

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Friday, January 31, 2014

The Board of Trustees of the University of Kentucky met on Friday, January 31, 2014 in the Board Room on the 18th floor of Patterson Office Tower, Lexington, Kentucky.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:06 p.m. Chair Brockman asked Trustee Sheila Brothers, 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: C.B. Akins, Sr., James H. Booth, William C. Britton, E. Britt Brockman, Sheila Brothers, Mark P. Bryant, Jo Hern Curriss, Angela L. Edwards, Oliver Keith Gannon, Carol Martin (Bill) Gatton, Kelly Sullivan Holland, David V. Hawpe, Terry Mobley, Roshan Palli, C. Frank Shoop, James W. Stuckert, Irina Voro, John Wilson and Barbara Young. Trustee Bill Farish was not in attendance. Secretary Brothers announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Christine Riordan, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Finance and Administration Eric Monday and General Counsel William Thro.

The University faculty was represented by the Chair of the University Senate Council Lee Blonder, and the University staff was represented by the Chair of the Staff Senate Jeff Spradling.

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

C. Consent Items

Chair Brockman called attention to the three consent items on the agenda. The items were the minutes for the Board of Trustees meeting on December 17, 2013; PR 2, Personnel Actions; and FCR 1, the T. W. Lewis Foundation Scholarship Pledge. Trustee Stuckert moved approval of the consent items and Trustee Akins seconded the motion. Chair Brockman called for the vote and it passed without dissent. (See consent items listed below on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Minutes, Board of Trustees Meeting, December 17, 2013
PR 2 Personnel Actions
FCR 1 T. W. Lewis Foundation Scholarship Pledge

D. Chairman's Report

Chair Brockman reported that there had been no petitions to address the Board since the last Board of Trustees meeting.

E. President's Report (PR 1)

President Capilouto began by mentioning that the Tuesday, January 28 edition of the New York Times carried two front-page stories highlighting the work of members of the UK family and their impact on the communities. Dr. Subba Palli, an entomologist in the College of Agriculture, Food and Environment, was quoted and highlighted regarding his work involving genetic research on insects. Dr. Palli is also the father of Student Government President and Trustee Roshan Palli. The second story involved the proposed federal "Promise Zone" in Southeast Kentucky. Professor Alison Davis, also of the College of Agriculture, Food and Environment, directs UK's Community and Economic Development Initiative of Kentucky (CEDIK). CEDIK will collaborate with longtime partner, Kentucky Highlands Corporation, on activities that will empower Southeast Kentucky to improve its economic future.

President Capilouto continued that another UK story that represents an impact on a community is DanceBlue. The student-led philanthropic effort has raised more than \$5.1 million for the Golden Matrix Fund and the recently renamed DanceBlue Kentucky Children's Hospital Pediatric Hematology and Oncology Clinic. President Capilouto was delighted to introduce Ms. Claci Ayers, Overall Chair of DanceBlue 2014.

Ms. Ayers thanked the Board and President Capilouto for the opportunity to share some of the meaningful experiences surrounding DanceBlue. She explained that DanceBlue not only raises money for the clinic, but on average 35 to 40 students per week volunteer their time at the clinic to work with pediatric patients and their families. Providing students with an opportunity for "service leadership" has been one of the most fulfilling aspects of DanceBlue. Ms. Ayers shared a video presentation with the Board about one of the many student volunteers (Alex Wade) whose life had been impacted by his involvement with DanceBlue. DanceBlue 2014 will be held on February 22-23, 2014 in Memorial Coliseum.

President Capilouto shared a story from a recent visit with alumnus Tom Lewis. Mr. Lewis shared that his mother was his best friend and the single greatest influence in his decision to attend college. She lived in eastern Kentucky for a short time and his gift supports honors students from that area.

President Capilouto continued with a quote from another famous female in higher education, Dr. Drew Faust, president of Harvard University. He stated that she recently announced the goal of a new capital campaign. President Faust said "Harvard is reinventing the spaces where we learn and live, attracting the best students and faculty." President Capilouto stated "Harvard's goal is fast becoming a reality at the University of Kentucky. The actions you [Board of Trustees] will take today, moving forward with the construction of Limestone Park, approval of the design of a renovated and reimagined Student Center, are another piece in the

magical puzzle transforming this remarkable place. With two more pieces in place, the vision of our future becomes clearer.”

