

MINUTES OF THE WINTER MEETING
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

February 26, 2010

The Winter Meeting of the Board of Trustees of The University of Tennessee was held at 1:00 p.m. CST, Friday, February 26, 2010 in the Ballroom of the Boling University Center on the campus of The University of Tennessee at Martin.

I. CALL TO ORDER AND INVOCATION

Vice Chair James L. Murphy called the meeting to order. Reverend Jolinne Balentine-Downey gave the invocation.

II. ROLL CALL

Secretary Catherine Mizell called the roll, and the following members were present:

Charles C. Anderson
Anne Holt Blackburn
George E. Cates
Spruell Driver, Jr.
Tyler S. Forrest
John N. Foy
D. Crawford Gallimore
Monice Moore Hagler
James E. Hall
Douglas A. Horne
Karen C. Johnson
Andrea J. Loughry
James L. Murphy, III
Verbie L. Prevost
Richard G. Rhoda
Karl A. Schledwitz
Jan F. Simek
Don C. Stansberry
Robert S. Talbott
Betty Ann Tanner
Timothy K. Webb
Charles E. Wharton

The Secretary announced the presence of a quorum. Governor Bredesen, Commissioner Givens, Trustee Sumeet S. Vaikunth, and Trustee William Y. Carroll were unable to attend the meeting. Members of the administration, faculty, staff, and

media were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. APPROVAL OF MINUTES OF PRIOR MEETINGS

Trustee Tanner moved approval of the minutes of the October 9, 2009 meeting of the Board of Trustees as presented in the meeting materials. Trustee Talbott seconded the motion, and the motion carried unanimously.

IV. President's Report

Interim President Jan Simek explained that his report would focus on the newly enacted state legislation regarding higher education and the ongoing reorganization discussed at the Trustees' workshop in August.

Dr. Simek noted that the movement toward the new legislation began when the Governor convened a small group of interested parties, including the Vice Chairs of the Board of Trustees and the Tennessee Board of Regents, along with members of the Governor's staff and key legislative leaders. The group met for months and discussed the best way to improve the production of college graduates in Tennessee. At the core of the new legislation is the directive to redefine the formula used to determine the funding of Tennessee institutions of higher education. In the past the formula rewarded growth, the number of students walking through the doors. It resulted in universities getting bigger, but it did not incentivize the production of college graduates.

Dr. Simek stated that the new directive will incentivize graduation, first for an increase in the proportion of students who graduate, and second for the absolute number of graduates produced. As an example, he noted that UTK has a graduation rate of 60%, meaning that 60% of incoming students remain and receive degrees, but that number can and should be somewhere between 75% and 80%, based on comparison to its strong peers. He reported that each Chancellor and the system administration have already begun discussions as to how to implement these new directives.

Dr. Simek stated that the new legislation also included a new set of articulation relationships among the institutions of higher education in Tennessee, noting one aspect receiving a lot of attention has to do with general education transferability. The Legislation mandates that general education courses be fully transferable between institutions. One way this will be accomplished is by viewing associate degrees from community colleges as satisfying general education requirements. Dual enrollment at community colleges and four-year institutions, with general education courses being taken at the community colleges, will also facilitate moving students toward graduation.

Dr. Simek further explained that the new legislation also mandates that four-year institutions will no longer provide remedial instruction. He noted that UT institutions do not offer much remedial instruction, and where needed, it can be provided by dual enrollment at a community college.

Dr. Simek also noted that establishment of the Tennessee Community College System under the new legislation will benefit UT. The community colleges will be organized under a single administration, and their curricula will be regularized so the four-year institutions can easily articulate with the community colleges.

Dr. Simek next discussed the new research consortium in Memphis which provides an exciting opportunity for the universities and hospitals in Memphis to collaborate in research and education through establishing graduate programs. He then discussed another research opportunity for amplification of the relationship between UT and ORNL--the establishment of a joint graduate program to be housed at UTK and managed by UTK that will include and collaborate with scientists at ORNL, particularly in the areas of energy and environment.

