

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE ANNUAL MEETING

June 19, 2014

Knoxville, Tennessee

The Annual Meeting of The University of Tennessee Board of Trustees was held at 1:00 p.m. EDT, on Thursday, June 19, 2014, in Hollingsworth Auditorium on the campus of the Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

Trustee J. Brian Ferguson, Vice Chair of the Board, called the meeting to order. Reverend Todd Tarbett, campus minister at the Christian Student Center, offered the invocation.

II. ROLL CALL

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

J. Brian Ferguson, Vice Chair
Charles C. Anderson, Jr.
George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
Robert J. Duncan
John N. Foy
D. Crawford Gallimore
David A. Golden
Vicky B. Gregg
Monice Moore Hagler
Julius T. Johnson
Raja J. Jubran
Brad A. Lampley
Bonnie E. Lynch
James L. Murphy, III
Sharon Miller Pryse
Karl A. Schledwitz
Don C. Stansberry, Jr.
Betty Ann Tanner
Charles E. Wharton
Tommy G. Whittaker
Thaddeus A. Wilson

The Secretary announced the presence of a quorum. Governor Haslam, Commissioner Huffman, and Dr. Rhoda were unable to attend the meeting. Members of the administrative staff and media representatives were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. INTRODUCTIONS

Vice Chair Ferguson introduced new non-voting Student Trustee R. J. Duncan and non-voting Faculty Trustee David Golden, and presented each with a lapel pin. The Vice Chair informed the Board that Trustee Don Stansberry's term is expiring and because of redistricting, he is not eligible for reappointment. He applauded Trustee Stansberry for his twelve years of service, including two separate terms as Vice Chair, and personally thanked him for providing wise counsel and insight. Trustee Stansberry said it had been an honor and privilege to serve UT, and he commended the system and campus administrations and other Trustees for their support. The Vice Chair noted that the Board would honor Trustee Stansberry formally with a Resolution at the Fall Meeting.

IV. ADOPTION OF AN HONORARY RESOLUTION

The Vice Chair recognized Trustee Lynch, who presented the Resolution honoring Shalin Shah for his service as a Student Trustee (Exhibit 1). Trustee Lynch moved adoption of the Resolution, the motion was seconded, and the Resolution was adopted unanimously. Trustee Lynch presented Mr. Shah with a copy of the Resolution and a framed photograph of the Board of Trustees.

In accepting the Resolution, Mr. Shah said his service as Student Trustee was a learning experience beyond his expectations. He encouraged the Trustees to ask the difficult questions on behalf of students, parents, and all Tennessee taxpayers and to keep the administration accountable. In closing, he thanked the Chancellor's staff in Chattanooga and the Board staff for assistance with logistics throughout his term.

V. TRUSTEES' LIFETIME ACHIEVEMENT AWARD

Vice Chair Ferguson announced that former Vice Chair of the Board and Trustee Emerita Andrea J. Loughry championed creation of the Trustees' Lifetime Achievement Award in 2010 and had recently nominated an eminently qualified individual to receive the award. The nomination is strongly endorsed by President DiPietro and the Vice Chair. He then announced that a Resolution has been prepared conferring the Trustees' Lifetime Achievement Award on President Emeritus Dr. Joseph E. Johnson, for more than 50 years of exceptional service to the University (Exhibit 2).

The Secretary read the Resolution, and a brief video paying tribute to Dr. Johnson was shown.

Trustee Ferguson moved that the Resolution be adopted conferring the Trustees' Lifetime Achievement Award on Dr. Joseph E. Johnson in recognition of his extraordinary service to the University for more than 50 years. Trustee Stansberry seconded the motion, and it carried unanimously. Dr. Johnson thanked the Trustees for the honor and commended the Trustees and the leadership team for the progress the University is making.

VI. PRESIDENT'S REPORT

Focusing on state funding for higher education, the President reported that for the coming fiscal year, the state has funded only \$5.7 million of the \$14.3 million in CCTA performance funding formula. The University had also requested \$8.5 million for the non-formula units and an additional \$2.5 million for student advising; neither request was funded. The budget includes no funding for capital outlay projects but does include \$39.5 million for capital maintenance. No salary adjustments were funded.

