

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

October 28, 2011

The Fall Meeting of the Board of Trustees of The University of Tennessee was held at 1:30 p.m. EDT, Friday, October 28, 2011, in Hollingsworth Auditorium on the campus of The University of Tennessee Institute of Agriculture in Knoxville, Tennessee.

**I. CALL TO ORDER AND INVOCATION**

Mr. Don C. Stansberry, Jr., Vice Chair of the Board of Trustees, called the meeting to order. Reverend Tim Kobler of the UTK Campus Ministers Association offered the invocation.

Vice Chair Stansberry announced that Governor Haslam had requested him to chair the meeting.

**II. ROLL CALL**

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

Charles C. Anderson  
Anne Holt Blackburn  
J.A.M. (Toby) Boulet  
George E. Cates  
Joseph A. DiPietro  
Spruell Driver, Jr.  
J. Brian Ferguson  
Teresa K. Fowler  
John N. Foy  
D. Crawford Gallimore  
Monice Moore Hagler  
James E. Hall  
William E. Haslam  
Douglas A. Horne  
Julius T. Johnson  
James L. Murphy, III  
Richard G. Rhoda  
Karl A. Schledwitz

Carey E. Smith  
Don C. Stansberry  
Robert S. Talbott  
Betty Ann Tanner  
Charles E. Wharton  
Tommy G. Whittaker  
Janet M. Wilbert

The Secretary announced the presence of a quorum. Commissioner Kevin Huffman was unable to attend the meeting. Members of the administration, faculty, staff, and media were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

### **III. INTRODUCTIONS**

Vice Chair Stansberry recognized former Trustees Bill Carroll, Barbara Castleman, Waymon Hickman, Andrea Loughry, Nancy Overton, and President Emeritus Jan Simek. He thanked them for past service and continued participation with the University.

Vice Chair Stansberry welcomed Brian Ferguson and Tommy Whittaker, the new Trustees attending their first meeting, and presented each with a Trustee lapel pin. He also took a moment to thank Chancellor Cheek for hosting dinner and tours the prior evening in Ayres Hall.

### **IV. APPROVAL OF MINUTES OF PRIOR MEETING**

Trustee Toby Boulet moved approval of the minutes of the June 23, 2011 meeting of the Board of Trustees as presented in the meeting materials. Trustee Talbott seconded the motion, and the motion carried unanimously.

### **V. ADOPTION OF HONORARY RESOLUTIONS**

Vice Chair Stansberry recognized Trustee Horne, who presented the Resolution honoring William (Bill) Y. Carroll for his service as a Trustee from 2005 to 2011 (Exhibit 1) and moved adoption of the Resolution. The motion was duly seconded and adopted unanimously. Trustee Horne presented Mr. Carroll with a copy of the Resolution and a framed photograph of the Board of Trustees.

Addressing the Board, Mr. Carroll expressed his honor for the opportunity to serve as a Trustee, to learn about all the great things happening at each campus, and to watch the University grow.

Vice Chair Stansberry then recognized Trustee Murphy, who presented the Resolution honoring Andrea J. Loughry for her service as a Trustee from 1999 to 2011(Exhibit 2) and moved adoption of the Resolution. The Resolution was duly seconded and unanimously adopted. Trustee Murphy presented Ms. Loughry with a copy of the Resolution and a framed photograph of the Board of Trustees.

Addressing the Board, Ms. Loughry noted that climbing the rocky tops over the past twelve years has strengthened, engaged, and energized the Board. She believes that this Board of Trustees is the most informed, efficient, and effective governing Board in UT's history, working in partnership with higher education to better educate Tennesseans. She then challenged the Board to focus on five matters for the future:

1. Work with state legislature to reform the sunshine law to allow executive sessions of the Board in sensitive human resource matters;
2. Ask for two at-large seats on the Board to be filled by outstanding UT alumni, who may not be residents of Tennessee;
3. Require that efficiency and effectiveness become the focus of someone on the President's Staff;
4. Appointments may be geographical or based on the position Trustees hold, but stewardship is for the entire state of Tennessee; and
5. Each Trustee is held to a higher standard than the citizenry at large. The University needs 100% of the Board to participate as a donor, as well as reach out to others to give to the University.

Ms. Loughry thanked the Board for the memories. Vice Chair Stansberry thanked Ms. Loughry for her thoughts and noted that her leadership will be missed.

## **VI. PRESIDENT'S REPORT**

Dr. DiPietro reported that since the June meeting, he has been focused on efforts to be attentive to the needs of all campuses and institutes, being better engaged, hearing concerns, making campus visits, determining needs, identifying priorities of all the components, trying to meld that all into a realistic work in progress that produces winning combinations, and trying to produce a sense of teamwork, cooperation, and engagement among of all the components of the system. Teamwork must engage campus leadership, students, faculty, alumni and supporters--all key groups we have to put together in this team to bring to the forefront strength and the ability to work together. Teamwork draws on special skills and expertise of the members and builds

trust, and trust is very important to be able to maximize the benefit to this great institution.

Outcome-oriented monthly meetings have been held with the Chancellors. It is important for the President to have hands-on interaction with the chief executives who run the campuses. He reported the developing sense of teamwork among the Chancellors that was a key goal in his first year.

In the annual fall visits to the campuses and institutes, instead of a one-way dialogue of information to him and his staff, Dr. DiPietro engaged students, faculty, faculty senators, and staff in a discussion about problems, issues, and where their part of the enterprise is going. This dialogue enhances his ability to support each component of the system and be an advocate for them. He wants to understand the uniqueness and commonalities of the components of the system and appreciate the constituents and supporters and the community around each enterprise.

Dr. DiPietro reported he has had a number of small meetings with legislators (12 separate meetings with 40 individuals), has done media work to help tell the University's story about the impact of outreach programs, the impact of education programs, and the impact of discovery programs. He also published an op-ed piece on capital outlay needs.

The new College of Pharmacy building in Memphis was dedicated recently. It is a glorious building suitable for a top-20 College of Pharmacy. UT Martin celebrated the Jackson Center opening, which was key for Martin to be recognized for ingenuity and resourcefulness in acquiring this facility without additional state support and driving this program with existing revenues.

Concerning his service on the Lottery Task Force, Dr. DiPietro noted that although there is a reserve of about \$373 million, a longer-term problem exists in the fact that the award of the Hope Scholarship is usually over the current construct by about \$20-24 million a year. One of the proposals being considered by the Lottery Task Force is to link both GPA and the ACT score with an "and" as opposed to an "or." Currently, a student must have an ACT of 21 or a GPA of a 3.1 to qualify for a Hope Scholarship. A four-year time line to implementation would provide eighth graders an opportunity to address the impact of this change. This change probably would not affect UT Knoxville to any great extent, but it would impact Chattanooga and Martin.

The system administration has participated in many recognition ceremonies at the campuses recently. UT Chattanooga celebrated its 125th anniversary, and the Health Science Center celebrated its 100th anniversary. Achievements of African-Americans

across the State of Tennessee were recognized in connection with celebrating the 50th anniversary of the first African-American undergraduates to enroll at the campus in Knoxville. The Institute for Public Service celebrated a 40-year anniversary of service across the state, and the Master of Public Health program at UT Knoxville celebrated a 40-year history of producing MPH professionals. These tributes are an expression of appreciation for the people who are 70-75% of the University's budget and critical to moving the University forward. Dr. DiPietro said that he and Mrs. DiPietro have enjoyed traveling the state getting to know the University family.

At the workshop in August, Trustees were briefed on results of the compensation survey conducted by Sibson. Across the system, considered in the aggregate, staff compensation is about 78% of the market median. The Compensation Advisory Board will continue to work with HR to provide the best advice and approach to closing that gap. For the first year in four years, employees received raises. The compensation for the lowest-paid staff was improved by increasing the minimum hourly wage to \$8.50.

An engagement survey will go out this month for staff and faculty in an effort to learn how employees feel about working at The University of Tennessee. A report on the results of the survey will be made at an upcoming Board meeting.

In closing, Dr. DiPietro reported that the University's budget hearing with Governor Haslam would be held on November 15, and everyone hopes for a stronger state budget the end of this year.

## **VII. REMARKS BY CHANCELLOR ARRINGTON**

Vice Chair Stansberry welcomed Chancellor Larry Arrington to his first Board meeting and invited him to address the Board.

Chancellor Arrington thanked the Trustees for electing him to lead the Institute of Agriculture and said he is honored and privileged to be part of the UT family. He invited the Trustees to join the students and faculty for Ag Day the following afternoon. The four primary units of the Institute—the College of Agricultural Sciences and Natural Resources, the College of Veterinary Medicine, UT Extension, and Ag Research—all have many exciting things going on. Ag students received over \$1,000,000 in scholarships this year. Ag enrollment is up, as well as diversity. Under Dr. Cross, UT Extension is implementing a strategic plan, involving all 95 counties. The biofuels initiative and research is garnering funding, giving high hopes for future employment in the state. The new large animal facility is moving full steam ahead at the College of Veterinary Medicine. The new equine diagnostic facility space is very important to the Institute of Agriculture's future. The Institute's primary goals at this time are: listening to all stakeholders across the state, to be relevant and responsive to

the people's needs; creative unit funding, working with THEC; and benchmarking and fit with UT's strategic plan.

Chancellor Arrington thanked the Board for the warm welcome and invited Trustees to contact him any time he can be of assistance.

#### **VIII. REMARKS BY CHANCELLOR CHEEK**

Chancellor Cheek began by thanking Joan Cronan for serving as Interim Vice Chancellor and Director of Athletics following Mike Hamilton's resignation. He expressed appreciation to Ms. Cronan for a wonderful job, including her work to facilitate combining the men's and women's programs. The Board joined Chancellor Cheek in standing ovation for Ms. Cronan.

Chancellor Cheek next introduced the new Vice Chancellor and Director of Athletics, Dave Hart. Chancellor Cheek noted that the search for the right person with the right experience took a long time, but Dave Hart is the right person. He then invited Mr. Hart to address the Board.

Mr. Hart thanked the Board and stated it is truly a privilege to serve The University of Tennessee in this role. He commented on the quality of the students he has been exposed to at UT. He and his wife, Pam, have received a terrific welcome to Knoxville. He has focused on getting to know the coaches and everyone who works in Athletics. He believes the University is blessed with great people, passion, and tradition. Coming to Tennessee has been the fulfillment of a long time dream and he looks forward to being part of the bridge from a glorious past to an exciting future.

#### **IX. STRATEGIC PLAN - PHASE 2 UPDATE**

The Vice Chair recognized President DiPietro to present a strategic plan update (Exhibit 3). Dr. DiPietro stated the strategic plan is the most important thing the administration and the Board will do in the coming year. He then asked Keith Carver, who has been spearheading the initiative, to give the update. Dr. Carver reported that since the Board workshop in August, the strategic planning process has moved ahead on schedule. Listening sessions have been held at all campuses and institutes, engaging over 200 individuals (community leaders, students, faculty, staff, and legislators). An early issue arising is clearly defined centralized and decentralized roles in the areas of research, communications, marketing, and legislative advocacy. The importance of revenue generating is emerging as well. Revision of the system administration mission statement will also be needed.

The steering committee will meet again on November 11. Accountability and measurement are being identified. The steering committee will send a rough draft to the Board for review prior to the February meeting. Dr. Carver shared a new strategic plan webpage being launched, <http://president.tennessee.edu/strategicplan>. The steering committee will post to the webpage minutes from each meeting, notes, and a monthly update for all to access.

#### **X. REPORT BY TRUSTEE CHARLIE ANDERSON ON CLEMSON UNIVERSITY TOP-25 VISIT**

Trustee Anderson began by noting that in 2001, UTK was ranked 44<sup>th</sup> in the country, by *U.S. News and World Reports*, and Clemson University was ranked 39<sup>th</sup>. More recently, UT was ranked 46<sup>th</sup>, and Clemson 25<sup>th</sup>. Thus, there is a peer who achieved Top-25 status in 10 years. He reported that Chancellor Cheek, President DiPietro, Provost Martin, Chris Cimino, Margie Nichols, and Tim Rogers joined him in a day-long visit at Clemson on June 28, 2011, seeking to identify best practices. One interesting fact noted is that Clemson has had consistent leadership over the past ten years. They completed a self-assessment, much like UTK is doing. They articulated the benefit of being a Top-25 university to everyone who would listen, and obtained complete buy-in throughout the university. They learned well the components included in *U.S. News and World Reports*, and addressed each one. Almost 25% of the ranking is based on peer comparison, so Clemson's senior leadership stepped out into the public eye to make perception a reality. It will take a long time to reach the Top-25 goal, but it can be achieved if the Board of Trustees will support it fully. It will take persistence and diligence. Trustee Anderson closed by stating that this economic downtime can be a good opportunity for the University to separate itself from the competition and methodically go about achieving the goal.