Dr. Simek stated that all these directives are very positive outcomes with very strong potential to make higher education in the State of Tennessee far more coherent. He intends to move forward as quickly as he can with this new legislation in the time he has remaining as Interim President.

Dr. Simek noted that in the Governor's state of the state address, he went beyond the legislation and challenged UTK and, in his opinion, by implication UTHSC, to become a national top-25 University within 10 years. He stated that Chancellor Cheek has already begun the planning process to meet this challenge and called the Board's attention to a PowerPoint presenting a Gap Analysis comparing UTK in seven areas against universities ranked among "Top Public Schools" in *U.S. News and World Report* (Exhibit 1). He discussed the data in the analysis and commented on the largest gaps, noting that the faculty resources area will be difficult to overcome, due to UTK's large class sizes, student to faculty ratio, and budget reductions. He discussed potentially offering more sections, summer school, and using distance education to fill some gaps. He noted that currently students cannot use Hope scholarship money to attend summer school. He added that graduate education and research are fundamental aspects of these rankings, and UTK must work harder to produce more PhD's. He stated that UTHSC has the potential to provide a significant increase to research dollars.

Dr. Simek updated the Committee on the ongoing reorganization of the system administration. He reported that the task force for IPS, consisting of Joe Johnson, Jack Britt, Jimmy Cheek, Joe DiPietro and Mary Jinks, has made its final report to him. He stated that the task force looked at how similar entities are organized, the

statewide initiatives, necessary objectivity and other factors and recommended that IPS remain a direct report to the President. He reported that the task force on equity and diversity is ongoing and a report and recommendations should be available in the spring. The task force reviewing the relationship between the system administration, UTK, and the athletic programs in Knoxville, composed of members of the Board, members of the Knoxville Athletics Board, faculty and staff, will have a report prior to the Spring Athletics Board meeting. And finally, the administration, with outside expertise, is reviewing the purchasing functions at UT and construction management, both areas that have been identified as unsatisfactory by the University community. Lastly, Dr. Simek reported that a formal proposal will be presented to the Board in June to change the title of the Vice President for Agriculture to Chancellor.

Dr. Simek stated that UT is still going through difficult times. In his state of the state address, the Governor discussed an additional 6% cut on top of the already debilitating cuts. He stated that he continues to be amazed at how our faculty, students and staff respond to these cuts with solutions to keep UT strong and moving forward in these difficult times.

Trustee Schledwitz asked about discussed the possibility of coupling a request to the legislature for extending Hope scholarship money for summer school with a reduced tuition structure for those months. Dr. Simek responded that UT already offers a reduced tuition in the summer, but because students do not have access to scholarship money, they choose not to come. He stated that further tuition reductions could be considered, coupled with a request to the legislature use of Hope scholarship money. Trustee Stansberry stated that if the state has changed its objective to productivity, then it seems like a natural step to bring the Hope scholarship in line with those objectives. He added that there seems to be powerful logic to make that change because a student will not cost more by finishing the same amount of credits sooner.

V. VICE CHAIR'S RECOMMENDATIONS CONCERNING THE PRESIDENTIAL SEARCH

The Vice Chair referred the Board to the memorandum included in the meeting materials concerning the process for filling a vacancy in the office of President as described in the Bylaws (Exhibit 2). He stated that it calls for the creation of a search committee composed of members of the Board and the faculty, and it provides an option for a search advisory committee composed of staff, faculty, students, alumni and other representatives of the Universities external constituencies to assist in the search process.

The Vice Chair discussed the proposed Process and Timeline for the Presidential Search (included in Exhibit 2). He explained that he developed the process and timeline in consultation with a variety of people, including Interim President Simek and

his staff. He noted that the timeline calls for the conclusion of the search by the Fall 2010 Board meeting. He stated that it is an aggressive timeline but can be accommodated based on his discussions with search firms. He noted that the process is based in large part on the concepts used in the last search, with significant involvement of faculty, students, staff and alumni on the search advisory committee. He stated that he anticipates having faculty and student representatives from all of the campuses. He reviewed the timeline and noted actions that must be taken at this meeting to kick the search off in June, specifically, approval of the process and timeline and approval to retain the services of a search firm. The Vice Chair discussed the importance of using a search firm for the active recruitment of potential candidates to be part of the search process. He stated that because the Board's activities are subject to the Tennessee Open Meeting Act, all of its actions are carried out in a public setting, but most candidates the University would like to attract to this position would not want their names to be made public at this time. The search firm will help approach and investigate candidates to determine if they are a good fit. Assuming the Board approves use of a search firm, the Board will be asked to authorize the administration to issue a request for proposals and recommend a search firm to the Executive and Compensation Committee. He further explained that the Board is being asked to authorize the Executive and Compensation Committee to select a search firm. He noted that the search firm would be selected at the May 2010 meeting of the Executive and Compensation Committee and at that meeting the committee would also recommend a compensation package for the President. He noted that in the last search it was more effective to establish the compensation package on the front end and disclose it to candidates, rather than selecting a candidate and then not being able to negotiate a compensation package. He stated that the search committee and chair will be appointed at the June meeting and then discussed other steps to be taken at the June meeting and steps leading up to the recommendation to the full Board at the Fall meeting. He stated that, if during the process, we perceive that we are not getting good responses from candidates, we reserve the ability to delay some of the final steps if we need to. He then called for a motion to approve the Process and Timeline for the Presidential Search.

Trustee Stansberry moved to approve the Process and Timeline for the Presidential Search and to authorize the Presidential Search Committee, with the concurrence of the Chair and/or Vice Chair of the Board, to refine and modify the process and timeline as necessary to carry out the Committee's responsibilities. Trustee Loughry seconded the motion, and the motion carried unanimously.

Trustee Stansberry asked what the next steps were to solicit a search firm. The Vice Chair stated that the administration will start the RFP process immediately, and a recommendation or possibly more than one recommendation, if there are close calls, will be provided to the Executive and Compensation Committee in May.

The Vice Chair called for a motion to approve the use of a search firm. Trustee Wharton moved approval of the use of a search firm. Trustee Talbott seconded the motion, and the motion carried unanimously.

The Vice Chair called for a motion to authorize the administration to issue a request for proposals for a search firm and to recommend a search firm to the Executive and Compensation Committee. Trustee Gallimore moved approval to authorize the administration to issue a request for proposals for a search firm and to recommend a search firm to the Executive and Compensation Committee. Trustee Anderson seconded the motion, and the motion carried unanimously.

The Vice Chair called for a motion to authorize the Executive and Compensation Committee to select the search firm. Trustee Driver moved approval to authorize the Executive and Compensation Committee to select the search firm. Trustee Cates seconded the motion, and the motion carried unanimously.

VI. REPORT OF THE TRUSTEESHIP COMMITTEE

The Vice Chair recognized Trustee Loughry, Chair of the Trusteeship Committee, to present the Committee's report and recommendations.

A. Report on Board Self-Assessment

Trustee Loughry reported on the aggregate summaries of the individual Trustee and Board self assessment exercise (Exhibit 3). She noted that higher scores were given for the promotion of UT, meeting attendance and participation, particularly participation in committees. She noted that the three lowest ranking scores, which included "not applicable" notations, were given for reading higher education publications and helping to secure a gift to the University or contributing to the University according to respective means. She challenged the Executive and Compensation Committee to review the aggregate comments carefully, noting that each falls within the range of responsibilities of a standing committee of the Board. For example, a comment related to finance may become an item for discussion by the Finance and Administration Committee. The Vice Chair stated that he found the Board self-assessment very helpful in identifying areas in which the Board can improve. He added that we need to make this process beneficial by following up on the comments noted.

In response to a question, Trustee Loughry noted that only the members of the Executive and Compensation Committee receive *The Chronicle of Education* publication at this time, as the Committee evaluates the expense and whether to expand distribution to the whole Board.

B. Trustees' Lifetime Achievement Award

Trustee Loughry next discussed the Trustee's Lifetime Achievement Award (Exhibit 4). She stated that at the Fall Meeting on October 9, 2009, the Board approved a "Trustee Lifetime Leadership of The University of Tennessee Award" to Dr. Edward J. Boling. After the Board approved the award, the Vice Chair asked the Trusteeship Committee to give further study to the appropriate name and criteria for this very special award in the future.

The Trusteeship Committee reviewed information and discussed this matter at its meetings on November 12, 2009 and January 20, 2010. The Committee's deliberations included a review of similar prestigious awards at other institutions, a review of current major awards by the University, and consideration of suggestions from development officers and other University leaders. She stated that the Trusteeship Committee recommends approval of the "Trustees' Lifetime Achievement Award" in accordance with the criteria, selection process and other terms as set out in the meeting materials. Trustee Loughry moved approval of the Trustee's Lifetime Achievement Award as presented at the meeting. Trustee Blackburn seconded the motion, and the motion carried unanimously.

VII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE

The Vice Chair called on Trustee Talbott, Chair of the Finance and Administration Committee, to discuss an action item from the Finance and Administration Committee meeting.

A. Differential Tuition Proposals for the Colleges of Business, Engineering and Nursing at UTK

Trustee Talbott stated that most of the Trustees were able to attend the Committee meeting and hear Chancellor Cheek's presentation and reports by the respective Deans on the differential tuition proposals for the Colleges of Business, Engineering, and Nursing at UT Knoxville. He referred the Board to the summaries included in the meeting materials (Exhibit 5) and asked if there were any questions for Chancellor Cheek or the Deans. He explained that the proposal discussed in the Committee meeting requests a differential tuition per credit hour of \$50 for business, \$90 for nursing and \$45 for Engineering. He commended Chancellor Cheek and the Deans for the exceptional manner in which the proposals were prepared and presented. He noted that there were discussions with students and various other constituents, as well as provisions in the proposals for students who are unable to afford the increases. He moved approval of the differential tuition proposals for the Colleges of Business, Engineering, and Nursing at UTK. Trustee Hagler seconded the motion, and the motion carried unanimously.

Vice Chair Murphy echoed Trustee Talbott's comments about how well the proposals

were prepared and presented. He stated that similar proposals will be judged on this template, specifically meeting with the constituents and considering their feedback.

VIII. CONSENT ITEMS

Vice Chair Murphy announced that all items on the consent agenda were fully discussed and considered in committee meetings. He noted that the recommendation of the Finance and Administration Committee on Item D, Voluntary Retirement Incentive Plan, was to approve this specific proposal but require any future proposals to be presented to the Board for approval. If this item remains on the Consent Agenda, approval will be of the committee's recommendation rather than the administration's original recommendation. Vice Chair Murphy asked if any Trustee wanted to request that this item be removed from the Consent Agenda, and there were no requests.

The Vice Chair asked for any other requests to remove items from the consent agenda. There being none, the following items were submitted for approval by unanimous consent:

- A. Revised Operating Budget for FY 2009-10 (Exhibit 6)
- B. Report of Capital Project Outside Budget Process (Exhibit 7)
- C. Real Property Transactions (Exhibit 8)
 - 1. KUB Utility Easement (UTK)
 - 2. Disposal of Future Interest in Property(UTHSC)
 - 3. Sale of Gift Properties
- D. Voluntary Retirement Incentive Proposal (Exhibit 9, as modified by the Finance and Administration Committee to approve only the specific proposal presented at this meeting and to require that future proposals come to the Board for approval)
- E. Revision of Campus/Institute Strategic Plans (Exhibit 10)
- F. Proposal to Create the School of Education at UTC by Consolidation of the Teacher Preparation Academy and the Graduate Studies Division (Exhibit 11)
- G. Revision of UTHSC Faculty Handbook (Exhibit 12)
- H. Awarding an Honorary Degree (UTK) (Exhibit 13)

I. Renaming White Avenue Building and White Avenue Biology Annex (UTK) (Exhibit 14)

Trustee Schledwitz moved approval of the consent agenda. The motion was seconded by Trustee Wharton. The Vice Chair asked for further discussion. There being none, the motion carried unanimously.

IX. OTHER BUSINESS

The Vice Chair called on Trustee Hall to provide the report of the Audit Committee. Trustee Hall stated that the Audit Committee met on October 29, 2009 at UTC. In addition to the members of the Committee, Trustee Wharton and Trustee Cates also attended, as well as officials from the State Audit Office and the UT Medical Group. He stated that officials from UTMG provided an update on their progress on the consultant's recommendations. The consulting firm ECG presented their recommendations for the College of Medicine to better align itself with Erlanger Hospital in Chattanooga and La Bonheur Children's Hospital in Memphis. The Committee endorsed the ECG's recommendations and look forward to hearing an update at the next meeting. At the request of the Executive and Compensation Committee, the internal auditors reviewed the emergency preparedness plans for each campus. Trustee Hall stated that the plans were reviewed by the Tennessee Emergency Management Agency, and one overall weakness noted for each campus was the lack of actual live drills. The Audit Committee has asked the staff of each campus to provide an update to respond to the weaknesses noted by the agency. He stated that the President's and Chancellors' discretionary expenditures, travel, and housing exceptions were reviewed, and no exceptions were reported. He invited all Trustees to attend the next meeting of the Audit Committee on April 30, 2010 in Nashville.

Dr. Simek recognized Trustee Loughry who has agreed to Chair the Board of Directors of the UT Foundation, Inc. He noted that this is a considerable responsibility on top of all that she already does for UT and thanked her for taking on this new role.

The Vice Chair discussed his plan to appoint a committee to review the changing role of the President's spouse. He noted that there has been considerable discussion in higher education media about this subject, and the committee will review best practices at peer universities for the role of the President's spouse. He stated that he would ask this committee to make a recommendation to the Board at its June meeting.

Dr. Prevost expressed her appreciation to the Board for welcoming, supporting and assisting her as a fellow Trustee while she has served on the Board. She specifically expressed her appreciation for what each Trustee contributes to the University including time, money, energy and love.

The Vice Chair noted that the terms of the voting faculty and student Trustees, Dr. Prevost and Tyler Forrest, will expire prior to the next meeting in June. He noted that Mr. Forrest sent each Trustee an individual note to express his appreciation to each member. He stated that they will each be invited back to a future meeting to receive an honorary resolution from the Board.

The Vice Chair stated that no other business had been brought to his attention.

X. ANNOUNCEMENTS

The Vice Chair made the following announcements:

Audit Committee Meeting: April 30, 2010 in Nashville

Trusteeship Committee Meeting: May 13, 2010 in Nashville

Executive and Compensation Committee Meeting: May 13, 2010 in Nashville

Annual Meeting: June 23-24, 2010 in Knoxville

Executive and Compensation Committee: September 10, 2010 in Nashville

Fall Meeting: October 21-22, 2010 in Knoxville

He noted that there will be meetings of the Search Committee and Search Advisory Committee around the dates of the Annual and Fall meetings. The Vice Chair also noted that there will be another workshop in 2010, most likely in late summer.

The Vice Chair expressed his appreciation to Dr. Simek for the excellent content of the Board materials. He stated that several Trustees have commented on the productiveness of this meeting and the thoroughness of the materials.

The Vice Chair thanked Chancellor Rakes, the Vice Chancellors and the whole UTM family for preparing for and making this meeting a success.

Ms. Mizell added her own personal thanks to Chancellor Rakes for his preparation and for making his staff available, particularly the UTM Vice Chancellors, Judy Sandefer, Steve Vantrease and all of his staff, John Abel and last but certainly not least, Edie Gibson and Dorothy Gillon. She specifically thanked Edie Gibson for all of the organizational work she did to prepare for the meeting. She thanked Brian Gard and Lisa Hertz for their preparation work in Knoxville, as well as Justin Johnson and Jeff Loveday, who traveled from Knoxville to provide audio visual assistance.

XVII. ADJOURNMENT

With no further business to come before the Board, the meeting was adjourned.

Respectfully Submitted,

Catherine S. Mizell, Secretary