President Capilouto then asked the Board to “imagine in your mind’s eye” what north campus might look like in the fall of 2017. Acting as a tour guide, the following is what he hopes a prospective student or a UK alumnus would see. He began:

“We are going to travel down the Avenue of Champions from Rose Street to Limestone and back. Our present will meet our past when we walk. For generations who came before, memories will be unleashed. For the next generation, engaging new spaces will grip the imagination. For all generations, college must be a time when passions soar, values take root, minds roam the hills of discovery and promise, character grows, and most importantly, we learn the most about ourselves in the most disproportionate ways. But from generation to generation, those of us in leadership, to keep this promise, must be willing to evolve the ways and places in which we learn and create.”

“The first stop on our tour is Memorial Coliseum, designed by the noted architect Ernst Johnson. For 25 years it was home to our men's basketball team. During that time, they won 89% of their home games, two national championships, and 16 SEC championships. Today the court of the Fiddlin' Five and Rupp's Runts is now that of the Queens of the Hardwood. Our UK Women's Hoops team and several other women's programs, including gymnastics and volleyball, come alive in this arena. Yes, there are prominent banners and trophies to honor athletes of yesterday and those of today. But let us not forget who Memorial Coliseum was most designed to honor, those Kentuckians who fought and died in World Wars I and II, the Korean War and the Vietnam war. Recognition of their duty, courage, honor, service, are values we must cede to this next generation, and what we do there must be more fitting and more instructive by 2017. Today if you go there, the print of their names fades in dimly-lit cases, barely noticed by the thousands of people who walk by. We can do better to honor their memories. We must do so, to let their past triumphs illuminate our future path.”

President Capilouto continued, “crossing Lexington Avenue, we're going to arrive at Champions Court I and II that you approved just 15 months ago. Now, they are magnificent buildings, and space does matter. But the life that you breathe into that space matters more. Later this afternoon, the Provost will tell you about the most rapid scale-up of imaginative living learning communities in the nation, all designed with one goal in mind: enhancing and maximizing student success. Our deepest hopes and most profound dreams are invested in this space, not just for what they're going to do for retention and graduation rates, but what they will mean as a house for all peoples, first generation Kentuckians, men and women from east and west. There will be Pell Grant recipients from hard scrabble hills and farms to under-served urban corridors. There'll be people from affluent homes and those from all 50 states and well beyond our country's borders. And there'll be students of different religions, cultures, colors, family structure, sexual orientation, and points of view. In these new houses, we hope to grow what the economist Noah Smith has called the ‘equality of respect.’ American journalist Mickey Kaus wrote this past week that ‘this social equality must lie at the root of our worries about economic equality.’ He [Kaus] quoted President Reagan, who said:

‘Whether we come from poverty or wealth, we are all equal in the eyes of God.
But as Americans, that's not enough. We must be equal in the eyes of each other.’ ”

President Capilouto continued that “with this thought in mind, we continue our journey. We pause to cross Martin Luther King Boulevard, remembering why his journey was cut short. It begins in the heart of Lexington's historic east end community, and it ends on our campus. This path, I believe, is more than mere directional chance. It serves as a compelling, sometimes searing reminder that equality and justice must be the guidepost of this campus and that our work in these areas is never, ever done.