President DiPietro then highlighted data regarding tuition and fees compared to state appropriations as a percent of total unrestricted E&G revenues. In 2001, 53% of unrestricted E&G revenues came from the state, and 25% from tuition and fees. Over time, cost has shifted from a state-appropriated public model to more of a private-pay model. Currently, 49% of unrestricted E&G revenues come from students and families (tuition and fees), and 39% from the state. For perspective, if inflation were three percent over the next decade and student tuition increases were held at three percent with no change in state appropriations, the Martin campus would be at a \$10 million deficit. The number would be larger at other campuses.

Dr. DiPietro committed to reversing this trend by taking a look at alternative sources of revenue and reviewing the business model, but he believes funding for higher education and K-12 must be a higher investment priority for the State of Tennessee. This would be right for the future of Tennessee as well as for the University. He committed to becoming the spokesperson for advancing education across the state and asked the Trustees to make a stand with him for higher education.

Trustee Stansberry inquired whether the model of schools such as Virginia and North Carolina, which have less state support than Tennessee, has been examined. The President stated that these schools have larger and more mature foundations as well as different fee structures. He reiterated the importance of the UT Foundation for the long term benefit of the University.

Trustee Jubran thanked the President for his willingness to speak up for public higher education. Both as a citizen and a Trustee, he supports the vision of reversing the trend.

Trustee Murphy concurred and cautioned that the University must be prepared to present alternatives for funding. He expressed the need for the public to understand that education must either be funded by taxes or privately funded. Trustee Murphy also pointed out the need for reductions if alternative funding is not identified. Dr. DiPietro agreed and said each campus administration has begun looking at the productivity and cost effectiveness of all programs and services. Trustee Pryse added that legislators need to understand that it takes both an educated workforce and economic development to achieve long-term solutions for the state.

Trustee Driver asked the President to comment on how the UT system might be impacted by Tennessee Promise. Dr. DiPietro said he and the Chancellors do not think Tennessee Promise will negatively impact enrollment at UT campuses, and he expects that upper division students enrolling in the future will have a positive impact.

The President closed by reminding the Trustees that although the current budget is adverse, the University has record research, enrollment, discoveries, and outreach. Vice Chair Ferguson commended Dr. DiPietro for choosing to change the course sooner rather than later.

VII. FY 2015 OPERATING BUDGET, STUDENT TUITION AND FEES, AND COMPENSATION GUIDELINES

Treasurer and CFO Butch Peccolo presented a summary (Exhibit 3) of the FY 2015 proposed budget, student tuition and fees, and compensation guidelines (Exhibit 4), including total current funds, unrestricted education and general (E&G) funds, and tuition and fee recommendations.

Dr. DiPietro called the Trustees' attention to the recommended student tuition and fee increases and proposed uses of the new revenues. Trustee Murphy asked why UTC is increasing both in-state and out-of-state tuition, and the other campuses are increasing only in-state. CFO Peccolo responded that each campus made a market-specific decision. Trustee Wharton asked what the tuition increase would have been if the CCTA formula had been fully funded. CFO Peccolo said it was projected at three percent.

Trustee Jubran moved that the Resolution on the FY 2015 Operating Budget, Student Tuition and Fees, and Compensation Guidelines (Exhibit 5) be adopted. Trustee Pryse seconded, and the motion carried unanimously.

VIII. ACTION ITEMS FROM EXECUTIVE AND COMPENSATION COMMITTEE

Committee Chair Ferguson reported that the following items had been presented and discussed in the Committee meeting the previous day, with most Trustees in attendance, and that the Committee had recommended each item for approval.

A. Performance Goals and Retention Amount for Chancellor Angle under the Performance and Retention Plan for Executive Officers

Vice Chair Ferguson explained that Chancellor Steve Angle would become eligible to participate in the Performance and Retention Plan as of July 1, 2014, and that this recommendation is consistent with that previously approved for the other Chancellors.

