

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

June 20, 2013
Knoxville, Tennessee

The Annual Meeting of The University of Tennessee Board of Trustees was held at 1:15 p.m. EDT, Thursday, June 20, 2013, in the Hollingsworth Auditorium on the campus of the Institute of Agriculture in Knoxville.

I. CALL TO ORDER AND INVOCATION

Trustee Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order. Reverend John Unthank, Campus Pastor with Church of God Christian Connection offered the invocation.

II. ROLL CALL

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

Don C. Stansberry, Jr., Vice Chair
Charles C. Anderson
Anne Holt Blackburn
George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
J. Brian Ferguson
John N. Foy
D. Crawford Gallimore
Vicky B. Gregg
Monice Moore Hagler
Douglas A. Horne
Julius T. Johnson
Raja J. Jubran
Bonnie E. Lynch
James L. Murphy, III
Karl A. Schledwitz
Shalin N. Shah
Betty Ann Tanner
Charles E. Wharton
Tommy G. Whittaker
Thaddeus A. Wilson

The Secretary announced the presence of a quorum. Governor Haslam, Commissioner Huffman, Dr. Rhoda, and Dr. Steinberg were unable to attend the meeting. Members of the administrative staff, faculty, students, 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 Stansberry welcomed President Emeritus Jan Simek. He then introduced new Non-voting Student Trustee Bonnie Lynch and new Non-voting Faculty Trustee Thad Wilson and presented each with a lapel pin.

IV. ADOPTION OF HONORARY RESOLUTIONS

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

In accepting the Resolution, Ms. Fowler said her service as a Student Trustee was a once-in-a-lifetime experience. She thanked Chancellor Rakes and his staff for keeping her informed, encouraging her, and assisting her with logistics. She also thanked the Trustees for welcoming her openly. She advised future Student Trustees to be informed and to speak up for what they believe is right. She also encouraged the Trustees to seek the input of the Student and Faculty Trustees, especially at the committee level.

The Vice Chair next recognized UT Martin Chancellor Tom Rakes, who presented the Resolution honoring Janet Wilbert for her service as a Faculty Trustee (Exhibit 2). Trustee Gallimore moved adoption of the Resolution, Trustee Murphy seconded the motion, and the Resolution was adopted unanimously. Chancellor Rakes presented Dr. Wilbert with a copy of the Honorary Resolution and a framed photograph of the Board of Trustees.

In accepting the Resolution, Dr. Wilbert thanked the Board for amazing experiences as a Faculty Trustee. Like Ms. Fowler, she encouraged the Trustees take advantage of the asset they have in the Faculty and Student Trustees.

V. ELECTION OF CHAIR AND VICE CHAIR OF THE BOARD

Vice Chair Stansberry recognized Trustee Murphy for a nomination. Trustee Murphy noted that the Bylaws provide that the Chair and Vice Chair of the Board are elected for two-year terms. He further noted that in keeping with tradition, Governor Haslam began serving a two-year term as Chair of the Board in June 2011. On behalf of the Board, Trustee Murphy thanked the Governor for his continued support of higher education. Trustee Murphy nominated Governor Bill Haslam to serve another two-year term as Chair of the Board. Vice Chair Stansberry called for any other nominations. Hearing none, the Vice Chair recognized Trustee Murphy for a motion. Trustee Murphy moved that the Honorable Bill Haslam be elected Chair of the Board of Trustees for a two-year term beginning July 1, 2013. Trustee Anderson seconded, and the motion carried unanimously.

Vice Chair Stansberry stated that as retiring Vice Chair, he had given careful thought to his recommendation for the next Vice Chair and after consultation with the Governor and the President had concluded that Trustee Brian Ferguson should lead the Board over the next two years in the office of Vice Chair. Citing his extensive leadership experience in private business and his insightful comments and questions during Board and committee meetings, Vice Chair Stansberry nominated Trustee Ferguson for the office of Vice Chair. After calling for any other nominations and hearing none, the Vice Chair called for a motion. Trustee Driver moved that Trustee Brian Ferguson be elected Vice Chair of the Board of Trustees for a two-year term beginning July 1, 2013. Trustee Gallimore seconded, and the motion carried unanimously. Vice Chair Stansberry thanked Trustee Ferguson for his willingness to serve.

