

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

November 29, 2011  
Nashville, Tennessee

A meeting of the Executive and Compensation Committee of the Board of Trustees of The University of Tennessee was held at 10:15 a.m. CST, Tuesday, November 29, 2011, in the offices of Bradley Arant Boult Cummings, LLP, in Nashville, Tennessee.

**I. CALL TO ORDER**

Don C. Stansberry, Chair, called the meeting to order.

**II. ROLL CALL**

Catherine S. Mizell, Secretary, outlined requirements of the Open Meetings Act concerning participation by telephone or other electronic means and asked those participating by telephone to identify anyone else present at their location. The Secretary then called the roll, and the following members of the Executive and Compensation Committee were present:

George E. Cates  
Spruell Driver, Jr.  
Joseph A. DiPietro  
James E. Hall  
James L. Murphy, III  
Don C. Stansberry, Jr.  
Robert S. Talbott  
Charles E. Wharton

The Secretary announced the presence of a quorum of the Committee at the meeting location. Trustees Cates and Hall participated in the meeting by telephone. Other participants by telephone were Chancellors Arrington, Brown, Cheek, Schwab, and Vice Chancellors Richard Brown and Chris Cimino. Other members of the administrative staff were also present.

**III. APPROVAL OF MINUTES OF PRIOR MEETINGS**

The Chair called for any corrections or additions to the minutes of the

September 23, 2011 and October 28, 2011 meetings of the Executive and Compensation Committee. There being none, Trustee Talbott moved approval of the minutes. Trustee Driver seconded the motion. The Secretary called for a roll call vote, and the motion carried unanimously.

#### **IV. PRESIDENTS REMARKS**

Dr. DiPietro discussed the recent budget hearing with the Governor and briefly summarized four points he stressed at the hearing: capital outlay and capital maintenance projects, employee compensation, funding aspects of the completion parameters of the Complete College Tennessee Act, and budget cuts.

Dr. DiPietro then updated the Committee on strategic planning efforts. He stated that the steering committee has assigned a task force for each key area of the plan, task force members will be named in the next few days, and their work and campus visits will begin immediately.

Dr. DiPietro then discussed his recent meeting with the Academic Alliance of the FBI in Atlanta. He stated that the FBI is very concerned about export control issues in the context of the traditional openness of academic institutions. He noted the observations of an ex-KGB agent who was easily able to infiltrate a west coast university. He stated that the meeting gave him an enlightening perspective on keeping our people and campuses safe and that going forward the administration will continue to work cooperatively with the local FBI offices and local law enforcement on these matters.

#### **V. FY 2012-13 CAPITAL OUTLAY AND CAPITAL MAINTENANCE PROJECTS**

Chair Stansberry emphasized the importance of the next item of business, stating that capital outlay and capital maintenance projects could significantly transform the campuses.

Dr. DiPietro referred to the meeting materials (Exhibit 1) and stated that as shown, the schedule displays only first year priority detail with all remaining projects reflected as "out years." The back-up schedule details the total of \$819,750,000 in priorities over the next five fiscal years. As the details evolve on a potential bond issue and as modifications to the THEC format are articulated, the University will advance other projects. It is important to note that on-going discussion with the state administration incorporates an institutional match component to all capital outlay projects (25% for formula units and 10% for non-formula units). Accordingly, the capital outlay projects displayed on this schedule would include approximately \$183 million from institutional funds

(private gifts, operating reserves, student fees).

Dr. DiPietro stated that this is an important priority for the University, and he is still very hopeful there will be a major bond initiative by the state. He stated that several projects such as Strong Hall at UTK, the General Education Building Annex at UTHSC, the UTC Life Sciences Laboratory, and many others will provide cutting edge laboratory and classroom space desperately needed at all campuses. Dr. DiPietro then invited the Chancellors to comment on the projects for their campuses.

Dr. Schwab stated that the prospect of the bond initiative by the state as proposed by the President is enthusiastically received at the Health Science Center and that the list of priorities is the fairest and most equitable presented in many years. The list of UTHSC projects starts with a simulation building needed for accreditation for most of UTHSC colleges, followed by renovation of research buildings approaching the end of their usefulness and other key renovations to round out the five-year plan. In response to a question from Trustee Talbott, Chancellor Schwab stated that this would be a transformational event for the campus.