Trustee Murphy moved that the President's recommendation of performance goals and a retention amount for Chancellor Steve Angle under the Performance and Retention Plan for executive officers (Exhibit 6) be approved. The motion was seconded and carried unanimously.

B. President's Four-Year Comprehensive Performance Review of Chancellor Schwab

Trustee Pryse moved that the President's Four-Year Comprehensive Performance Review of Chancellor Schwab (Exhibit 7) be approved. Trustee Hagler seconded, and the motion carried unanimously.

C. Election and Compensation of University Officers

By adoption of the Resolution, the Board re-elects the existing elected University Officers with no change in compensation.

Trustee Murphy moved that the Resolution on Election and Compensation of University Officers be adopted (Exhibit 8). Trustee Wharton seconded, and the motion carried unanimously.

D. 2015 Dates for Regular Board Meetings and a Workshop

Trustee Stansberry moved that the proposed 2015 dates for regular board meetings and a workshop be approved (Exhibit 9). The motion was seconded and carried unanimously.

IX. ACTION ITEMS FROM TRUSTEESHIP COMMITTEE

Committee Chair Murphy reported the following items, which were considered and recommended for approval by the Trusteeship Committee at its meeting on May 13, 2014.

A. Authorization for the Vice Chair to Make Committee and Committee Chair Appointments

Committee Chair Murphy moved that the Vice Chair be authorized to make any necessary committee and committee chair appointments after Trustee appointment or reappointments have been made, subject to review by the Trusteeship Committee at a subsequent meeting and further subject to ratification by the Board at the Fall Meeting on October 3, 2014 (Exhibit 10). The motion was seconded and carried unanimously.

B. Reappointment of UT Members to the University Health System Board of Directors

Committee Chair Murphy moved that the appointments of Dr. Joseph E. Johnson and Mr. Michael Strickland to the Board of Directors of University Health System, Inc., for a three-year term beginning July 1, 2014, and ending June 30, 2017 (Exhibit 11) be approved. The motion was seconded and carried unanimously.

X. ACTION ITEMS FROM FINANCE AND ADMINISTRATION COMMITTEE

Committee Chair Charles Anderson reported that the following items had been presented and discussed in the Committee meeting the previous day, with most Trustees in attendance, and that the Committee had recommended each item for approval.

A. Policy on a Student Programs and Services Fee

President DiPietro explained that the proposed policy responds to Senate Joint Resolution 626 from the recent session of the General Assembly. In consideration of the discussion in the Committee meeting the previous day, the President recommended that the policy be adopted subject to a four-year sunset review to allow evaluation of the outcome and impact of the policy.

Committee Chair Anderson moved that the Policy on a Student Programs and Services Fee be adopted as presented in the meeting materials, subject to a four-year sunset review (Exhibit 12). Trustee Jubran seconded the motion. Trustee Schledwitz applauded Dr. DiPietro's willingness and ability to deal with the issue.

Student Trustee Duncan expressed support for the amendment. The motion carried unanimously.

B. TUAPA Rule on Towing Fine Increase, UT Knoxville

CFO Peccolo explained that the towing fine increase will allow UT Knoxville to recover the actual cost of towing vehicles. Committee Chair Anderson moved that the amended Chapter 1720-04-5 of the Rules of The University of Tennessee be adopted to increase the towing fine at UT Knoxville from \$42 to \$60, with a \$5.00 per day storage fee (Exhibit 13). Trustee Pryse seconded, the Secretary called the roll, and the motion carried unanimously.

C. TUAPA Rule on Use of University Property

Committee Chair Anderson reminded the Board that this Rule was voted on during the February meeting, but the Attorney General has recommended several revisions to clarify the intent of the Rule.

Committee Chair Anderson moved that the Board of Trustees adopt the proposed Chapter 1720-1-2 of the Rules of The University of Tennessee, titled "Use of University Property," (Exhibit 14) to supersede the current Chapter 1720-1-2, titled "Access to University Property." The motion was seconded by Trustee Foy, the Secretary called the roll, and the motion carried unanimously.

