short gave an update on corporate compliance activity. Colleen Swartz and Dr. Phillip Chang gave an update on UK HealthCare's performance towards its enterprise goals. Dr. Robert Cofield presented the fiscal year review of quality measures, safety, and the patient experience plan. Craig Collins provided an update on the October operating results, and reported they are currently above budget. Jim Zembrodt gave an update on Building Efficiencies through Strategic Transformation (BEST). Dr. Mark Newman, Executive Vice President of HealthCare, gave an update on his first 100 days with UK Health Care.

L. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,



Kelly Sullivan Holland
Secretary, Board of Trustees

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