VI. PRESIDENT'S REPORT

President DiPietro began his report by describing the strong FY 2013 budget, noting that Funding for non-formula units was reinstated, and a salary increase will be implemented.

Dr. DiPietro proceeded to provide the following report on implementation of the Strategic Plan, various achievements, and the new executive hires (Exhibit 3).

Enhancing Educational Excellence. The implementation team has focused in the area of online education. The faculty has exhibited a surprisingly high interest level with Coursera, a teaching platform pilot. Our ability to produce more graduates, using online education as one tool, is a key component of the state's ability to educate more Tennesseans. The Complete College Tennessee Act (CCTA) has also been a focus of the Enhancing Educational Excellence implementation team, specifically retention and graduation efforts. The strategy to increase retention, progression, and

degree completion is everyone's responsibility – faculty, staff, and students. Strong success centers, impactful learning communities, early alerts and strong advisors are all factors in retention and progression. The data also indicates summer school is a completion opportunity. In conjunction with the Drive to 55, Dr. DiPietro has encouraged the Chancellors to look at upper division level training of transfer students from community colleges at the junior level, where we have capacity to produce more degrees.

Expanding Research Capacities. One of the goals of the System Research Committee is to foster greater collaboration across the system, as well as with other institutions in the state, including the private sector. UT will re-compete fiercely for the ORNL partnership in 2015 if necessary. The partnership is extremely important for growing joint faculty, growing graduate students in the Bredesen Center, and having an advantage in competitions for grants and contracts.

Fostering Outreach and Engagement. The implementation team will pilot data collection beginning July 1. The Institute for Public Service and the Institute of Agriculture continue to impact businesses and people across the state. Chancellor Arrington and Dean Cross and their committee have identified three possible sites for the 4-H Center in West Tennessee. Le Bonheur Children's Hospital was named a Best Children's Hospital by *U.S. News & World Report*. UT Health Science Center faculty provide the care in the ranked areas of Neurology, Cardiology, Pulmonology and Heart Surgery, Nephrology, and Urology.

Ensuring Effectiveness and Efficiency. The implementation team continues to look at cost-saving measures. Following the 2011 hailstorm, thermal mapping of the Knoxville buildings allowed more accurate estimates of damages and facilitated negotiating with insurance providers. Education and general (E&G) funds have dropped 11% from 2007-08 to 2011-12 for degrees produced, indicating that UT is educating more students with the same dollars. The maintenance funded dashboard indicates building maintenance is consistently underfunded by the state.

Advocating for The University of Tennessee System. Participation in UT Advocacy has increased by 2000%. The group has been effective in advocating issues on behalf of the University.

Dr. DiPietro then introduced Dr. Steve Angle, who would become UTC's 17th Chancellor on July 1, 2013. He explained that Interim Chancellor Grady Bogue could not be present to say his farewell because he is recovering from serious health issues. Dr. DiPietro also

introduced Dr. Tonjanita Johnson, who would assume office on June 23, 2013 as Vice President for Communications and Marketing.

The President closed by telling the Trustees about an extension agent, Larry Moorehead, who has made a huge impact in Moore County for 36 years. He has increased participation in livestock showing, started a horseman's association, found a way for children to attend 4-H camp free, is active in the Chamber of Commerce, and helped start the Jack Daniel's Invitational Barbecue Championship over 20 years ago. Larry is so beloved that the County Commission named a picnic pavilion after him. He is recognized statewide for his efforts in forages and hay storage to prevent waste. UT Extension provides a front door to The University of Tennessee in all 95 counties, and Larry Moorehead opens the door every time the people of Moore County knock.

