

**MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
June 23, 2010
Knoxville, Tennessee**

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 10:30 a.m. on June 23, 2010 in room 156-157 of the Plant Biotech Building on the Ag Campus of UT Knoxville, 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. Jan Simek
Mr. Karl Schledwitz
Mr. Charles Wharton

III. APPROVAL OF MINUTES OF LAST MEETING

The Chair referred the Committee to the minutes from the February 26, 2010 meeting of the committee. A motion to approve the minutes was duly made, seconded and unanimously approved.

IV. WELCOME AND OPENING REMARKS BY COMMITTEE CHAIR

Chair Cates welcomed everyone to the meeting and thanked them for their attendance. He then commended everyone involved in the completion of the \$1 billion campaign.

V. UPDATE ON FEDERAL, STATE, AND MEDIA RELATIONS

Hank Dye, Vice President of Public and Government Relations, started his presentation by discussing the Federal Relations report in the board notebook. We are working this summer to develop an expanded strategy to cope with a lot of the new things that are happening in Washington, D.C. In State Relations news, Hank encouraged the group to check out the State Relations web page where you can see the end of the legislative session final report. Hank then introduced Gina Stafford, Assistant Vice President and Director of Communications, to discuss the Presidential Search Communications. Gina discussed the process of public notice and releases, internal communication and the Presidential Search website. Ms. Stafford then discussed the timeline and the notices that

must go along with all of that. The Presidential Search website goes live on June 28th and the group received a preview of the site.

Ann Holt Blackburn asked if the webcasts would be archived and yes, they will be archived for future viewing.

VI. RESOLUTION HONORING HENRY NEMCIK

Dr. Simek rendered a Resolution on behalf of the university and the Board of Trustees honoring Henry Nemcik. Mr. Nemcik has given five years of exemplary service at the University of Tennessee. During this time, he made changes in how the university does business. By building upon an already strong foundation, he moved the development and alumni affairs program forward. Dr. Simek proceeded to read the resolution. Mr. Nemcik appreciated and thanked Dr. Simek and the Board.

A motion to approve the Resolution was duly made, seconded and unanimously approved.

VII. REPORT OF THE DEVELOPMENT COUNCIL

Janet McKinley, Vice Chair of the UT Development Council gave an update on the Council activities. Ms. McKinley is serving with Sylvia Moore, Chair of the Council along with Kenny Blackburn who is serving as the other Vice Chair.

Over the years the University of Tennessee has been very fortunate to have had an outstanding volunteer leadership group in the form of the Development Council. Since 1955 over 600 people have served on the council. In order to provide a meaningful way for former members to remain connected to the University without the full responsibilities of Council members, a new classification of membership has been approved and is called the Sustaining Members Program. This new classification will provide a more effective way for former members to remain engaged and help ensure that UT does not lose some of its most dedicated volunteers. These members will meet the active member criteria in terms of giving. Pay \$250 annually

Mc. McKinley gave an update on the Development Council campaign giving as follows:

- Current members have contributed over \$61 million (6% of campaign total).
- Former members have contributed over \$162 million (16% of campaign total).
- Current + former combined account for over \$223million (22% of campaign total).

In the spring, the Council went to Memphis for their meeting at the Health Science Center. Over 40 members were in attendance. Several programs were highlighted.

If you look over the few years, the Council wants to focus on more development, Council education and council engagement.

VIII. REPORT OF THE UT ALUMNI ASSOCIATION

Mr. Dan Brown is proud to represent the 300,000 alumni as President of the UT Alumni Association (UTAA). The UTAA is one of the oldest alumni associations in the country. Over 170 years old. Working with the state legislature has been something the UTAA has always done and continued to do. The UTAA is a dependent Association. All funding comes from the UT system (money is not raised outside). You can count on one hand the number of dependent alumni associations in the United States. The reason this Association has been able to do this is because of the foresight of past presidents.