Dr. Cheek said renovation of Strong Hall is a critical project for UTK that will move faculty and students out of dilapidated facilities. He noted that the Board is aware of the significant increase in STEM discipline majors for UTK and to accommodate that increase as well as continue that increase, STEM discipline facilities are critical for the campus. He noted that the next project on the list for UTK will house new chemistry laboratories and other biological and research laboratories. He remarked that one of the most limiting factors on the UTK campus is the inability to provide adequate space for faculty recruits, including Governor's Chairs. Dr. Cheek stated that Dr. DiPietro and Mr. Peccolo have done an excellent job in prioritizing these projects. He added that he shares Dr. DiPietro's concern about how THEC wants to manage the matching money. Dr. DiPietro commented that in the last week or so, he learned that THEC is seeking to establish proscriptions on institutional matching dollars in an effort to limit the amount of new student fees that may be used for matching purposes. Dr. DiPietro stated that he believed this should be a system function, not a THEC function, and he has articulated this view to THEC and the Governor's office.

Trustee Murphy requested that the administration provide concise talking points regarding the importance, impact, and driving need for each of the top ten projects to assist in streamlining a consistent message. Trustee Cates also requested that the age of the older buildings and savings in maintenance costs

be included because that alone can be a very compelling factor. Chair Stansberry suggested that the Strategic Plan's communication group should focus on the justification for these projects.

Chancellor Brown began by commenting that this process has been a far superior process for reviewing and updating this priority list than any other process during his tenure at UTC. He commended Dr. DiPietro and Mr. Peccolo for facilitating everyone's participation. He stated that the first item on UTC's list is a life sciences building desperately needed for preparing STEM students. This would be a transformative facility to allow UTC to serve an increasing industrial need in the Chattanooga area and in the longer run to collaborate more with Chancellor Schwab for medical degrees. Vice Chancellor Richard Brown added that the life sciences building would allow the campus to aggregate all life sciences in one complex. He added that it has been over 30 years since a life sciences building was constructed on the UTC campus.

Chair Stansberry asked Chancellor Brown if he was prepared to quantify the benefits of these projects and justify the proposed funding model. Chancellor Brown stated that he would most definitely be prepared to do that. Chair Stansberry added that each Chancellor should be prepared to do so.

Trustee Hall asked Chancellor Brown to comment on the status of sprinklers for all residential halls at UTC. Chancellor Brown explained that the item is included on the capital maintenance list next on the agenda. Trustee Hall then asked Dr. Cheek for a status of updates to educational facilities for the next generation of teachers. Dr. Cheek responded that the College of Health and Human Services at UTK has very good facilities and noted that the College recently received a major grant that will allow UTK to produce more STEM discipline students as teachers.

Chancellor Arrington added his enthusiastic support for the proposed capital projects list and said this would be a truly transformational event for the Institute of Agriculture, benefiting undergraduates, graduate students, and faculty, echoing Chancellor Cheek's remarks about the difficulties of recruiting faculty into some of the current facilities. He commended Dr. DiPietro and Mr. Peccolo for facilitating all the participation involved in preparing this list and expressed his appreciation that consideration has been given to allowing the non-formula units to participate in the matching component of the proposal. He added that he will be prepared to quantify the benefits from these projects for the Institute of Agriculture.

Nancy Yarbrough, UT Martin Vice Chancellor for Business and Finance,

attending on behalf of Chancellor Rakes, stated that UT Martin's first project is a fine arts renovation and addition. She noted that the first phase is underway, and the project listed represents the second phase. The next project is an academic building; Vice Chancellor Yarbrough noted that an academic building has not been built on the UT Martin campus since the 1970's, and the campus desperately needs additional classroom space and faculty offices. She said the addition to the Johnson EPS building will provide much needed laboratory space. Dr. DiPietro commented on the current condition of the Johnson EPS building and how necessary the renovations are for Chemistry students; he noted it is a 1960's building with 1960's equipment. He stated that it has to be very difficult to attract STEM students with that facility.

Trustee Talbott stated that the projects must also be aesthetically correct. Vice Chancellor Chris Cimino commented that UTK considers landscaping and other aesthetics as the plans are developed for each project. He added that there is a master plan for landscaping for the campus as a way to beautify the roadways, pathways, and common areas. Dr. Cheek commented that UTK is returning to a classic gothic building style, and all new buildings will adhere to that plan. Dr. Cheek stated that he is very conscience of the aesthetics of the campus. Dr. DiPietro stated the same is true for all of the campuses.