Our walk soon takes us to the recently finished Limestone Park. For this progress, we had to demolish Boyd, Jewell and Holmes Hall; all named for women pioneers whose profound legacy on this campus must be as irrefutable as it is immovable. Sarah Bennett Holmes, UK's distinguished Dean of Women from 1942 to 1957, tirelessly championed the rights of women throughout her career. She was widowed at a young age during the Great Depression. She carried on, raising four children by herself. She went on to a successful career at UK, inspiring young women to persevere in the face of hardship to pursue their educational and career goals. Frances Jewell McVey graduated from Vassar College, earning a master's degree. She married the future President of the University of Kentucky, Frank McVey, in 1923. She was an advocate for female students, a social worker at the University, and organized many clubs, events, and became an English teacher after establishing a well-known and respected reputation. Cleona Belle Matthews Boyd was the wife of the Arts and Sciences Dean, Paul Boyd, who served from 1917 to 1947. She was a member of the Board of Control for UK women's residence halls for 20 years. Those are just three of the countless stories about women who led and left their marks on this campus. These past few weeks reminded me that with time their stories have become invisible to us. Too few students and too few faculty know what these brave women faced and did in their time. Patterson Hall, UK's oldest remaining residence hall, was completed in 1903. It was for women, and it remained women only until 1990. It was entirely financed by the State, but the General Assembly put the condition in that it had to be off-campus to keep the men separated from the women. In 2017 on our tour, we hope it stands repurposed among new halls. It is a mirror honoring our past, but at the same time it's a window to a bright future. Like our fallen soldiers, who we try to remember in Memorial Coliseum, we must do better and we will do better in bringing the stories of these women to life, in their honor and to forever present lessons for the students who come this way.”

President Capilouto continued “So before we cross over to the south side of the street, we can pause at the busy intersection of Limestone and the Avenue of Champions. And you'll be able to gaze at new retail spaces, perhaps a wellness clinic, new restaurants, that all complement our new, more urban residential spaces in ways that draw together students, alumni, and neighbors. A revitalized campus on that corner, that bridge to downtown, links us to this resurging downtown, quickly becoming a destination spot for our community's artistic, entertainment, and cultural interests. UK and the city of Lexington do not simply make a college town. Together we become a university city, and we do that best when we grow together. So we're going to turn down the Avenue of Champions, back towards Rose Street, and we travel on the south side of the road. Our new, totally renovated Student Center is anchored by the 1930's

Ernst Johnson building, with its two-story art deco foyer and ballroom restored to its previous glory when it housed dinners and dances. You know who's been there? From Louis Armstrong, Bruce Springsteen and Jimmy Buffett concerts to *Roots* author Alex Haley, journalist Alistair Cooke, and Vice President Al Gore. When it first opened in 1938 as the Student Union Building, the Cincinnati Enquirer described it as "swanky as the most luxurious country club." It reminded me of something I've read since I've been here in Kentucky, because some people think we build things that are a little too nice. The quote that I return to was that made by previous ECU and UK President Donovan. In the '30s at ECU they opened Keen Johnson Building. If you go inside of that, it has a similar art deco design that you see in the Ernst Johnson building, so people criticized President Donovan at the time that maybe it was a little too extravagant. Here was his answer in the '30s: He wanted a building 'so fine that the sons and daughters of Kentucky's mountains, having been in it, would not be uncomfortable in any building they entered for the rest of their lives.' That's how I look at our space. The eastern anchor of that new Student Center also includes a totally renovated Alumni Gym; once again, a home of two national championships, now being used as a recreation center for our students and faculty. And by 2017, it's not just a student center; it's also a desired destination hub for faculty, students, staff, alumni, visitors from the community, now at a thriving heart of our campus. Let me share with you Harvard's dream for its new student center: 'Creating spaces where people will read and study, forge and share ideas, host events and performances, make art and mount exhibits as well as chat over meals and relax together, a place where the exciting interdisciplinary work connects across boundaries, a place to generate conditions for serendipitous encounters, the unexpected conversation that becomes a fruitful partnership or the passing observation that sparks a discovery or innovation.'"

President Capilouto continued "this part of campus used to be outdoor space for gathering; in fact, it was a lake. The pictures I look at of that time always include a canoe or two. I imagine you could put your feet in the water on a hot day or see the reflection of the moon on a clear night. I imagine also that proposals of marriage were made in those canoes. The lake was a focal point for a daily rhythm of life at a slower time for fewer people. But our new center, a front door of our beloved university and the space we are creating in Limestone Park, envisions a more dynamic and fast pace. Yet it too will have, in the words of the landscape designer Michael Van Valkenburgh, 'Democratic, inclusive open spaces promoting ecological, programmatic, experiential and social diversity.' That is what we must create. There will be spaces for people to watch people, play ball games, view movies on a giant inflatable screen, be entertained by performers, picnics and, yes, propose to a lifelong soul mate. That is what you can find at Harvard or in the new parts of thriving university cities. Our choice now is: Can we have it here? And in 2017, we need to have it here. For our students, we can have an even more meaningful experience for them in their own backyard, just as we said seven or eight years ago when we built our hospital, the best of care right in your own backyard."

President Capilouto concluded the tour "by arriving at Wildcat Alumni Plaza, a monument to and because of our UK family. We look back at what we have accomplished together with great expediency and high quality. Together -- together -- we blaze this path forward because of our ingenuity, our willingness to make tough calls, prudent investment, financial responsibility, and innovative partnerships. We all understand the financial burdens of our state and the economy of our time, but it is not necessary to sacrifice our future because of

those. Your leadership and the course we are setting is changing this University for generations to come. We're building a new foundation, one that honors our past but creates the type of dynamic space and infrastructure support that will allow our students, scholars and staff the opportunity to build those new memories, to launch new discoveries, to meaningfully serve the Commonwealth and the world, and to forge their path forward.”

President Capilouto thanked the Board and concluded his tour by saying “I hope we get to take it in 2017.”

Chair Brockman offered that it was exciting to hear what has been and will be accomplished. He noted that the hard work reaps dividends in the form of students like DanceBlue Overall Chair Claci Ayers and the many students like her across campus.

Chair Brockman noted that PR 3 Naming of University Buildings: Residence Halls will be reviewed at the conclusion of the Finance Committee report.

F. Report on Results of Alumni Member Election (PR 4)

President Capilouto stated that PR 4 was the recommendation that the report of the Secretary of the Board of Trustees on the results of the election authorized by the Alumni Association be received and put to record, and that the Secretary 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 Jo Hern Curris, whose term expires June 30, 2014, will be appointed.

Trustee Curris moved approval of PR 4. It was seconded by Trustee Holland and it passed without dissent. (See PR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

G. Candidates for Degrees: December 2013 (ASACR 1)

Trustee Gannon, chair of the Academic and Student Affairs Committee, stated that ASACR 1 was the recommendation that the President be authorized to confer upon each individual, the degree to which he or she is entitled, upon certification by the University Registrar that the individual satisfactorily completed all the requirements for the degree for which application had been made. Due to an administrative error, the names were not previously submitted.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon asked for approval of ASACR 1 and it passed without dissent. (See ASACR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

H. Merger of Educational Units: College of Medicine (ASACR 2)

Trustee Gannon stated that ASACR 2 was the recommendation that the Board of Trustees approve the merger of the Department of Molecular and Biomedical Pharmacology and the

Graduate Center for Nutritional Sciences into the Department of Pharmacology and Nutritional Sciences, also in the College of Medicine, effective immediately.

This merger will positively impact all constituents, including faculty, staff and students. This proposal has been approved by the faculty of the Department of Molecular and Biomedical Pharmacology, the Graduate Center for Nutritional Sciences, and the College of Medicine Faculty Council. It has been reviewed and recommended by the Senate Committee on Academic Organization and Structure and the Senate Council and endorsed by the University Senate. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon moved approval of ASACR 2 and it passed without dissent. (See ASACR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

I. University Athletics Committee

Trustee C.B. Akins, Sr., chair of the University Athletics Committee, reported that the Committee had met that morning. Members of the UK national championship cheerleading squad and Coach Jomo Thompson were introduced and recognized by the Committee. The team won an unprecedented 20th national title at the UCA/UDA College Cheerleading and Dance Team National Championship in Orlando, FL on January 19. UK has now won 15 championships since 1995. As the team members introduced themselves, Trustee Akins remarked that the members were from cities across the country and Costa Rica, and had a broad range of majors.

In his department report, Athletics Director Mitch Barnhart was very pleased to report that UK Athletics posted a cumulative team fall semester GPA of 3.088. This was the third consecutive semester with a GPA above a 3.0. Sixteen of UK's 20 teams had GPAs of 3.0 or better, led by women's tennis at 3.727. Of the men's teams, men's tennis led the way with a 3.443. Additionally, the SEC announced its Fall Academic Honor Roll. UK was second overall in the SEC with 59 student-athletes achieving this honor.