The UTAA has never had a written strategic plan. Three to four years ago it was decided that the UTAA needed to develop a strategic plan. Working with Henry Nemcik, a plan was developed for the UTAA to implement and had the support from the UT President. The process began with a Strategic Planning Committee. This Committee included: Dan Brown who serves as UTAA president, Spruell Driver (former UTAA president) serves on the Committee as the UT Board of Trustee representative, Linda Davidson serves as a representative for UTK, Dr. Joe Johnson serves as past UT President. The NAPA Group, a consulting firm from California was then hired. This firm has worked with numerous universities including Oregon, Ohio State, and Rutgers. The UTAA came up with their own questionnaire and used questions that would be used to compare with the other 135 universities represented by NAPA for best practices. The questionnaire was sent out to approx 165,000 alumni specifically for the campus they attended so the information received could be combined. It was further expanded with work groups, with the campuses, and the chancellors. The Committee has written what they feel is a good strategic plan for the UTAA. The UTAA Board of Governors will meet this Friday and Saturday and will vote on this Strategic Plan. It is also posted on the website.

The five strategic goals of the plan are:

1. Build and sustain lifetime relationships with alumni.
2. Develop institutional advocacy and new investment to optimize centralized information management systems.
3. Leverage existing communications resources and collaborations.
4. Realize strong advocacy for the UT system of higher education in Tennessee through influential legislative relations program.
5. Develop an Association financial model.

Mr. Cates asked what percentage of UT alumni give. Mr. Brown said that any given year 35% of alums give. One of the things discovered during this strategic plan process is that those that give a seven-figure gift are more likely to have given at least 10 times in the past. Mr. Brown stated the UTAA will do two things; make it operational and will reduce the size of its Board of Governors. That number has not been decided. The terms will be longer and individuals will be added to the Board based on their talents. The campuses will be represented.

The key success indicator for the Strategic Plan over the next five years will be:

- Greater alumni involvement in the University and the UTAA
- More engage young alumni

- A larger force of active alumni volunteers
- Increased revenues from affinity programs and partnerships and other self-funding mechanisms
- Accurate and accessible databases
- Higher levels of alumni financial support to the institution

IX. CAMPAIGN UPDATE

It is with great pride that Henry Nemcik announces that as of today, \$1,034,000,000 has been raised towards *The Campaign for Tennessee*. This is the University of Tennessee's campaign and everyone in this room played a role. Mr. Nemcik is excited about this campaign being so successful in a five-year period and he knows that Scott Rabenold will provide great leadership in the future for the next campaign.

Mr. Nemcik reviewed where we were and where we are now. In order to effectuate a campaign, you have to have some organizational structure. The database has to be effective and development and alumni affairs has done a variety of things over the years to ensure this was done. Data collection has been one of the priorities. As a result, when we do a mailing or anything else, we do it by e-mail when we can. Our addresses are more accurate, but again, it does not happen in one office. Every development and alumni person in this room is working every day to make sure your data is up to date so that when we do some type of mailing or communication, we are more effective.

We have prospect screenings that are done (we have five years worth of prospect screenings at this point). An example would be if a donor buys a place in Santa Fe, development staff will know about it.

We have had phenomenal luck with our Database Health Report. Written policies and procedures have been implemented. Written proposals have been introduced so it is clear and articulate what we are asking for. Performance metrics are a standard in what development staff is doing today. It helps manage the staff more effectively. Mr. Nemcik believes the development and alumni affairs staff is actually the most comprehensively reviewed group within the University of Tennessee today. Every month you see our performance. Every month you see the number of visits made by development officers. We are a very comprehensive and aggressive group in regard to being productive. That is where the future is today because you cannot spend time with alumni unless we are trying to be productive to benefit the University.

Then, of course, we have tried to do some return on investment analysis to benchmark ourselves against other institutions.

Mr. Nemcik showed an example of a travel report from the Health Science Center. Travel had not been benchmarked before. This is just one of the things we have put into play. Unless you are traveling 40% of the time as a development officer, you are not being as effective as you need to be. It is important that the chancellors make sure they are focusing their development staff on traveling and not internal projects that take them away from their primary mission of fundraising.

Our trend in e-mail addresses is astounding. This is our database health report. We have managed to ramp that up over the years and we are very proud of it. However, it is an everyday working project and we have to keep on top of it.

Campaign planning is essential. We have tremendous volunteer leadership and our campaign plan is very comprehensive. Each campaign leader has a role and each person has a job description for that role.

Written campaign plan and campaign publications. Some members of this Board actually (Charles Wharton was one of the members) help set the campaign counting policy that was approved early on. That is how we managed the campaign. And obviously, the campaign launch event which we held when we went live with the campaign. So Mr. Nemcik thinks the launch event set a new tone at the University for how the University recognizes people and how to involve people and is sure that will continue.

Mr. Nemcik showed an example of the Campaign Expectancy Report. This actually surprised him but the blue line (expected) was done five years ago. The purple lines (actual) are what we achieved. So, the cycle of what was going to happen in the campaign was forecasted and that is where we are today. Our incentive compensation program is also predicated on exceeding each one of those benchmarks on an annualized basis. He is particularly proud of that it shows great planning and it shows with great focus each year, the whole team comes together to try to achieve those goals and exceed each one of those.

The Table of Gifts Chart was blank five years ago. The first column shows the anticipated number of gifts needed to reach \$1 billion. The second column is the number of gifts actually received in those categories. This is something else he is particularly proud of. It was a good forecast and the generous support of all our alumni is nothing short of staggering.

This has been a remarkable campaign. It started with the Trustees coming together with 100% participation as it related to making gifts towards this campaign. Without that momentum and the support from the Board, this never would have been possible. He appreciates the Board as a leadership group and he has watched it transition from a passive Board to a more engaged board and it is a wonderful view of the amount of focus and energy there is from you volunteers

Mr. Nemcik did want to reiterate that there are only 36 universities in the nation who have completed a \$1 billion campaign. There are 22 currently conducting a \$1 billion campaign. So the University of Tennessee is joining an elite group and he appreciates the opportunity to provide leadership over the last five years.

Henry thanks the Board for his resolution. He thanks the Board, the development and alumni affairs staff, alumni and friends for everything.

X. ANNUAL REPORT OF THE UC FOUNDATION

Mr. Bob Lyon, Vice Chancellor of University Advancement and UC Foundation Liaison gave the annual report for the UC Foundation.

Finances

- Since the UC Foundation inception, it has provided \$84.9 million to UTC. The Foundation's total net assets have grown from \$6.8 million in 1968 to \$96.7 million as of December 31, 2009.
- Total revenues thru February 28, 2010, including realized and unrealized gain or loss on investment totaled over \$2 million versus \$5.5 million for the same period last year.
- The Foundation currently has 38 professorship programs supporting UTC faculty.
- There are 225 different scholarship programs supporting approximately 1,004 students annually. Last year, the numbers were 168 programs supporting 825 students.
- Contributions received thru February 28, 2010 for the current fiscal year equal \$1,220,676 versus \$3,218,958 for the same period last year, and \$1,513,979 for the year before.
- Foundation giving represents only a portion of total give to UTC. A significant portion of gifts bypass the Foundation and flow directly to the University. Foundation and University cumulative gifts and pledges for fiscal year 2010 thru May 9, 2010 total \$12,557,151 compared to \$12,900,820 for the same period last year.

Real Estate

- Campus Development Foundation, Inc., a subsidiary of the UF Foundation, owns Probasco South, a 1645 bed student housing complex. Approximately 50 beds will be added for FY2011, converting selected large bedrooms from single to double occupancy.
 - Revenue during the FY2010 is projected at approximately \$9.7 million.
 - Occupancy for fall 2009 was 100% - spring 2010 was 97%
 - Projection for fall 2010 show 100% occupancy and spring 2010 is estimated at 95%
 - Bond and interest payments will be covered in the current year (FY2010) as well as allocations to the repair and replacement funds and covering of all operating expenses.
 - As of April 30, 2010, all debt service requirements have been met with current revenue of \$9,494,423. no contribution from the UC Foundation will be required at year-end July 31, 2010
 - Based on budget developed by UTC Housing Director and Accounting Manager, revenue for FY2011 is projected at \$9.7 million.
 - FY 2011 projections show the project revenue will be adequate to meet both bond principle and interest payments as well as debt services ratio during 2011 without further contribution from the Foundation.
 - The lawsuit reported last year has been settled

Investment Activity

- Performance of the total portfolio for the trailing year ending December 31, 2009 was a positive 27.1%.
- Solid performance from the fund's long only equity managers (both domestic and international) drove performance over the past year.
- The Fund advanced another 3.0% in the first quarter to finish at \$87.4 million in total assets.