VII. FY 2014 OPERATING BUDGET, STUDENT TUITION AND FEES, AND COMPENSATION GUIDELINES

Vice Chair Stansberry explained that due to the complexity and importance of the budget and student tuition and fees, this item is presented directly to the full Board rather than first being considered by the Finance and Administration Committee. He then recognized Treasurer and CFO Butch Peccolo for the presentation. Mr. Peccolo presented a summary (Exhibit 4) of the FY 2014 proposed budget (Exhibit 5), covering highlights, total current funds, unrestricted education and general (E&G) funds, salary plans, and tuition and fee recommendations.

The Treasurer noted that student tuition and fees and state appropriations are the major components that fund The University of Tennessee. Since 2012, student tuition and fees have made up the larger portion of the unrestricted E&G revenues. Regarding base budget unrestricted funds, Mr. Peccolo said an effort has been made to increase instruction expenditures, and scholarships and fellowships expenditures have increased by approximately \$50 million over the past five years.

Following the presentation, Vice Chair Stansberry called for questions and discussion. Trustee Anderson asked Chancellor Cheek why the Knoxville out-of-state tuition increase was so much lower than the in-state. Chancellor Cheek explained that out-of-state tuition was already high. Trustee Driver asked Chancellor Cheek to remind the Trustees of the impact on tuition of the "Take 15, Graduate in 4" initiative. Chancellor Cheek explained that the plan only applies to freshman entering in fall 2013, and the expectation is that the tuition for that cohort of students will not increase more than three percent each year. Trustee Gregg asked whether we have benchmark data to compare UTK's 6% increase to others. Dr. DiPietro stated that compared to peer institutions, the University is still very competitive. Trustee Gregg suggested that peer comparison data be communicated

effectively to the public to demonstrate that the University is a good value. Vice Chair Stansberry recommended that Vice President Tonja Johnson look at how to include this information in the University's marketing plans. The Trustees engaged in discussion regarding ongoing funding issues and the need to inform the public market of the reasons tuition must be increased. Referring to earlier discussion in the Finance and Administration Committee, Trustee Schledwitz recommended approval of the proposed budget with the understanding that Chancellors would report at the fall meeting on financial incentives to increase summer term enrollment.

Trustee Murphy moved that the Resolution on the FY 2014 Operating Budget, Student Tuition and Fees, and Compensation Guidelines be adopted (Exhibit 6); and further that the Chancellors of UTC, UTK and UTM shall report at the 2013 Fall Meeting on their analysis of Summer Term incentives (including tuition and fee discounts) that might be effective to increase Summer Term enrollment. Trustee Wharton seconded the motion, and it carried unanimously.

VIII. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE

A. President's Annual Performance Review, 2013-14 Goals, and Compensation

Vice Chair Stansberry asked President DiPietro to leave the meeting while the Trustees considered the President's annual performance review, 2013-14 goals, and compensation (Exhibit 7). The Vice Chair stated that this matter had been thoroughly discussed in the Executive and Compensation Committee, at which most Trustees were present, and the Committee recommended approval of the Vice Chair's recommendation. He invited further questions and discussion. Hearing none, the Vice Chair called for a motion.

Trustee Murphy moved that the Vice Chair's assessment of Dr. DiPietro's performance for 2012-13 be approved; that the proposed presidential goals for 2013-14 be approved; and that Dr. DiPietro's base salary be increased to \$465,618.12, effective July 1, 2013, and the Vice Chair be authorized to execute an amendment to Dr. DiPietro's current employment agreement to incorporate the new base salary. Trustee Ferguson seconded, and the motion carried.

B. President's Four-Year Comprehensive Performance Review of Chancellor Cheek and Chancellor Rakes/Compensation Recommendations

The Vice Chair recognized President DiPietro, who stated that the comprehensive performance review of Chancellor Cheek and Chancellor Rakes had been thoroughly reviewed in the Executive and Compensation Committee, at which most Trustees were

present, and the Committee recommended approval of the President's recommendation. The Vice Chair invited further questions and discussion. Trustee Schledwitz commended the process for the comprehensive review of the President and Chancellors. He also recommended the University review the performance review process for all other employees. He expressed doubt that only 40 out of approximately 12,000 employees need improvement.