D. TUAPA Rule on Use of University Property by Non-Affiliated Persons for Free Expression Activities

Committee Chair Anderson noted that this Rule also was voted on in February, but the Attorney General has recommended revisions to clarify the intent and to avoid the possibility of a legal challenge to the Rule.

Committee Chair Anderson moved that the Board of Trustees adopt the proposed Chapter 1720-01-12 of the Rules of The University of Tennessee, titled "Use of University Property by Non-Affiliated Persons for Free Expression Activities," (Exhibit 15) to supersede the "Speaker Policy" adopted by the Board of Trustees on June 19, 1969. The motion was seconded by Trustee Pryse, the Secretary called the roll, and the motion carried unanimously.

XI. REPORT OF THE AUDIT COMMITTEE (including the 2014 Financial Review of UTC, UTK, and UTM Athletics Departments)

Athletics Financials and Agreed-Upon Procedures

Audit Committee Chair Gallimore stated that each year the Division of State Audit

provided agreed upon procedures to comply with NCAA bylaws. At the May 8, 2014 meeting, Committee members reviewed the report dated December 9, 2013 (Exhibit 16). Trustee Gallimore pointed out that the work is not a financial statement audit, and no opinion is issued. Instead, it is a series of procedures to meet the requirements of NCAA, and the auditors did not note any deficiencies. The Committee also heard reports that revenue was up at each campus' athletic department.

Audit and Consulting Services Update

Trustee Gallimore confirmed that Audit and Consulting Services is fully staffed and has implemented a plan for continuing professional education. He reported that Leigh Cheek of Institutional Compliance is serving on the East Tennessee Institute of Compliance Auditors Board of Governors, and Sandy Jansen was selected to serve as the National President of the Association for College and University Auditors.

XII. CONSENT AGENDA

The Vice Chair directed the Board's attention to the Consent Agenda and called for any requests to remove items. Hearing none, the Vice Chair called for a motion to approve the Consent Agenda, consisting of the following items:

- A. Minutes of the Last Meeting
- B. Resolution Appointing a Managerial Group for U.S. Government Contracts (Exhibit 17)
- C. Ratification of 2013-2014 Quasi-Endowments (Exhibit 18)
- D. FY 2015 Distribution of UC Foundation Unrestricted Endowment Funds (Exhibit 19)
- E. UTHSC Regional Tuition Rate Program for the College of Pharmacy in Memphis (Exhibit 20)
- F. Extension of UTC Regional Tuition Rate Program for Undergraduates, FY 2014-15 (Exhibit 21)
- G. Extension of UTC Regional Tuition Rate Program for Graduate Students, FY 2014-15 (Exhibit 22)
- H. Disclosure of Additional Revenue/Institutionally Funded Capital Projects for FY 2015 (Exhibit 23)
- I. Alley Transfers from the City of Knoxville (UTK) (Exhibit 24)

- J. Annual Report of Sale of Gift Property (Exhibit 25)
- K. President Emeritus Agreement with Dr. Joseph E. Johnson (Exhibit 26)
- L. The University of Tennessee Diversity Statement (Exhibit 27)
- M. UT Knoxville Faculty Handbook Revisions (Exhibit 28)
- N. Revision of Academic Affairs and Student Success Committee Charter (Exhibit 29)
- O. Tenure Recommendations (Exhibit 30)
- P. 2014 Comprehensive Listing of Academic Programs (Exhibit 31)
- Q. Authorization to Confer Degrees (Exhibit 32)
- R. Naming of the Volleyball Practice Facility at UT Knoxville (Exhibit 33)
- S. Naming of Chi Omega Sorority House at UT Martin (Exhibit 34)

Trustee Murphy moved approval of the Consent Agenda, Trustee Anderson seconded, and the motion carried unanimously.

XI. ANNOUNCEMENTS

The Vice Chair announced future meetings of the Board and various committees and thanked the staff for coordinating logistics.

XII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary