

**MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
October 8, 2009
Knoxville, Tennessee**

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 11:00 a.m. (eastern time) on October 8, 2009 in Room 223-225 of the University Center on the campus of the University of Tennessee, Knoxville in Knoxville, Tennessee.

I. CALL TO ORDER

Mr. Cates called the meeting to order.

II. ROLL CALL

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

Mr. George Cates, Chair
Ms. Monice Moore Hagler
Dr. Jan Simek
Mr. Karl Schledwitz
Mr. Charles Wharton

Those absent were:

Mr. Charles Anderson
Mr. James Murphy

III. WELCOME AND OPENING REMARKS BY COMMITTEE CHAIR

Chair Cates welcomed everyone to the meeting and thanked them for their attendance.

IV. APPROVAL OF MINUTES OF LAST MEETING

The Chair referred the Committee to the minutes from the June 16, 2009 meeting of the Committee. A motion to approve the minutes was duly made, seconded and unanimously approved.

V. UPDATE ON FEDERAL, STATE, AND MEDIA RELATIONS

Hank Dye, Vice President for Public and Government Relations, began his presentation with a Federal Relations overview. A new fiscal year is beginning and we are making contact with campuses to determine priorities and input is being made. We are working with faculty members to pursue agency opportunities as well as appropriations. We had our Governor Chair professor Dr. Hall on campus two days ago and exciting things are happening. In other activity, we have had three tours this summer and fall that involved Congressional staff members. The President and Chancellor have visited Washington, D.C. and we have had several university experts testify in D.C. Dr. Tiller testified before the Senate Environment and Public Works Committee, Dr. David Patterson before the House Armed Services Committee and Joe Flynn of IPS before the Senate Small Business Committee. Kurt Schlieter, Associate Vice President and Director of Federal Relations, is in constant contact with the delegation.

Hank gave a funding backdrop. There is currently about \$20 million in play. None of that money is signed in to law yet, but about \$6 million of Agriculture Funding has been approved, but waiting House approval. Over the past five years, funding from these sources has ranged from a low point of \$6 million to a high of \$42 million. The average runs about \$12-\$15 million. Overall we expect to do reasonably well for the current funding with higher expectations for next year. The reason expectations are higher is because the national transportation bill comes in to play. It happens every five years and is worth billions of dollars. It was last considered in 2005 and the current act expires in 2009. Four years ago, it was the source of \$20 million for our JIAMS building. Now is the time to pursue initiatives for the 2010-2015. It is a long, competitive process, but working with the campuses and institutes will help.

As far as Federal strategic priorities go, we continue to focus on four key areas based on where the money is and where our strengths are: Biomass/Biofuels, Environment/Climate, Materials Science and UT Health Science Center Research. The money in Washington is in those four areas, and, particularly with our ORNL partnership, where our strength lies. For Biomass/Biofuels, \$1 million made it to the Senate/House Conference Agreement. We continue working with the House and Senate Transportation committees on \$5 million from SunGrant Initiative. For Environment/Climate we have the potential to share \$6 million for Southeastern Forest Health in Senate Interior Appropriations. There is another \$1 million in crop security. There is \$1 million on the House side and \$500,000 on the Senate side for UTSI atmospheric research. There is a lot going on at UTSI re: atmospheric research. We still have \$500,000 in the final Senate Agriculture bill for hemlock health, fighting the woolly adelgid. We have been meeting with Senator Alexander's staff, Dr. Cheek and Dr. DiPietro on some invasive species activity for national parks by using the Smoky Mountains as a test case. This could lead to a substantial funding opportunity. Materials Science is an area with great potential. It matches up well with our Oak Ridge Partnership and our engineering capability and the completion of the JIAMS building will be a big factor. The UT Health Science Center Research has been supported by U.S. Representative Steve Cohen. This is another area of opportunity where we can and should see more and we are working with the Health Science Center to maximize that. These are not the only four areas we are focusing on. We are always looking for other opportunities and have had some solid success in funding outside these areas, particularly in the Agriculture area. We will continue to work with our campuses to pursue opportunistic funding.

Mr. Dye continued his report by giving an overview of State Relations. There is truly no off season when it comes to legislative activity. The climate in Nashville has changed drastically. The budget continues to drive everything. The legislative arena is critical ground for us going forward. Current emphasis in state relations include, post-session familiarization (FAM) trips is one of them. About twenty legislators have visited UTHSC to see capital needs. Jan, Interim President, is also doing one on one sit downs with key leadership. Other ongoing activities include the Legislative Tailgate, the University Skybox Suite for each home game, and case work, which is something that is worked on every day in the State Relations office and is one of our most valuable assets. In general we are working to expand exposure. We still want to control the contact and direct the message, but we are looking for helpers.

The Chancellor initiative is something that was started last session in an effort to involve chancellors and institute heads in the legislative process. The more we can involve campuses, the stronger our message will be.

Alumni Legislative Council update includes new regional chairs in Memphis and Upper East Tennessee. There will be a meeting with the Chairs in Knoxville in November to share key issues and get input. The entire ALC group meets in Knoxville in February.

One of the big goals of State Relations is to do a better job communicating with our audience. Social media affords great opportunity for that.

Mr. Dye concluded his federal relations portion of his report by looking ahead a bit on some key issues. We are well positioned and ready to respond re: Governance. Tuition is still an on-going issue, but we are doing our due diligence to communicate the message to the legislative leadership. We are preparing ourselves for the Governor's budget hearing in November and laying out our plan and begin to work on our message. Two things we are watching are proprietary schools and guns on campus. There are some good proprietary schools that serve a good and useful purpose. Our message to the legislature is we must be very careful that they do not infringe on higher education mission and do not dip into the shrinking public funding resources. We need to be concerned about credit transfer from non-accredited places. Carrying guns on campus is the only part of the guns legislation that did not pass last session. We know it will be back this year and we will continue to oppose it. There will be other issues that arise and we will keep you informed about them. Mr. Dye then welcomed Gina Stafford to present her portion of the Communications report.

Gina Stafford, Assistant Vice President and Director of Communications gave an update on Communications and Media Relations. Internal communication got a huge boost by taking an existing web presence and enhancing it. Every UT campus and institute statewide made an impact at all levels. Ms. Stafford gave a brief overview of media coverage that has been achieved by the communications operations of UT enterprises statewide. A website was developed for the annual Campus Tour this year, which provided an already successful two-way communication opportunity for the President and campus communities. We used the web to collect and compile information about the visits and to encourage immediate feedback. Besides using UTalk to solicit and answer employee questions, a new method adopted to encourage immediate feedback was incorporating social media tools, which included the President using Twitter to update from his campus tour visits. Followers increase substantially and include a lot of students. The campus tour achieved extensive news coverage in every community visited. Ms. Stafford commented on Human Resources redesign organization. They are moving to shared-service model with East and West centers, effective January 2010. At the direction of Linda Hendricks and her HR team, we worked together to develop a user-friendly website and internal and external messaging about the statewide HR overhaul. In the case of UT Online, we created a new and coordinated source of web-based information on what each campus offers online.

Ms. Stafford then highlighted media success achieved by the campuses in this calendar year.

- UTC- Mocs Madness-When they were a 16 seed against No. 1 seed UConn in the first round of the NCAA basketball tournament, the men's basketball team and UTC were highlighted on Late Night with Jimmy Fallon for the entire week leading to their first-round game.
- UTIA-In the trade magazine, Top Producer, Dr. Tiller and the Institute of Agriculture team made the annual list of the top 25 biggest influences in US agriculture. This recognized Dr. Tiller's work championing cellulosic ethanol. President Obama and T. Boone Pickens join Dr. Tiller on the magazine's top 25.
- Institute for Public Service-The National Forensic Academy has drawn media attention near and far. During this calendar year, the NFA has been featured in the national trade magazine, Law and Order, on local TV, and newspapers in several states. Also, the Procurement Technical Assistance Center has received a lot of attention from Nashville print media for its work helping businesses navigate government contracts.

- UTM-This spring, a UT Martin graduate and basketball star was drafted by the Boston Celtics. Lester Hudson is the first player ever from UT Martin to be an NBA draft pick.
- UTHSC-Two stories of achievements at the Health Science Center captured major national news coverage. The Steve Jobs liver transplant is one of them. Dr. Eason is a UT professor of surgery and led the team that performed Steve Jobs' transplant. There was also a story of a boy with bloody tears who couldn't find a doctor to help him until he came to the Health Science Center.
- UTK-The Rock, a beloved campus icon, was moved from one corner to another on the Knoxville campus. Also, UT Knoxville's Research Funding doubled to more than \$175 million in 2009. And, of course, Dolly Parton received an honorary doctorate degree in the Spring of 2009.

These are only a fraction of the news outlets where the UT story of impact on all aspects of quality of life, in every walk of life, has been told in 2009. This reflects a lot of good work by all the communication teams with the campuses.

Karl Schledwitz commented on what great feedback he gets from Anthony and he enjoys his Friday legislative reports.

VI. ANNUAL REPORT TO THE GENERAL ASSEMBLY – *CONSENT ITEM*

It is required by statute to submit an annual report to legislators and others containing certain prescribed information. A copy of the annual report is found in the board notebook. The President's annual report to the general assembly was approved by the board.

VII. REPORT BY PRESIDENT OF THE NATIONAL ALUMNI ASSOCIATION

Mr. Henry Nemcik gave a report on behalf of Jim Powell, Chair of the UT Development Council. The Council is made up of 75 men and women who support and are committed to the advancement of the university through private resource development. The Interim President of the University, Jan Simek, is overseeing this Council along with the Alliance of Women Philanthropists. Both groups had a joint meeting this past weekend which was the best attended meeting in several years. The meeting included an evening with a recognition event. This event is the most significant event in which the university can recognize system level achievements for various donors and people who are committed to service at the institution. Mr. Nemcik was pleased to announce that this year Charles and Julie Wharton received the Development Council Service Award. The other awards given were:

Philanthropist of the Year: presented to Kathleen and Tom Elam

Jim and Natalie Haslam Presidential Medal: presented to Pat Summitt

The Trustee Lifetime Leadership of the University of Tennessee: presented to Dr. Ed Boling

The Development Council members are involved in all aspects of the university. They serve on councils in various universities and colleges, they are involved in volunteer work in the community, and some are involved in recruiting activities and other activities to help fundraising for the university.

VIII. REPORT BY PRESIDENT OF THE UT ALUMNI ASSOCIATION

Mr. Dan Brown is the new President of the UT Alumni Association. He presented his report on behalf of the more than 315,000 Alumni Association members. In his role as President,

he has had the opportunity to work with men and women across the state and nation who volunteer their time and talents to support the university and the Association. The dedicated alumni contribute countless hours because they love the university, believe in it and want to do what they can in support of its mission. On behalf of the Alumni Board, Mr. Brown recognized and thanked the Trustees for their volunteer role contributing time and talents to support the university and making such a tremendous positive impact.

In talking about the year ahead, Mr. Brown updated the Committee on some key points that will affect the future of the Alumni Association and programming, both in the short and long term.

In regard to the short term, it is important to share the alumni programming emphasis for the year in light of budget cuts for fiscal year 2010. This group is well-versed on the cuts impacting the university, and alumni programs are being impacted as well. In preparing for budget cuts, Mr. Brown wanted the Committee to know that Lofton Stuart, his staff, and the alumni leaders have worked to preserve resources as best as they can in three key areas:

- Chapter Program: the largest alumni outreach effort
- Annual Giving Program: supports the campuses and colleges as well as programs of the Association
- Scholarships and Faculty Awards: benefit students and faculty on each UT campus

The Alumni Board endorses this approach because they feel these are areas that will provide the greatest degree of service to alumni, as well as to the university, in the months ahead.

Mr. Brown outlined an exciting new project that will have a long-term impact on the direction of the Alumni Association. The Association has been around since 1836, making it one of the oldest public alumni associations in the country. During its 173 years of existence, the Association has never been through a formal strategic planning process. When looking at the issue of declining budgets, the fact there are additional 10,000 new grads each year and consider the rapidly changing areas of electronic communication and the explosion of social media such as Facebook and Twitter, one could argue now is a great time to go through this exercise.

After an extensive review and bid process, the decision was made to hire an outside consulting firm to work with the Association on this project. A great deal of research was made to identify firms with experience in working with alumni associations on strategic planning and the winning bid was submitted by the NAPA Group out of California. They have worked on strategic plans with associations at Georgetown, Penn State, Texas A&M, Oregon State and other major institutions.

The Strategic Planning Steering Committee is being co-chaired by Debbie Diddle and Henry Nemcik. There are 24 men and women serving on the Committee. The goal has been to keep the size at this number while having broad representation from key constituencies. This project will continue over the next 9 months until a draft of the plan is presented to the UTAA Board of Governors in June, 2010. During the months ahead, there will be surveys, focus groups and one-on-one meetings involving alumni and staff across all campuses to identify what the Association does well, as well as those things not being done well to serve the alumni populations. There will also be a research component to determine the best practices among alumni associations all over the country. The UTAA is excited about this project and feels it can have a great impact on the mission of the Alumni Association as it looks at ways to best serve the alumni population and the university in the year ahead.

Mr. Brown closed by thanking the Committee for their time and attention. He stated it is an honor to serve in this role for the Association and he looks forward to working with the Trustees in the months ahead.

IX. UPDATE FROM THE AD HOC FOUNDATIONS STUDY COMMITTEE

Mr. Charles Wharton gave an update. The Foundations Study Committee is developing a plan to transition the university from a dependent foundation to an independent foundation. Public financing will always be an important part of resources but we all know public financing is diminishing at a rapid rate. The Committee has been working to put a plan together for this transition and has made progress. There is now a draft affiliation agreement with the state auditor. This will have to be reviewed and others may have additional thoughts. Mr. Wharton has not yet read this draft agreement. A preliminary 10-year financial plan to transition the Foundation into an independent foundation has been developed. Henry Nemcik hosted a dinner with the Chancellors, Charles Wharton and Lofton Stuart. The university is uniquely positioned right now in the fact that the Alumni Association and Development are under the same umbrella. The original transition plan was to transition the Alumni Association into the Foundation in the third/fourth year when it began to generate resources and then would share those resources with the Association. The UTAA has the same problems in that their funds come from ENG funds that are being cut. The University of Tennessee is one of the few universities where there is no competition between the alumni and development office. The Chancellors suggested and agreed to develop a plan to keep the Alumni Association and Development together from the beginning. So, the Committee will be working with Lofton Stuart, Dan Brown, the UTAA Past President's Council and others to continue developing this plan. It makes sense to keep alumni and development together. Mr. Wharton, Mr. Nemcik and other Committee members plan to go back and visit with all campuses and other stakeholders. The Committee will continue to solicit feedback from all stakeholders including state auditors, constitutional officers, legislators and others. Time is of the essence. In the first five years, the plan is to hire an additional 50 development officers in various colleges with an expectation for the first year to raise \$2 million per officer. The UT Foundation Board's support is also important. Once this agreement meets with their approval, the Committee will then bring back to the Board of Trustees for final approval.

Mr. Cates asked when this might be accomplished. Mr. Wharton said the Committee was ready to ask for approval at the last Trustee Winter meeting. However, with advice to slow down due to many factors including legislative concerns and the fact the state auditor wanted to participate, it was delayed. The Constitutional Officers were visited but after the election, they changed. Mr. Wharton wanted to reiterate that this is very important and the Committee wants to make sure to get it right the first time. He is cautiously optimistic but hopeful to have before the Board for approval in June 2010. He also wanted to be clear that adding the 50 additional development officers is for the colleges and not the system. This is a way to raise substantially needed dollars. It is also in the thought process to have shadow foundations. All the accounting would be done through the UT Foundation, but as an example, there could be an increase in money raised in Memphis if there was a Memphis Foundation. The Committee is collectively trying to develop a vision to carry the university through the next 20-30 years.

X. NAMING OF THE CIVIL, ENVIRONMENTAL, AND INDUSTRIAL ENGINEERING BUILDING AT UT KNOXVILLE - *CONSENT ITEM*

On behalf of the UT Knoxville College of Engineering, Dr. Simek asked the Board of Trustees to approve naming the new civil, environmental and industrial engineering building on the Knoxville campus the *John Tickle Engineering Building*. This request is to honor Mr. and Mrs. John D. Tickle who have been among the university's most generous

philanthropists and committed servants. Their gifts of time, talent and treasure have had profound impact on the University of Tennessee and the College of Engineering. A motion to approve the naming was duly made, seconded and unanimously approved.

XI. CAMPAIGN UPDATE

Most recently everyone has received the campaign update. Totals through the end of this past month are \$899 million. Mr. Nemcik gave a brief update.

Campaign Update

Mr. Nemcik anticipates the \$1 billion dollar campaign mark (based on historic monthly totals) will be reached around summer of 2010. He and his staff are working with Hank Dye's office to make certain the message sent out is that while the university is achieving a tremendous goal in the first \$1 billion campaign, there are still numerous needs at the university. There is still work to be done. It needs to be clearly articulated that all the money is not being held in a bank account. The breakdown of money received to date is as follows: (1) 1/3 has been received in cash; (2) approximately 1/3 has been received in pledges that will be received over the next five to seven years; and (3) 1/3 in has been received in planned gifts/future commitments that donors have made in trusts or bequests or other forms. Campaigns are designed to enhance all of these areas of giving. At the end of this campaign, annual giving should increase and the goal is to sustain that increase. It is extremely important that there is a long-term plan in place for after the campaign. When the campaign concludes, there will be a new president in place and will begin some type of planning engagement (strategic plan or focus areas) and resources will be needed to achieve whatever priorities are set. That is how all this is tying together.

That being said, this has been a very meager fundraising year. The university is down overall by 38% from last year's totals. UT is down a little bit more compared to other SEC schools and the development and alumni affairs leadership team is evaluating why and will address any issues. The university is still making progress. There are only 32 institutions in the United States currently engaged in a \$1 billion dollar or more campaign. Of these institutions, last months' total of approximately \$900 million was at the high end. Mr. Nemcik feels the university is well positioned. Cash dollars have been running ahead. The cash gifts for annual giving are ahead from last year. Recovery is only a few gifts away.

Organization Structure of Development & Alumni Affairs

Mr. Nemcik reviewed the organizational structures in place for the system and provided an insight of his role and the other main four areas focused on by the system. From a system perspective, development and alumni affairs knows what has to be done, knows where to focus, and has implemented all that is needed to deliver those services effectively and are always looking to enhance activity and improve delivery service to the units. Looking at the organizational chart (tab 6), Mr. Nemcik has a dotted line organizational structure to all campuses and includes Institute of Agriculture, UTK Athletics, UT Medical Center at Knoxville, UT Space Institute and IPS Development. His direct line reports to him are: Executive Director of the UT Alumni Association; Assistant Vice President for Advancement Services, Assistant Vice President for Development/Major Gifts and Assistant Vice President for Planned Giving. Mr. Nemcik's role has general oversight of the development and alumni affairs activities which cannot be accomplished without close cooperation and good delivery of all activities and services necessary. The system played a substantial role in the beginning of the campaign but the bulk of the fundraising at this point is done by the campuses. The development staff is doing a great job with limited staff and resources. Mr. Nemcik was asked to oversee *The Campaign for Tennessee* when he arrived four years ago. The Campaign was implemented in 2005 and will close in December 2011. Mr. Nemcik is also responsible to oversee the development of the strategy and plans for the next campaign. One of the plans is to increase the number of development officers. There

has never been a more important time to increase capacity for the benefit of the university in the future. State support will never be replaced. The university should never give up the fight to ensure we are maximizing the dollars received from the state. It would truly take billions of dollars in endowments to replace what is received annually from the state. The excellence of the university this size could never be contained without tremendous state support. Since Mr. Nemcik's arrival, state support has gone from 31% to 24% which will be at the end of stimulus. If there is any further decline, support could be under 20% by the end of 2011. With those types of figures, it is imperative to articulate to the legislators how important state support is to the university. The goal of development and alumni affairs is to try to reduce the impact of reductions in state support.

The system development and alumni affairs offices provide overall leadership, planning, and coordination of development and alumni affairs programs for the entire multi-campus system. Mr. Nemcik was hired as Vice President for Development and Alumni Affairs and within several months, he was asked to provide leadership for the UT Foundation, Inc. He receives no salary from the Foundation. He also provides leadership to the UT Board of Trustees Advancement & Public Affairs Committee; UT Board of Trustees Foundations Study Committee; UTAA Strategic Planning Steering Committee; and is a member of the UT Consolidated Investment Committee. While the UT Foundation invests centrally through the UT Consolidated Investment Pool, not all endowments in the system invest centrally. The long-term goal is to encourage all funds be invested centrally because size has a major impact on the return.

UT Alumni Association (UTAA)

The system provides very specific services but also there are subsets of services that need to be provided at the university because not everything can be done at the system level. It is more effective in many cases at the campus level. The organizational structure was implemented by Ed Boling and Joe Johnson in the early 60s. It is an amazing testament to a vision of our leadership and with small adjustments through the years our structure is as effective and efficient as it was then.

Mr. Nemcik recently visited with Texas A&M and the University of Texas at Austin and when those universities saw the UT campaign reports, they were amazed. They said they only do quarterly reports because it takes months to produce due to everyone being on different systems and they have different structures. The efficiency and effectiveness of the UT system is something that other institutions aspire to have. UT did it in the early 60s which is a very impressive organization structure. There is a cooperative effort between all programs. The university does coordinated solicitations, and a host of other things. The system alumni affairs have very specific goals. They do general program coordination and oversight and chapter management throughout the United States. This means that instead of duplication of Chattanooga having someone oversee the chapter program for Chattanooga and other campuses, it would cost additional money to duplicate. System alumni also organizes marketing coordination, plan and manage system-wide travel programs, revenue programs, and develop alumni surveys and strategic plan, alumni information and data collection. The annual fund is limited to collecting the data and the dual program which Mr. Nemcik announced last year has begun so the university solicits twice a year instead of once. The campuses have their solicitation in the fall and the system which funds the UTAA scholarships and faculty awards is conducted in the spring. The campuses are responsible for developing a case for support and communicating that with their alumni. The system simply coordinates the mailings for efficiencies and effectiveness.

Planned Giving

Woody Henderson oversees all the planned giving officers on all campus which is a dotted line oversight. They report to their vice chancellor for development. The system does what

it does more effectively and efficiently. This office does planned giving marketing for all campuses, specific for those colleges. Recently there was an advertisement in area newspapers about gift annuities specific to that campus in that region. Planned Giving prepares illustrations to donors for trusts. Also provides technical expertise by working with donors and legal & financial advisors. Conducts staff training and system-wide planned giving officer leadership. System Planned Giving also does marketing as it relates to campaign marketing because that is the system role. This system group develops a host of publications which are specifically designed to hit a specific donor segment and has specific distributions.

Development/Major Gifts

This office supports the President's Development Council and Alliance of Women Philanthropists. Both of these groups are self supporting. They have self imposed a fee for all of their activities. So, other than providing some clerical support and so forth, the university pays nothing for the Development Council and Women's Alliance and the members give back through tremendous gifts to the university. This office organizes and conducts regional campaign events and solicitations with a focus on out of state. It is easier to get all UT grads in one room instead of each campus conducting their own event. This is an opportunity to save resources and maximize efforts for the university. The campuses do a tremendous amount of meetings locally through business councils, advisory groups meetings and others.

Advancement Services

Development and Alumni Affairs has one data base that serves all four campuses. This is very effective and efficient and a great way to save dollars. The data base costs about \$1 million to buy and about \$200,000 to buy annual renewal licensing. This is done out of one system. This office oversees and reviews all donor, corporate and foundation research, gift agreements and serves as the liaison with treasurer and legal counsel. This office maintains campaign reporting by coordinating reports and programming requests. Advancement Services manages the operations, audit coordination, and policy and procedure development.

This is a brief overview of what the system does. This is how the system provides oversight for the campaign and how it works with all campuses in order to deliver the results seen on the campaign reports on a monthly basis.

Mr. Nemcik would like to applaud Dr. Ed Boling and Dr. Joe Johnson for the vision they had so many years ago for structuring the development and alumni offices. It continues to serve the university in a dynamic fashion today.

XII. OTHER BUSINESS

Mr. Cates reiterated that the reports heard are encouraging and critical. There was no other business stated.

XIII. ADJOURNMENT

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