Dr. DiPietro moved that the President's Four-Year Comprehensive Performance Review of Chancellor Cheek be approved (Exhibit 8); and that the recommended 10% increase in Chancellor Cheek's base salary be approved to bring his base salary to \$434,452.00 (when rounded up to the next dollar) effective July 1, 2013. Trustee Gallimore seconded, and the motion carried.

Trustee Gallimore moved that the President's Four-Year Comprehensive Performance Review of Chancellor Rakes (Exhibit 9) be approved, and that the recommended 10% increase in Chancellor Rakes' base salary be approved to bring his base salary to \$47,361.00 (when rounded up to the next dollar) effective July 1, 2013. Trustee Murphy seconded the motion, and it carried unanimously.

C. Election and Compensation of University Officers

Vice Chair Stansberry asked the senior administrators to leave the meeting while the Trustees considered the election and compensation of University Officers. Dr. DiPietro explained the process for calculating the merit and market pool increases (Exhibit 10) for the elected University Officers, which are reflected on Exhibit A to the Resolution.

Trustee Murphy moved that the Resolution on Election and Compensation of University Officers (Exhibit 11) be adopted. Trustee Tanner seconded the motion, and it carried unanimously.

IX. ACTION ITEM FROM THE TRUSTEESHIP COMMITTEE

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

Committee Chair Murphy stated that the Governor has several Trustee appointments pending, and therefore the final composition of the Board for 2013-14 was unknown at the time of the meeting. In accordance with the recommendation of the Trusteeship Committee, Committee Chair Murphy moved that the Vice Chair be authorized to make interim committee and committee chair appointments, subject to review by the Trusteeship Committee at its next meeting and further subject to ratification by the Board at the Fall

Meeting on October 18, 2013. Trustee Jubran seconded, and the motion carried unanimously.

X. ACTION ITEM FROM THE FINANCE AND ADMINISTRATION COMMITTEE

A. Revision of UT Martin Traffic and Parking Regulations

In accordance with the recommendation of the Finance and Administration Committee, Committee Chair Anderson moved that the proposed revisions to the UT Martin Traffic and Parking Regulations (Exhibit 12) be approved. Trustee Murphy seconded, the Secretary conducted a roll call vote, and the motion carried unanimously.

XI. REPORT OF THE AUDIT COMMITTEE

The Audit Committee held a meeting on May 13, 2013, and Committee Chair Gallimore highlighted some of the issues addressed at that meeting and ongoing work of the Internal Audit Department:

External Information Technology Audit:

Based on a recommendation from the Audit Committee Chair and approval by the Committee, an RFP was issued for an external information technology audit. A committee made up of members from Internal Audit, the Controller, and the Information Technology Security Officer reviewed proposals and recommended an external firm to conduct the work. The Audit Committee approved the recommendation to hire Berry Dunn to perform the assessment of the information technology security posture of the University. Chair Gallimore thanked the members of the RFP committee for their work.

The purpose of the work is to have an independent review of the information security program and to identify gaps that may put the University at risk. Because of the large scope of this project, which includes security management practices and controls at UT system administration and each of the campuses and institutes, the work will take several months. The firm begins its work this month and will provide a report to the Audit Committee at the December meeting. The deliverables include a written summary of findings and concerns, including a written action plan that prioritizes the corrective actions the University should use to improve its information security program.

Report from Bob Hunter, Audit Manager for the Division of State Audit:

Mr. Bob Hunter, Audit Manager for the Division of State Audit, presented the financial and compliance audit report for the University. The State Auditors issued an unqualified opinion for the year ended June 30, 2012. Mr. Hunter also presented the

report on the agreed-upon procedures and financial statements for Athletics, and each Athletic Department presented financial trends for the last five years to the Audit Committee.