#### **XI. ACTION ITEM FROM THE EXECUTIVE AND COMPENSATION COMMITTEE**

##### **A. President's Recommendation for Election and Compensation of the Vice President for Development and Alumni Affairs**

Vice Chair Stansberry reported the Executive Committee considered the President's recommendation to elect Johnnie Ray as the Vice President for Development and Alumni Affairs (Exhibit 4). The committee also reviewed the base compensation of \$290,000, the non-accountable expense allowance or \$5,000, the moving allowance of \$20,000, and the potential for incentive compensation.

Vice Chair Stansberry called for a motion to approve the President's recommendation for election and compensation of Johnnie Ray as Vice President for Development and

Alumni Affairs. Trustee Wharton moved approval, Trustee Talbott seconded, and the motion carried unanimously.

## **XII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE**

Vice Chair Stansberry called on Finance and Administration Committee Chair, Trustee Talbott, to present actions items from the Committee.

### **A. FY 2012-13 Operating Budget Appropriations Request**

Trustee Talbott reported that the non-formula operating request for FY 2013 is \$34,593,892 (Exhibit 5). He moved approval of the request, and Trustee Wharton seconded the motion. Vice Chair Stansberry stated this had been fully discussed in the committee and called for a vote. The motion carried unanimously.

### **B. FY 2012-13 Capital Outlay and Capital Maintenance Projects**

Trustee Talbott reported that the five-year schedule for capital outlay reflects \$837,250,000 and capital maintenance of \$217,922,200 (Exhibit 6). Trustee Talbott moved approval of the capital outlay and capital maintenance funding requests for FY 2012-2013 and subsequent years as presented with authorization for the Executive and Compensation Committee to approve any modifications prior to final submission to THEC. Trustee Foy seconded the motion. Vice Chair Stansberry noted that these items had been carefully considered with the administration in the Finance and Administration Committee and in an earlier meeting of the Executive and Compensation Committee. The motion carried unanimously.

### **C. FY 2012-13 Revenue/Institutionally Funded Projects**

Trustee Talbott referred to these items as self-funded projects, totally \$94,835,000 (Exhibit 7). He moved approval of the revenue/institutionally funded projects for FY 2012-13 as presented in the meeting materials with authorization to enter into contracts for design and construction, within available funds, for these projects and, with the approval of the President, for other projects identified during the fiscal year. Trustee Anderson seconded the motion, and it carried unanimously.

### **D. Academic and Clinical Affiliations for Cancer-Related Patient Care, Research, and Education**

Trustee Talbott reported that this item (Exhibit 8) involves an affiliation with Methodist Healthcare-Memphis Hospitals relating to cancer-related patient care, research and education, including a faculty practice plan. Trustee Talbott moved that the administration be authorized to execute an addendum to the Master Affiliation Agreement between the University and Methodist Healthcare-Memphis Hospitals, and an Affiliation Agreement between the University and The West Clinic, PC, under which The West Clinic, PC will serve as a faculty practice plan for oncology, after review and approval by the Chief Financial Officer and the General Counsel and after all required or appropriate state government reviews and approvals. Trustee Cates seconded the motion, and it carried unanimously.

### **XIII. ACTION ITEM FROM THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE**

#### **A. Affiliation and Services Agreement with UC Foundation, Inc.**

Vice Chair Stansberry called on Trustee Wharton, Committee Chair, to present the action item from the Advancement and Public Affairs Committee. Trustee Wharton moved approval of the Affiliation and Services Agreement among the University of Chattanooga Foundation, Inc., The University of Tennessee on behalf of The University of Tennessee at Chattanooga, and The University of Tennessee Foundation, Inc. (Exhibit 9). Trustee Foy seconded the motion. Trustee Hall commented that the agreement is extremely significant for The University of Tennessee at Chattanooga and applauded all those who were involved in bringing it to completion. The motion carried unanimously.

### **XIV. REPORT OF THE AUDIT COMMITTEE**

Trustee Hall reported that the Audit Committee held its last meeting on August 30, 2011, and he highlighted the following significant matters:

- New Information Security Strategy: The committee heard from Mr. Scott Studham, the University's Chief Information Officer, about a new strategy for securing the University's information technology resources. The strategy involves (1) adopting standards from the National Institute of Standards and Technology, and (2) emphasizing that security is the responsibility of the individual campuses.
- New Funding Formula: Dr. Russ Deaton from THEC joined the committee to discuss the new funding formula for higher education institutions. He covered issues the Internal Audit department must consider as the staff develops a method for auditing the information the university provides to THEC.

- UT Knoxville Athletics Department Support: Interim Athletics Director Joan Cronan and Chief Business Officer Bill Myers of the UTK Athletics Department joined the committee to clarify some information recently published in the national media suggesting that the UTK Athletics Department is not self-supporting. Mr. Myers and Ms. Cronan explained that the majority of the dollar amount quoted in the article was not cash support the campus supplied to the department, but rather depreciation expenses for buildings and indirect support provided by administrative offices such as the General Counsel's office, Human Resources, and the Audit department. They also provided the committee with details on cash support Athletics provides to the campus. Internal Audit will be verifying this information.
- Performance Auditing: Performance auditing focuses on improving the efficiency and effectiveness of operations. Projects will be identified by the University's executive management.

Trustee Hall took a moment to talk about the Audit Committee's role in some initiatives at the Health Science Center. Triggered in part by the findings of an internal audit involving UTMG (the physician practice plan), the consulting firm ECG was retained to examine the relationship between the Health Science Center and UTMG. ECG identified over 30 recommendations, and Dr. Schwab and his staff have been working diligently to implement the highest priority items.

One key recommendation was for the Health Science Center to engage in joint program planning with affiliated hospitals. At this meeting, the Board has approved the proposal for jointly managed cancer services between UT, Methodist Hospitals, and The West Clinic. The Finance and Administration Committee heard an update on the UT-Erlanger Hospital Faculty Practice Plan, which was previously approved by this Board. The Board has also approved the joint venture with LeBonheur Children's Hospital to establish a pediatric practice plan separate from UTMG.

These initiatives are a win-win for UT and the affiliated hospitals. UT will benefit financially from these arrangements, but most importantly they will result in improvements to medical education, research, and patient care.

## **XV. CONSENT ITEMS**

The Vice Chair asked for any requests to remove items from the consent agenda. There being none, he called for a motion to approve the following items by consent:

- A. Real Property Transactions (Exhibits 10-14)

- B. FY 2011 Annual Flight Operations Report (Exhibit 15)
- C. Grant of Expedited Tenure - UTHSC, UTIA, UTK (Exhibit 16)
- D. UTK Faculty Handbook Revisions, Promotion to Full Professor (Exhibit 17)
- E. Statement of Commitment to Graduate Medical Education (Exhibit 18)
- F. Establishment of The University Honors College at UTC (Exhibit 19)
- G. 2011 Annual Report to the General Assembly (Exhibit 20)
- H. UT Foundation Policy on Affiliated Foundations (Exhibit 21)
- I. Naming of UTC Library Annex/ Auditorium (Exhibit 22)
- J. Naming of the Center for Interdisciplinary Research and Graduate Education (Exhibit 23)

Trustee Murphy moved approval of all items on the consent agenda, and Trustee Talbott seconded the motion. The motion carried unanimously.

#### **XVI. OTHER BUSINESS**

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

#### **XVII. ANNOUNCEMENTS**

Vice Chair Stansberry reminded Trustees of upcoming meetings:

December 16, 2011: Trusteeship and Audit Committees, Nashville  
January 27, 2012: Executive and Compensation Committee, Nashville  
February 28-29, 2012: Winter Meeting, Memphis

Vice Chair Stansberry thanked Governor Haslam for supporting the University and his engagement with the Board.

Ms. Mizell thanked Chancellor Cheek and his staff for their support with logistics for the meeting.

## XVIII. ADJOURNMENT

With no further business to come before the Board, Trustee Murphy moved adjournment, Trustee Talbott seconded the motion, and the meeting was adjourned.

Respectfully Submitted,

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Catherine S. Mizell, Secretary