Director Barnhart continued with a progressive report of the winter sports. He recapped the latest men's and women's basketball achievements. Gymnastics is currently ranked No. 20 and the Rifle Team, ranked No.1, is positioned to compete for a national championship again this year. Men's and women's track team hosted two meets in January. The last home meet was the McCravy Memorial, which was designated the "National Meet of the Week" due to its strong field. Men's and women's swimming and diving are also having a strong year.

In spring sports, men's tennis is 5-1 with a No. 13 ranking two weeks into the indoor portion of its schedule. Women's tennis is ranked No. 40 with a 3-1 record, the only loss coming in the regional championship match of the ITA Kick-Off Weekend to No. 10 Duke. Baseball will open the season on February 14 against No. 1 Virginia. Softball opens 2014 with the highest preseason rankings in school history: No. 12 in the ESPN poll and No. 14 according to USA Today. The men's and women's golf programs will host a grand opening of the new UK Golf House on February 15 and both open their spring seasons in mid-February.

Off the field, football is still positioned for its highest-ranked recruiting class in UK's history with the official Signing Day on February 5. Three former Wildcats, Jacob Tamme, Danny Trevathan and Wesley Woodyard, will play for the Denver Broncos in the Super Bowl on Sunday. Women's basketball head coach Matthew Mitchell and his wife Jenna donated \$2 for every fan attending two home games to fight Alzheimer's Disease as part of "We Back Pat" (former Women's Basketball Coach Pat Summit of the University of Tennessee) week. After the games, they doubled the amount to \$40,472.

In closing, Director Barnhart reported that earlier this month, UK Athletics launched its UKAD Blue campaign to encourage healthy habits among staff and coaches with a twice-a-week meal program and workout teams.

Executive Vice President for Finance and Administration Eric Monday reviewed with the Committee the Independent Accountant's Report on Agreed-Upon Procedures Performed on the Intercollegiate Athletics Program for the fiscal year ending June 30, 2013. The procedures were performed to assist the University in assessing compliance with NCAA Bylaw 3.2.4.16. No exceptions were found.

Trustee Akins reported that in business items, the Committee reviewed FCR 3, Construct Football Training Facilities and Practice Fields. The Committee recommended approval of the FCR to the Finance Committee.

J. Finance Committee Report

Trustee James Stuckert, chair of the Finance Committee, reviewed the consent item: FCR 1, T.W. Lewis Foundation Scholarship Pledge. (See FCR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

K. Patient Care Facility Project: Phase I-E (Fit-Up Clinical Decision Unit) (FCR 2)

Trustee Stuckert stated that FCR 2 was the recommendation that the Board of Trustees approve the initiation of the fit-up of the Clinical Decision Unit (CDU) capital project and increase the existing scope of the Patient Care Facility: Phase I-E project from \$607,600,000 to \$613,100,000. This \$5,500,000 project includes the fit-up of the ground floor shell space for a new 24 bed CDU to relieve the patient load, improve the quality of patient care, improve the efficiency of patient flow and increase throughput in the Emergency Department. This project will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 2. Trustee Voro asked for a clarification of "agency funds". Trustee Stuckert replied that the project would be funded with revenues from UK HealthCare. Chair Brockman called for the vote and it passed with 18 affirmative votes and 1 abstention from Trustee Voro. (See FCR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

L. Construct Football Training Facilities and Practice Fields (FCR 3)

Trustee Stuckert stated that FCR 3 was the recommendation that the Board of Trustees approve the initiation of the Construct Football Training Facilities and Practice Fields capital

project. The project will include a new two-story structure and two practice fields with an adjoining drill area. The project will provide a comprehensive complex to support the entire football operation including Commonwealth Stadium and Nutter Field House. The scope of this project is \$45,000,000 and will be funded with private funds. The University Athletics Committee recommended approval of FCR 3.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 3 and it passed without dissent. (See FCR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

M. Approval of Property Transfer to Related Party (FCR 4)

Trustee Stuckert stated that FCR 4 was the recommendation that the Board of Trustees authorize the transfer and sale of three fume hoods to Kentucky Technology, Inc. (KTI).

Pursuant to Administrative Regulation 8.1 and KRS 164A.575 (7), property that is surplus to the needs of the University can be transferred with the approval of the Board of Trustees. The University purchased three fume hoods with the intent to replace equipment in laboratories in the ASTeCC building. However, the new fume hoods were not compatible with the ASTeCC building's central exhaust system. The hoods are needed by a tenant in the Coldstream Center and are compatible with the systems in that facility. Pending Board approval, KTI will reimburse the University for the three fume hoods at the original cost of \$29,547.42.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 4 and it passed without dissent. (See FCR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

N. Repair/Upgrade/Improve Civil/Site Infrastructure (Scott Street Parking Lot) (FCR 5)

Trustee Stuckert stated that FCR 5 was the recommendation that the Board of Trustees approve the initiation of the Repair/Upgrade/Improve Civil/Site Infrastructure (Scott Street Parking Lot) capital project. The \$1,900,000 project includes \$1,100,000 for construction and \$800,000 for site preparation. It will provide 265 parking spaces which will offset recent north campus parking losses.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 5 and it passed without dissent. (See FCR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

O. Authorization of Lease for Phase II-C Student Housing and to Submit an Increase in Scope for the Phase II to the Capital Projects and Bond Oversight Committee (FCR 6)

Trustee Stuckert stated that FCR 6 was the recommendation that the Board of Trustees authorize the President, or his designee, to:

1. Enter into a long-term lease with an affiliate of Education Realty Trust, Inc. (EdR) guaranteed by Education Realty Operating Partnership, LP for purposes of development and management of Phase II-C of the student housing project.
2. Submit an increase in scope for Phase II to the Capital Projects and Bond Oversight Committee.

Trustee Stuckert stated that FCR 6 was extensively vetted in the Finance Committee meeting. With a development scope of approximately \$84,000,000, Phase II-C includes two residence halls with a total of 1,141 undergraduate beds at the sites of Boyd, Jewell, Holmes, and Keeneland halls. On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 6. Chair Brockman opened the floor for discussion.

Trustee Hawpe was appreciative of the balance between preservation and reuse versus redevelopment and rethinking strategically important space. He was pleased with the University's overall approach, including its planning and outreach.

Trustee Shoop was grateful for the unique public/private partnership that funded the new residence halls and living/learning spaces. He believes these new residence halls and spaces will encourage students to enroll at UK for generations to come.

Trustee Gatton thought the new dorms were "one of the best things we have done," but was concerned about the cost of the annual rate increases over time. He stated he would be abstaining from the vote. Trustee Voro agreed and stated she would also abstain.

Chair Brockman called the vote and it passed with 17 affirmative votes and two abstentions, one from Trustee Gatton and one from Trustee Voro. (See FCR 6 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

P. Design Phase of the Renovate/Expand Student Center (FCR 7)

Trustee Stuckert stated that FCR 7 was the recommendation that the Board of Trustees approve the Design Phase of the Renovate/Expand Student Center capital project and declare official intent to reimburse the capital expenditures from a future debt obligation.

The cost of the Design Phase is not expected to exceed \$17,000,000 and will be initially financed with agency funds using the current legislative authorization. The University is seeking a \$175,000,000 authorization from the 2014 Kentucky General Assembly including \$160,000,000 in agency bonds and \$15,000,000 in agency and private funds. This Design Phase will be negotiated in full but initiated and contracted in appropriate subcomponents. Initially, it will provide schematic documents to allow for a more detailed needs assessment, advanced preliminary concepts and more detailed cost estimates for the project.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 7. Chair Brockman opened the floor for discussion. Trustee Palli was pleased to take this "first step" in meeting a vital need for the student body. He felt it was "by far the most important vote of my

time on this board. I am very proud to place it.” Trustee Hawpe was glad the University was committed to preserving a real “architectural gem.” Trustee Brothers recognized and thanked John Herbst, Director of the Student Center for his phenomenal job of organizing programming in the Student Center for many years. She stated “he is well aware of deficiencies in the building and I think we would be lucky to have him working in this new Student Center as well.’

Trustee Voro was glad that a renovated Student Center would attract more students, but encouraged the administration to continue to renovate classrooms and teaching spaces, thus seeking a balance of renovation projects across campus.

Chair Brockman called the vote and it passed without dissent. (See FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Q. Naming of University Buildings: Residence Halls (PR 3)

President Capilouto stated that PR 3 was the recommendation that the Board of Trustees approve the official naming of the new residence halls currently under construction by Education Realty Trust. The proposed names are Woodland Glen III, Woodland Glen IV, Woodland Glen V, Limestone Park I and Limestone Park II.

Trustee Stuckert moved approval of PR 3. Trustee Britton seconded the motion and it passed without dissent. (See PR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

President Capilouto took the opportunity to recognize Senator Reginald Thomas, newly elected to the Kentucky General Assembly. Senator Thomas represents the district that contains the University of Kentucky. President Capilouto stated that Senator Thomas had taken the time to meet with him and other University administrators to learn details of the University’s current projects and dreams for the future. Senator Thomas was welcomed with a round of applause.

R. Investment Committee Report

Trustee Bill Gatton, chair of the Investment Committee, reported that the Committee had met on January 30, 2014 to review performance results and conduct other business. He reported that the endowment pool had a market value of \$1.15 billion as of December 31, 2013. For the six months ended December 31, the Endowment pool returned 9.5% due to strong equity market returns during the period. The Endowment pool outperformed the policy benchmark during the six month period by 134 basis points due to strong relative performance by the US and non-US equity asset classes, and the absolute return and real estate asset classes.

S. University Health Care Committee Report

Trustee Barbara Young, chair of the University Health Care Committee, reported that the Committee had one action item. She stated that FCR 2, Patient Care Facility Project: Phase I-E was the recommendation of the fit-up of the Clinical Decision Unit (CDU), which would increase the total existing scope of the Patient Care Facility project from \$607,600,000 to

\$613,100,000. The HealthCare Committee voted to recommend approval of FCR 2 to the Finance Committee.

Trustee Young stated that Dr. Brandon Fornwalt, assistant professor of Pediatrics and Engineering and Dr. Vincent Sorell, director of Cardiovascular Imaging, reported to the Committee on UK's advanced cardiac imaging program noting that contemporary cardiac imaging has changed the way in which care is now being delivered to patients with cardiac disease and is an absolutely critical tool in clinical care and research. They stressed that the future of cardiac imaging will be dependent on the strategic collaboration between basic researchers able to develop advanced cardiac imaging tools and clinicians with an adequate patient volume that are capable and willing to test these tools in prospectively designed and outcome driven clinical trials. UK researchers are currently pursuing numerous collaborative clinical trials.

Dr. Colleen Swartz presented the enterprise capacity management update to the Committee. She reported that the enterprise is operating at near capacity with an average daily census of 654 in January 2014. Due to the large number of high acuity cases, the length of stay has increased so that beds that normally would turn over have not been vacated, leading to large numbers of patients either boarding in the Emergency Department (ED), Post-Anesthesia Care Unit (PACU) or Clinical Decision Unit (CDU) for a period of time before transferring to a bed. The enterprise has averaged 46 boarders on any given day. In addition, in January 88 transfers were lost due to a lack of available beds. The opening of the Coronary Care floor in December of 2014 will only add a total of 40 beds due to the closing of beds in older units and the replacement of a significantly outdated and undersized Intensive Care Unit. As Dr. Karpf discussed at the December Hospital Committee meeting, the University will ask the state for \$150 million in bonding authority to undertake Phase I-F, which includes the replacement of the current original kitchen and cafeteria, the 66 bed Neonatal Intensive Care Unit (NICU), the fit-up of floors nine and ten of the Patient Care Facility and the replacement of other outdated infrastructure.