Other Items

- The UC Foundation has not received any gifts that would place a financial liability on the University.

XI. ANNUAL REPORT OF THE UT FOUNDATION

Andrea Loughry, Chair of the UT Foundation, Inc. called the Board's attention to the fact the Foundation is only nine years old. It is the first time that all of the founding members will have rotated off of the Board on June 30, 2010. The founding Board members are: Jim Haslam, Clayton McWhorter, Ben Kimbrough, Senator Lamar Alexander, Eli Fly, Bill Sansom, Jim Ayers, Senator Howard Baker, Governor Ned McWherter, Bill Stokely.

Jim Ayers, Sharon Pryse and Bill Stokely are rotating off the Board at the end of this month. The new Board members are:

William "Bill" L. Blankenship of Sandestin, Florida
Ronald "Ron" L. Turner of Wayzata, Minnesota
M. Steven (Steve) Morris of Franklin, Tennessee

You heard today from Janet McKinley, Dan Brown, and Bob Lyon, how all of our advocacy groups are interested in working together to face the challenges of the University of Tennessee and all of higher education given the fact that donor dollars are going to have to become a much larger part of that formula we have in funding higher education in East Tennessee. The University really has a challenge. The Foundation is sort of the vehicle for this, but all of the lay leadership groups are committed to working together to meet this challenge. Ms. Loughry invites the Advancement and Public Affairs Committee, as the governing vehicle for our whole enterprise, to look at ways of establishing more firmly our partnership in terms of dealing with the private dollar financial piece of this enterprise. We are on the cusp of a culture change and it is exciting to be a part of that.

Mr. Nemcik reiterated that the Foundation has gone from \$20 million to \$240 million in assets in the past five years (current, pledged and trusts).

It is with great honor that Mr. Nemcik announces the recipients of the UT Foundation, Inc. Board of Directors Award. The Board of Directors Award is a highly prestigious award which recognizes outstanding achievements by Development and Alumni Affairs staff in applying creative concepts to improving performance, advancing fund-raising efforts and promoting a better understanding of the university-wide major gift fundraising activities and asset management services of the UT Foundation, Inc. The

objective of the Board of Directors Award is to promote, encourage and recognize employee efforts and provide public recognition for outstanding achievements. Mr. Nemicik considers each of these friends. This award does come with a \$1,000 stipend. The 2010 recipients are:

Ms. Pat Branam, Associate Vice Chancellor for Development, UTC

Ms. Haylee Marshall, Assistant Director of Alumni Programs/Chapters, UTAA

Ms. Chandra Harris-McCray, Assistant Director of Development Communications

Mr. David York, Senior IT Technologist, Advancement Services

Haylee Marshall was in attendance. She said it is an honor to have the opportunity to thank the Foundation Board for this award. Each day, she has the privilege to work for the University of Tennessee. Not very many people are able to love their job. She gets to travel, met great alumni who are as passionate and excited about the University as she is. Therefore, to be told that she is doing a good job means everything. Not only is she able to love her job, she knows she is on the right career path and that she is doing what she is supposed to be doing and enjoying it. Being in higher education does not necessarily have the financial incentives as other industries, so to be able to receive this award with the financial incentive means so much to her.

Pat Branum was also in attendance. She wanted to say thank you. She is a Tennessee native who was transplanted to the north for about 40 years. It was a great honor for her to be able to return to work at UTC and serve the University of Tennessee. Timing is everything. It was stunning, literally, to receive a letter telling her that she would be recognized for her performance as a fundraiser at UTC and means the world to her.

XII. APPROVAL OF THE NAMING OF THE UT MARTIN ALUMNI CENTER

On behalf of the University of Tennessee at Martin, Dr. Simek asked the Board's approval to name the Alumni Center located on the UT Martin campus the Nick and Cathy Dunagan Alumni Center in honor of Dr. and Mrs. Nick Dunagan, both alumni and Chancellor Emeritus and former first lady of the University of Tennessee at Martin. Dr. Dunagan began at UT Martin in 1873 as director of development. He also served as executive vice chancellor, vice chancellor for development and administration and vice chancellor for student affairs. Dr. Dunagan was named UT Martin's eighth chancellor in April 2001. This is appropriate recognition of their distinguished service to the University of Tennessee.

A motion was made, seconded and the Committee unanimously approved.

XIII. APPROVAL OF THE NAMING OF THE CENTER FOR ENTREPRENEURSHIP AND INNOVATION AT UT KNOXVILLE

On behalf of the University of Tennessee, Knoxville, Dr. Simek asked the Board's approval to name the Center for Entrepreneurship & Innovation in honor of Charlie and Moll Anderson. The Anderson Center for Entrepreneurship & Innovation will develop student skills, create experiential learning opportunities provide mentoring and experienced staff and successful entrepreneurs and help student build connections for long term success. The Anderson Center for Entrepreneurship & Innovation will propel

regional growth by developing entrepreneurial talent who will create value by starting businesses or continuing to the success of existing technology driven businesses. Their recent commitment to The Campaign for Tennessee pushed the campaign over the \$1 billion goal. By recognizing their contribution in this way is befitting their generosity and leadership of the University of Tennessee.

A motion was made, seconded and the Committee unanimously approved.

XIV. ANNUAL REPORT OF THE NAMING OF INTERIOR SPACES AND GROUNDS

Mr. Nemeik presented the annual report of interior/grounds spaces named on the campuses/sites to the Committee. The following is the report as received by each campus/unit:

<u>Campus/Unit</u>	<u>Naming of Facility (Interior/Grounds) 2009 - 2010</u>
<i>Institute of Agriculture</i>	College of Veterinary Medicine Within the John & Ann Tickle Small Animal Hospital <i>Aslan Intensive Care Unit</i> <i>Nestle-Purina Nutrition Center</i> Beall Family Rose Garden
<i>UT Chattanooga</i>	None to report
<i>UT Knoxville</i>	College of Communication & Information <i>Scripps Convergence Lab</i> <i>BB&T/Martha S. Wallen Classroom</i> College of Business – Haslam Business Building <i>Bridgestone Americas Team Room</i> <i>Len Berlik Team Room</i> <i>Crafton Family Terrace</i> <i>Brian & Heather Foley Classroom</i> <i>Pilot Conference Room</i> <i>Rogers Classroom</i>
<i>UT Knoxville Athletics</i>	Pratt Pavilion: <i>Chris Lofton Recruiting Lounge</i> Lindsey Nelson Stadium <i>Mark E. Smith Equipment Room</i> <i>The Dungeon Weight Room</i> <i>The 2001 World Series Team Video Room</i> Neyland Stadium: <i>Stokely Family Media Center</i>
<i>UT Health Science Center</i>	None to report
<i>UT Martin</i>	Kelly Murray Investment Management Room Steven E. Rogers Media Center Kathleen Elam Multipurpose Room J. Houston Gordon Museum Dorothea Norton Classroom

XV. OTHER BUSINESS

Mr. Cates stated this is a time of great success but we need to continue to advance. We have heard about how that will be accomplished. He never wants to miss an opportunity to say the University must find ways to make a deeper investment in development. Development is the financial future. Without a robust development effort (we sure have one that we celebrated today) the University will not move ahead. The University must find ways to nurture and increase the investment in its development. The numbers are great, the money spent there really comes home and brings home great rewards but the University does not invest enough in development relative to the need. This needs to be done if the University is really going to move forward at an accelerated pace and it is more critical by the day.

On behalf of the Board, Mr. Cates would once again thank the campaign co-chairs, Jim and Natalie Haslam, Brenda Lawson, the development and alumni staff, and the academic leadership whose efforts have driven this campaign to success more than 18 months ahead of schedule. He would like to thank the Board of Trustees, for 100% participation and the University cannot thank Charlie and Moll Anderson enough for putting us over the top. We must recognize Clayton McWhorter and Andrea Loughry, Don Stansberry, John Thornton who led the effort to encourage the Trustees to make the investment in this campaign. Mr. Cates also thanks the Board of Trustees as leaders of the University. The Board needs to lead the way in private giving, which we have done so thanks to each one for having done that and the fun is just beginning. Get ready to gear up for the next round.

We thank Henry Nemcik for a job very well done and we look forward to working with Scott Rabenold and his crew in reaching new heights.

XVI. ADJOURNMENT

With no other business stated, the meeting was adjourned.

George E. Cates, Chair
Advancement and Public Affairs Committee