Trustee Driver asked how extensive the renovations would be to Strong Hall. Dr. Cheek responded that they would be very extensive, comparable to the renovation of the business building.

Trustee Wharton asked Dr. Cheek whether consideration had been given to capital projects for the UT Space Institute. Dr. Cheek responded that there have been some recent renovations at UTSI, and Dr. Moore is working on further plans. He added that UTSI space is in better condition than much of the other space in the UT System. He noted that there is one UTSI project on the capital maintenance list.

Mr. Peccolo discussed minor changes on the list presented for approval at this meeting and the list approved at the Fall Meeting in October. He reported that the five-year schedule for Capital Outlay includes \$819,750,000 in recommended Capital Outlay Projects. This amount reflects the movement of the UTK steam plant renovation (approximately \$25 million) to the institutionally funded project list. He explained that some priorities were shifted to accommodate scheduling requirements and that pre-planning money has been added to the year before the project is scheduled, which will allow pre-planning of design features to begin without waiting for approval. The five-year schedule for

Capital Maintenance reflects \$215,241,400 in recommended Capital Maintenance Projects. This schedule is very similar to the one presented at the Fall Meeting in October, but minor project cost modifications have been made resulting in a reduction totaling \$680,800. Other priority changes were made to approximate an annual funding request of \$40 million.

Trustee Murphy asked what the revenue source would be for the steam plant renovations. Dr. Cheek explained that it was hard to argue that the steam plant renovation benefited the academic enterprise under the Complete College Tennessee Act. At this point, the revenue source is yet to be determined, but the project must be completed to achieve compliance with new EPA rules. He stated that UTK has made the decision to convert to natural gas, and the new plant would be much more efficient and also co-generate electricity that could be sold back to the grid.

Dr. DiPietro said the administration seeks approval of these projects and authorization to enter into contracts for design and construction within available funds. Mr. Peccolo added that the THEC format is a work-in-progress. As the format is finalized, the University would advance the projects in the priority listed. If more money is available earlier, projects would be moved forward as necessary.

Trustee Talbott asked if there would be one bond issue or smaller issues over five years. Dr. DiPietro stated that one issue is preferred, but what the state will do is not known at this time. Trustee Talbott stated that he would not support small issues over five years because the condition of the market in five years is unknown. Mr. Peccolo discussed some possible hurdles for the state with issuing a bond for the full amount now. Dr. DiPietro stated that legislators are aware that the University prefers a single issue, and it is up to the University to champion that cause. Trustee Talbott asked the administration to consider the option of a facilities fee to fund a capital improvement program.

Chair Stansberry asked for a motion. Trustee Murphy moved approval of the revised Capital Outlay and Capital Maintenance Funding Requests for FY 2012-13 and subsequent years with authorization to enter into contracts for design and construction for these projects within available funds. Trustee Talbott seconded the motion. The Secretary called for a roll call vote, and the motion carried unanimously.

## **VI. FY 2012-13 REVENUE/INSTITUTIONALLY FUNDED PROJECTS**

Mr. Peccolo stated that the next item of business, the Revenue/Institutionally

Funded Project list, is presented as an information item. He reported that the administration has developed the revenue/institutionally funded projects list (Exhibit 2) for inclusion in the FY 2012-13 State of Tennessee Budget Document. Identified projects total \$119,835,000. The only change from the schedule presented at the Fall Meeting in October is inclusion of the UTK Steam Plant Conversion (approximately \$25 million), which has simply been moved from the Capital Projects list to the Revenue/Institutionally Funded Projects list. Although no state funds are requested for these projects, legislative approval is required, and these projects will be submitted to the Tennessee Higher Education Commission to begin the legislative approval process.

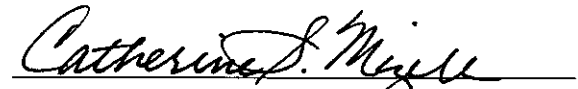
## VII. OTHER BUSINESS

The Chair called for any other business to come before the Committee. There was none.

## VIII. ADJOURNMENT

There being no further business to come before the Executive and Compensation Committee, the meeting was adjourned.

Respectfully Submitted,

  
Catherine S. Mizell, Secretary