

**MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
February 26, 2009
Knoxville, Tennessee**

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 12:30 a.m. (central time) on February 26, 2009 in the O. D. Larry Dining Hall of the Student Alumni Center on the Campus of the University of Tennessee Health Science Center, Memphis, Tennessee.

I. CALL TO ORDER

Chair George Cates called the meeting to order.

II. ROLL CALL

The Chair called the roll of committee members. Those present were:

Mr. George Cates, Chair
Mr. Charles Anderson
Ms. Monice Hagler
Mr. James Murphy
Dr. John D. Petersen
Mr. Karl Schledwitz
Mr. Charles Wharton

III. APPROVAL OF MINUTES OF LAST MEETING

The Chair referred the Committee to the minutes from the October 24, 2008 meeting of the committee. A motion to approve the minutes was duly made, seconded and unanimously approved.

IV. UPDATE ON FEDERAL, STATE, AND MEDIA RELATIONS

Hank Dye, Vice President for Public and Government Relations, gave the group a quick overview of state and federal government relations and the communications activity. He updated the group on the State Government Relations strategy chart. Things change frequently in Nashville on a day to day basis. The stimulus is a top priority and everyone is awaiting an outcome on that. The Governor and General Assembly will need to approve everything. We did several good things in January and February to help build relationships. The newly appointed Chairman of the Senate Education Committee spent some time in Knoxville and went to ORNL. Time was spent with the new constitution officers and the new Deputy Governor. A briefing was given to Shelby county delegation. A lot of time has been spent working with the UT Knoxville Faculty Senate. Dr. Petersen and Dr. Simek met with House and Senate leadership in Nashville and it was a very effective and productive

session. The Governor's state of the state address revealed a lot, but we are still waiting for the Governor's budget report.

Anthony Haynes, our Associate Vice President and Director of Communications, meeting regularly with TBR and THEC. The Legislative intern program has started up again and the brochure can be seen online. We are monitoring committee action and legislation and there are about 300 bills we are following at the time.

Hank gave an update on Federal Government Relations. The stimulus is the biggest thing. We are still focusing on four strategic areas biomass and biofuels, environment and climate, materials science and healthcare biomedical. That's where we're continuing to pursue large amounts of money and opportunities. We are not abandoning other areas, just focusing on those four areas.

In the area of Communications a lot of progress has been made. Webcast viewing is up. A new budget information website was unveiled in February and received 2400 hits in the first seven days. UTalk is being used, especially in conjunction with the EEF committee. Visits were made to the major editorial boards in January. Communications is an ongoing plan and opportunities are always presenting themselves.

V. REPORT BY PRESIDENT OF THE NATIONAL ALUMNI ASSOCIATION

Mr. Ford Little, President of the UT Alumni Association presented the report on behalf of the more than 300,000 members of the UTAA.

The alumni staff and volunteers of the university are working hard on building relationships on behalf of the university. This is especially important when times get tough.

At the last meeting, Mr. Little outlined the goal of initiating the strategic planning process for the UTAA. Mr. Little gave an update of where they are in the process and what the Board might expect to happen between now and the next Board meeting in June.

As mentioned at the last Board meeting, the UTAA will put together a strategic planning committee consisting of alumni leaders and staff from across the UT system. This group will represent each campus and major affinity groups within the organization. A list has been put together of potential names of individuals to serve on the planning committee. Former UTAA President Debbie Diddle has agreed to serve as chair of the strategic planning committee. Debbie and I have met with Lofton Stuart and Henry Nemcik and other staff and volunteers to pinpoint some of the key questions and issues that need to be addressed. The staff has talked with leaders at other alumni associations to identify names of possible consultants UTAA might contract with to guide through the process. So far, five firms have been identified.

The staff is currently contacting these five firms to gauge their interest in working with UT. Each firm has been invited to come to Knoxville and meet with the alumni leadership, Henry Nemcik, Lofton Stuart and the vice chancellors of each campus to gain a better understating of their experience and expertise. After these presentations take place, a formal request for Proposal will be sent out to encourage all interested parties to submit their proposals for working with the UTAA in preparing the strategic plan. Barring any unforeseen issues, the selection will be made with a signed contract by May 1. The formal strategic planning process will begin soon thereafter.

Mr. Little is pleased and honored to be part of this process. The Association is 172 years old and has never been through a formal strategic planning process. It is anticipated this will be a 12-18 month process. Along the way, the committees will meet with various groups including staff, administration, alumni and past presidents of the Association to gather information. Peer institutions will also be visited to identify “best practices” in the field of alumni affairs. The goal is to look at all aspects of the Association, from the mission of the UTAA to the programs and services offered, to the by-laws of the Association and the make-up of the alumni Board, issues on funding and staffing and many other key questions. Mr. Little will keep the Board of Trustees informed throughout this process and will certainly share the final draft for the Board’s review and approval.

VI. APPOINTMENT OF SPRUELL DRIVER AS THE BOARD’S REPRESENTATIVE TO THE UTAA STRATEGIC PLANNING COMMITTEE

Mr. Cates stated that Mr. Little has requested that the Trustees appoint Spruell Driver to participate in the strategic planning effort. A copy of this request is located behind Tab 9 in the Board book. A motion to approve was duly made, seconded and unanimously approved.

VII. CAMPAIGN UPDATE

Mr. Cates wanted to take this opportunity for a few remarks. He reported that the Foundations Study Committee has been hard at work and has visited other campuses and had given a report to the UTHSC leadership yesterday morning. It is exciting to see how this is shaping up. Many good things will come from this effort to have additional foundations which will promote serious increases in giving and the view of many. Mr. Cates wanted to share with this group that this effort is on track and the formal report should be presented at the June meeting. He thanked Charles Wharton (Chair), Doug Horne, Jim Hall, Karl Schledwitz and Don Stansberry for their participation on that committee.

Mr. Nemcik reported the need to continue to increase private gifts to benefit the university. There are now two annual funds. Last year a second annual fund was initiated that was to benefit each university and the colleges within that university.

During the strategic plan that is going to be conducted by the UTAA, it is essential to evaluate adding a major gift annual fund component to what we are already doing with mail and phone-a-thon. This model is used by private institutions historically and is done from the President’s office of those institutions. We hope that this effort will be volunteer driven so when we begin, we will have a small number of volunteers which will grow each year after that. We could have as many as 500 alumni volunteers. Each volunteer would be given a number of major gift pledge cards and would try to go out and help us invite people to invest in the university on an annual basis and not on a pledge basis. Some private universities actually budget this amount in their budget. So when more dollars are needed in the budget, more volunteers get involved and work harder to raise more dollars. Without additional staff, Mr. Nemcik is not sure we would be able to move in that direction immediately. These funds will go directly to the Chancellors at each institution as discretionary funds. This has to be done from the highest levels of the university so we would invite the Board of Trustees, President and Chancellor to provide the leadership for this program. This will allow us to highlight our vision and programs, what our needs are, what issues we are facing and how we can address these issues.

Public universities became interested in development because in the 60s, 80% of the funds coming to public higher education came from the state and the 80s it was 50% and today Tennessee provides 24% (26% nationally) coming from state. Basically as one funding source goes down, we try to drive more resources from every available area within the university not only development but in all other areas that we might be able to generate additional funds such as tuition, auxiliary enterprises, research, and private resources. Development is trying to develop our plan.

Mr. Nemcik then gave a presentation on scholarships. There are current scholarships (money given on an annual basis but not by pledge), endowed scholarships and deferred scholarships. As a whole, we have raised a total of \$150 million for new scholarships. Some of these funds are deferred, some are current and some are endowed. You have to have this array of gift opportunities to allow for different circumstances. The chancellors are working hard to enhance some of the state and federal funds being generated for scholarships.

We help retain and recruit faculty by establishing chairs and professorships, fellowships and faculty enrichment programs. All of these benefit the university long-term. If you have a star faculty member and they receive a chair, even though our funding for salary increases are not available, that endowment distribution is the mechanism to allow us to retain those faculty members.

Mr. Nemcik would like to propose we look at establishing some type of a matching gift program and focus on faculty as well as student scholarships. If this can be accomplished, and federal money does trickle down to the university, you can not get a better result than to enhance scholarships and faculty endowments or even enhance current spending. We are going to basically leverage that two to one. We will be able to do a great job if this is a possibility. We have not had a focus program – remember development does not define programs that we raise money for. That is defined by the university then we react to the university. We have not had a focused faculty program. Most of the money for faculty and scholarships are the result of donors determining that is where they want to give.

We have raised significant funds for construction. If the state gave us more capital construction, we could put more money in endowments, scholarships and endowed scholarships. So every construction project you see on the campuses is either 100% or partially supported by private resources.

Endowment attributable to new gifts. We have made contributions. We are going to focus on building endowments but Chancellors need current dollars. We are changing our strategy by trying to generate more annual major gifts so we are looking at gifts that renew annually. It takes \$1 million in endowment to generate \$45,000 - \$50,000 in current income. We need to drive some more current income so that chancellors can have more latitude in addressing some of their needs other than just endowment funding. If we can increase staffing, this will be a major focus in the coming years.

We are very proud to have exceeded the campaign expectancy each year. Please be aware the development operation has taken budget cuts and the system is also planning on taking budget cuts, reduction in incentive programs may also affect this. If we can equal the

expectancy, we will be very happy. We are expecting a decline in total giving but do not know what this will be.

In order to achieve our goal in annual fundraising we need additional staff. The Foundations Study Committee which Charles Wharton is chairing is instrumental in our ability to provide more resources to the chancellors on an annual basis.

We have a great and committed staff. A good example of activity here at UTHSC is our development and alumni affairs group is doing a great job. Henry continues to get gift agreements across his desk – especially from dentistry. We want to focus solicitations in all of our programs. We do not have adequate staffing here at the medical center so we have had to pull people out of medicine in order to focus on dentistry. Again, this is one of the issues we are dealing with through the Foundations Study Committee.

When we look at a campaign, we look at a table of gifts. The first column is the forecast of gifts we anticipate are going to happen in the \$1 billion campaign. The second column is what we have accomplished in total gifts in order to achieve this goal. We have over 83,000 gifts to this campaign. This is through December 2008. We are actually at \$820 million through January. An interesting fact is that of the 83,000 donors, 1.4% of the first 1,181 on that chart who gave more and \$100,000 constitute more than 90% of the total gifts. Usually 10% of people in the organization give 90% of the gifts and that is why our focus is a major gift focus as we move through these campaigns. We also allow participation gifts through the alumni annual fund and some others. Every gift is important but to be successful in a campaign, you really need to have that major gift focus which we have accomplished.

The question was asked of the \$820 raised how much is planned gifts. Mr. Nemicik answered that there are three parts to this. There are current gifts coming in, there are 5-year pledge gifts (there is a small percentage of longer pledges) and there are planned gifts. Planned gifts total somewhere in the neighborhood of 37% of the total billion dollar campaign. So within seven years you can assume somewhere \$600 million will be added to our totals or spent by the university.

Due to the current economic conditions, Mr. Nemicik stated the university is hoping that since a donor is making a philanthropic gift that they will try to maintain their pledge. We have had some individuals who have added years to their pledge but say they will meet the commitment and some have frankly said they are not in a position to do this at this time and have changed their pledge/commitment. We are very flexible about what donors would like to do. The only area we do not have flexibility is when a donor commits money for construction projects. We see that people might be willing to give away about 5% of their assets during their lifetime. That is why planned gifts are important. We also have trusts that pay a life income to donors and we have individuals who want to give property to the university. We have a Real Estate Gift Acceptance Committee that looks at these properties to help us make decisions so we do not put the university or foundation in a bind when it relates to a lifetime payout.

Ms. Loughry would like to ask Mr. Wharton's Committee to give some best practices on performance based plans. She understands the conditions the university is under this year and possibly next year. She feels we need to look at this more on a long-term basis in terms of performance.

Mr. Wharton said that is an excellent suggestion. One of the findings of the Committee is that per capita the UT development officers raise more money than the other places the Committee visited. UT averages \$3 million per development officer. The second finding of the Committee is that compared to their peers, much like our faculty and other administration, their compensation is low. We bring staff on board, train them then they leave the university in order to raise their salary. Mr. Wharton said he and Mr. Nemcik will address these issues. Some of the other universities the Committee visited did have an incentive compensation program. The President of the University of Virginia said he did not want to deal with a compensation program. He wants to pay the development staff what is needed to be successful.

Mr. Horne raised the question about employment contracts. Mr. Nemcik stated the development office does not enter into an employment contract with their development officers and does not think this needs to be done. Mr. Nemcik and Ms. Mizell will discuss and get back to Mr. Horne.

Mr. Horne asked about having separate development staff in the athletic department versus having them in the development office. Soon after Mr. Nemcik's arrival at the university, Mr. Nemcik sat down with the President, Mike Hamilton and John Currie and determined the relationship at that point. There is a cooperative arrangement which is very different and unique from other universities. The arrangement as it exists is very positive. UT is one of the few campuses in the United States that coordinates and uses the same data base system to track alumni and maintain their information. We do this between four campuses which is pretty amazing. This approach is to have donor centric development operations which the goals of the donor are paramount in our operation.

VIII. NAMING OF NEYLAND STADIUM MEDIA CENTER

Dr. Petersen presented the memorandum to the Committee at the request of the University of Tennessee Men's Athletics at the Knoxville campus. The request is to name the Media Center located in Neyland Stadium the Stokely Family Media Center in honor of the William B. Stokely family's pledge to the *Campaign for Neyland Stadium*. A motion to approve the naming was duly made, seconded and unanimously approved.

IX. PROPOSED REVISION OF POLICY ON NAMING FACILITIES AND OTHER ASSETS

Three years ago a new naming policy was adopted. At this time, some clarifications need to be made within the policy.

Proposed Change – Principles Section

Add: In its sole discretion, the Board of Trustees may change any name adopted under this policy upon finding a significant change in circumstances. So the Board has final rights regardless of the rest of the Naming Policy within our organization. Basically this policy says that the Trustees have the right to determine the names to all the major buildings on the campuses throughout the system. The Chancellors have the authority to change or to name interior spaces and outside areas. We are asking they have the authority to de-name in the event there is pledge unfulfilled.

Proposed Change – Guidelines for Naming Facilities Section

#4 Add: When possible, the Chancellor/Vice President will inform a family member or other appropriate representative of the former namesake about a decision to demolish or change the use of a facility. If deemed appropriate in the sole discretion of the Chancellor/Vice President, the former namesake may be recognized with a plaque in the new or renovated facility.

#5 Add: If a donor fails to fulfill a pledge or other obligation upon which a naming is based, the Chancellor/Vice President for the campus/institute has authority to remove the individual's name from a building or other facility after providing notice to the President of the University and the Board of Trustees.

Jim Murphy thinks this is a very good idea and that these are good clarifications to help the policy along and to help deal with situations as they arise.

Mr. Stansberry suggested we look at the gift agreements to be sure there are no contractual problem between the gift agreements and a naming. Mr. Nemcik will make sure that the gift agreements coincide with the policy.

A motion to approve the Naming Policy changes was duly made, seconded and unanimously approved.

X. OTHER BUSINESS

No other business stated.

XI. ADJOURNMENT

With no other business to discuss, the meeting was adjourned.