Mr. Murray Clark presented a six month financial and statistical review of the UK HealthCare system for the period ending on December 31, 2013. He reported that both adult and children's discharges are below budget. However, because the case mix has increased (complex patient care) patient days have risen. As a result, the hospital has had a shortage of beds with many patients either unable to transfer in or placed in a boarding situation until a bed becomes available. As Dr. Swartz discussed in her report, the demand for beds has exceeded capacity. Outpatient activity is strong and on budget. Full time equivalents (FTE's) have increased, but are in line with activity. The payor mix is somewhat less favorable than the prior year with a decrease in commercial and other and a small increase in patient and charity. Year-to-date net revenues have outpaced expenses with an operating margin of \$36.5 million. This is \$6.5 million below budget but still a very strong performance. Additionally, income from operations coupled with strong non-operating revenues largely driven by strong investment income have exceeded budget for the year. Investment income for the period is \$22 million and exceeds budget by \$12.5 million.

On the balance sheet, cash and cash equivalents for the period totals \$65.7 million. The total consists of \$54.7 million in unrestricted cash and \$10.9 million in restricted funds. The

unrestricted cash includes an advance by the state to cash flow for the Eastern State Hospital management contract. The financial median analysis indicates days of cash on hand has improved slightly since year end, operating margin and earnings before interest depreciation and amortization (EBIDA) exceed target, debt to capitalization has improved slightly since year end and cash to debt has improved.

Last month Trustee Young met with Brent Short, Chief Compliance Officer, to review UK HealthCare's current compliance plan. He also reviewed any issues that have arisen in the interim.

Trustee Young concluded that Dr. Stephen Strup presented for approval the current list of privileges and credentials. The committee made a motion to accept the privileges and credentials brought before them. The motion carried and was approved by the committee.

T. Item for Discussion

President Capilouto welcomed Provost Christine Riordan to share an update on the University's Living Learning programs.

Provost Riordan began by appreciating Dr. Capilouto's futuristic tour of the new places on campus. She emphasized that progressive thinking and new partnerships had resulted in investments in facilities, thus creating excitement and pride. For many, "building is a symbol of quality." She offered that this investment is occurring not only with bricks and mortar, but with the spaces inside the residence halls. The University's investment in the Living Learning programs will require collaboration, create community and ultimately make a lasting difference in people's lives.

She continued that the purpose of Living Learning Programs (LLPs) is to "create supportive and seamless learning environments." LLPs are successful because they promote academic success and persistence, create a sense of connectivity and belonging and foster a sense of shared learning and involvement. Data from UK and other universities show that students in LLPs have higher grade point averages (GPA's) and retention rates. In short, if students feel connected, they stay in school. LLPs promote the formation of supportive communities of peers, offer engaging course structures and learning experiences, support student involvement in the University and increased engagement outside the classroom.

According to Provost Riordan as UK continues to develop its LLP offerings, quality will be at the forefront of the conversation. A task force has been created to discuss and make recommendations for the following areas:

- Academic standards and quality of LLPs
- Academic leadership and support structure need for LLPs
- Issues to consider in growth of LLPs
- Assessment and measures of success of LLPs
- Costs and sustainability of LLPs
- Other issues

Provost Riordan continued that expansion of existing LLPs is currently underway and the introduction of new collaborative LLPs will happen over the next two to three years. Not only will there be additional opportunities for first-year students, but also multiple-year LLPs that will increase offerings for upper class students.

A network of support services surrounding LLPs are also critical for student success. These services include dining, physical and social recreation, health care and academic support. In creating “zones” on campus, services can be expanded in these areas to facilitate and support the growth of LLPs.

Trustee Young asked about the academic requirements for admission to an LLP. Provost Riordan explained that some programs like Leadership and Wellness are open to anyone. Others, like Engineering, are rooted in the colleges and have an application process. The ultimate goal is have sufficient LLPs for any student who chooses to be a part of one.

Trustee Gannon was pleased to see the academic piece be a part of the transformation across campus. Provost Riordan explained that the credit goes to the deans and their colleges, and to the creative and dedicated faculty and staff who want to ensure student success.

U. Other Business

Chair Brockman called the Board’s attention to two invitations in the yearlong celebration of the Student Center’s 75th anniversary.

V. Meeting Adjourned

Hearing no further business, Chair Brockman declared the meeting adjourned at 2:38 p.m.

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees

(PR 1, PR 2, PR 3, PR 4, ASACR 1, ASACR 2, FCR 1, FCR 2, FCR 3, FCR 4, FCR 5, FCR 6 and FCR 7 are part of the minutes of the meeting.)