Independent Auditors' Reports:

The independent auditors' reports for the University of Tennessee Foundation, the University of Tennessee Research Foundation, and the University of Chattanooga Foundation were presented. In each case, the auditors issued an unqualified opinion for year ended June 30, 2012. The independent auditors' reports for UT Medical Group and UT Le Bonheur were also presented. The auditors issued an unqualified opinion in both cases.

Academic Advising Audit:

The Audit Committee requested Internal Audit to conduct a performance audit of academic advising. The work is underway. Based on a request from the Audit Committee, the Audit team plans to complete the work in August so the Audit Committee can review the report prior to the Board workshop in September.

XII. CONSENT AGENDA

The Vice Chair noted that all items on the consent agenda were considered and recommended by the relevant committees. He asked for any Trustee requests to remove items from the consent agenda. Trustee Wharton inquired about the total cost and funding for the real properties being acquired by the Health Science Center. Vice Chair Stansberry responded that the Health Science Center has secured the necessary funding. There being no requests to remove items, Vice Chair Stansberry called for a motion to approve the following items on the consent agenda:

- A. Minutes of the Last Meeting
- B. Modification of Terms of UTC Chancellor Appointment to Require Residing in University-Leased Residence for One Year (Exhibit 13)
- C. 2014 Dates for Regular Board Meetings and a Workshop (Exhibit 14)
- D. Resolution Appointing a Managerial Group for US Government Contracts (Exhibit 15)
- E. Ratification of 2012-2013 Quasi-Endowments (Exhibit 16)
- F. FY 2014 Distribution of UC Foundation Unrestricted Endowment Funds (Exhibit 17)

- G. Extension of UTC Regional Tuition Rate Program for Undergraduates, FY 2013-14 (Exhibit 18)
- H. Extension of UTC Regional Tuition Rate Program for Graduate Students, FY 2013-14 (Exhibit 19)
- I. FY 2014 Operating/Capital Plans for University Owned or Leased Residences for Senior Administrators (Exhibit 20)
- J. Real Property Transactions (Exhibit 21)
- K. Annual Report of Sales of Real Estate Property Acquired by Gift (Exhibit 22)
- L. President Emeritus Agreement with Dr. Joseph E. Johnson (Exhibit 23)
- M. Program of Study Leading to the Degree of Master of Fine Arts in Creative Writing (Exhibit 24)
- N. UTK Faculty Handbook Revisions (Exhibit 25)
- O. Revision of UTC Freshman Admission Requirements (Exhibit 26)
- P. Tenure Recommendations (Exhibit 27)
- Q. 2013 Comprehensive Listing of Academic Programs (Exhibit 28)
- R. Authorization to Confer Degrees (Exhibit 29)
- S. Second Amendment to the Affiliation and Services Agreement between UT and UTFI (Exhibit 30)
- T. Naming of the Department of Dermatology at UTHSC (Exhibit 31)
- U. President's Recommendation of an Appointment to the Board of Directors of University Health System, Inc. (Exhibit 32)

Trustee Tanner moved approval of the consent agenda, Trustee Driver seconded, and the motion carried.

XIII. ANNOUNCEMENTS

The Vice Chair noted upcoming meetings:

August 12:	Audit Committee in Nashville
September 5-6:	Summer Workshop in Nashville
September 10:	Trusteeship, Executive and Compensation, and Health Affairs Committees in Nashville
October 17-18:	Fall Board Meeting in Knoxville
December 18:	Audit Committee in Nashville

The Vice Chair thanked Chancellor Arrington for hosting the reception and dinner and for the interesting presentations about the Institute of Agriculture. He also expressed his appreciation to the Trustees for supporting him as Vice Chair over the past two years.

The Secretary also expressed appreciation to Chancellor Arrington for his hospitality. She recognized Rachael LeBlanc and Mike Gregory for coordinating the meeting logistics, Beth Gladden for transportation, Trish Wagoner for assistance with the reception and dinner, Bob Johnson and Zak Mayton for IT support, and Jeff Loveday and Justin Johnson for handling sound and webcasting,

On behalf of the Trustees, President DiPietro recognized and thanked Trustee Stansberry for his leadership as Vice Chair.

XIV. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary