

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE SPRING MEETING
April 1, 2016
Martin, Tennessee

The Spring Meeting of The University of Tennessee Board of Trustees was held at 1:00 p.m. CDT, on Friday, April 1, 2016, in the University Center Ballroom on the campus of The University of Tennessee at Martin.

I. CALL TO ORDER AND INVOCATION

Raja J. Jubran, Vice Chair of the Board, called the meeting to order. Father Dennis Schenkel offered the invocation.

II. ROLL CALL

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

Raja J. Jubran, Vice Chair
Jalen K. Blue
Shannon A. Brown
Russ Deaton
Joseph A. DiPietro
Spruell Driver, Jr.
William Evans
John N. Foy
D. Crawford Gallimore
David A. Golden
Julius T. Johnson
Brad A. Lampley
James L. Murphy III
Sharon Miller Pryse
Jefferson S. Rogers
Rhedona Rose
John D. Tickle
Julia T. Wells
Charles E. Wharton
Tommy G. Whittaker

The Secretary announced the presence of a quorum. Governor Haslam, Commissioner McQueen, and Trustees Anderson, Cates, and Gregg were unable to attend the meeting. Members of the administrative staff and media representatives were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

Vice Chair Jubran thanked Trustee Gallimore and Nancy Gallimore and Trustee Wells for sponsoring the wonderful reception and dinner at the home of Richard and Connie Killebrew. He asked the Secretary to send a letter of appreciation on behalf of the Board to the Killebrews for providing their home as the venue for the reception and dinner.

Vice Chair Jubran then introduced newly appointed Faculty Trustee Jefferson S. Rogers and presented him with a Trustee lapel pin.

III. METHODIST UNIVERSITY HOSPITAL PRESENTATION TO UT HEALTH SCIENCE CENTER

Dr. DiPietro introduced Chancellor Schwab noting that Dr. Schwab has done an excellent job forging affiliations with health care delivery systems, the first being the Methodist LeBonheur Healthcare System. He said the University greatly values the affiliation with the Methodist System and appreciates its enthusiastic support of the University.

Chancellor Schwab said it was truly a pleasure for him to introduce his colleagues from the Methodist LeBonheur Healthcare System. He noted that more than 60% of the education at UTHSC is not conducted on campus but rather in the core teaching hospitals. UTHSC has dramatically increased the size of its practice plans (almost fourfold), and last year the practice plans generated more than \$270 million in annual net revenue for the benefit of UTHSC. He then introduced Methodist Le Bonheur Healthcare System officials, CEO Gary Shorb, President and COO Michael Ugwueke, and Executive Vice President of Finance Chris McLean, and Meri Armour, President and CEO of Le Bonheur Children's Hospital.

Addressing the Board, Mr. Shorb described the success of the Methodist-UTHSC relationship. He complimented Dr. Schwab on his leadership and remarkable team. He said the Methodist System's goal is to be the best health care system in the country and to do that a lot of things need to come together including the right, talent, culture, philosophy and the relationship with UT. He then asked Ms. Armour for remarks, who said LeBonheur Children Hospital is the proud primary pediatric affiliate of UTHSC. She said the first Methodist-UTHSC affiliated practice group, ULPS, has grown to 201 members and has recruited some of the finest doctors in the country, who serve more patients and provide great care for the community's children. Michael Ugwueke discussed the success of the Methodist University Hospital, noting its key service lines, recent recruits, and significant growth over the past several years. He said the successful growth is the result of joint planning and collaboration with UT. He previewed the new facility that will begin

construction in May and the state-of-the art West Cancer Center. Mr. Mclean discussed the financial success of the relationship, explaining that it resulted in strong margins and a significant reinvestment back to UT. He attributed the success primarily to the talent recruited to the Methodist System. Each of the presenters thanked the Board for their support, and Mr. Shorb concluded by saying the relationship is making a tremendous difference to the Memphis community. Mr. Shorb and his colleagues then presented a check for \$9,479,000 to Chancellor Schwab, who said it was his pleasure to accept the check on behalf of UTHSC, and he looks forward to the continued success in the future.

Vice Chair Jubran thanked the Methodist officials for traveling to Martin to make the presentation and for their leadership in developing a very successful collaborative relationship with the Health Science Center. He thanked Chancellor Schwab and his team for their leadership and congratulated them on the almost \$10 million academic support payment from Methodist that will enhance the education, research and outreach missions of the College of Medicine.

IV. ADOPTION OF HONORARY RESOLUTIONS

Dr. DiPietro presented a Resolution honoring Chancellor Tom Rakes (Exhibit 1), expressing his sincere appreciation for Dr. Rakes' service as Chancellor of UT Martin. He also recognized Dr. Rakes' wife, Glenda Rakes, for her support and her contributions as a member of the UT Martin faculty. After reciting the Resolution, Dr. DiPietro moved its adoption. The motion was seconded by Trustee Gallimore, and the Resolution was adopted unanimously. Chancellor Rakes received a standing ovation from the Board and meeting attendees. He thanked the Trustees and President DiPietro for their support and leadership. He thanked his colleagues for all their hard work and said their commitment makes all the difference. He praised UT Martin's exceptionally strong alumni base and expressed appreciation for their support of the campus. In closing, he thanked his wife Glenda for her love and support.

V. PRESIDENT'S REPORT

Before beginning his report, President DiPietro expressed thanks to Interim Chancellor Smith for all the valuable work he is doing for UT Martin. He said he has been receiving very positive feedback, and as Trustee Rutan noted, "People are starting to fall in love with UTM again."

He began his report by saying the past several months have been filled with interesting challenges for the University. In the midst of focusing on academic excellence and student success, innovation and discovery, and outreach and service, we have faced issues from A to Z. In March 2015, he went on record in the *Chronicle of Higher Education* to let the country know the University was already in the midst of proactively tackling some of higher education's most challenging problems. He said he wanted our peers to know that

we were not just talking about issues such as tuition, our funding model, sexual assault, legislative scrutiny and operational efficiency; we were busy doing something about them. And that work continues because the UT System is critical to our state's position as a national leader in education innovation.

He reported that on February 16 of this year, he had the opportunity to give his first formal State of the University Address. This event was designed to be a message of "Progress and Position" for our System, to reassure our internal community and other stakeholders that in spite of the perceived challenges, the state of the University is strong, and we are committed to defending our position and standing up for principles fundamental to our mission and critical to our continued growth and success.

He said it has been a long road since last September when we began the process of responding to numerous inquiries from legislators and other stakeholders about our diversity and inclusion efforts and why those efforts are important. While the journey has been challenging at points, the good news is we have helped educate more people about what diversity means at the University of Tennessee--and that it goes beyond issues of race, sexual orientation, and gender expression. He stated that we remain committed to improving our communications about diversity and inclusion at both the campus and the system levels. As recently reported in the media, we will move forward with system-wide plans to conduct a diversity climate survey in 2017. This idea, which was discussed during the October Board meeting, was recommended by the Diversity Advisory Council in 2015. The goal of the survey is to produce a snapshot of campus life and experiences related to diversity and inclusion. We will update you regarding the survey as plans develop.

Dr. DiPietro then discussed other issues covered in his State of the University Address:

- The progress of the Budget Advisory Group and efforts to change our business model.
- UT's position against freezing tuition, noting there are repeated examples of the negative impact of those decisions on our peers in other states. We vigorously defended this position with a positive outcome.
- Our commitment to our people at UT – our students, faculty and staff.
- For students and prospective students, our ongoing commitment to making our application and financial aid processes easier; enhancing our academic support services; and developing and maintaining state-of-the-art facilities and academic programs.
- For our personnel, I pledged our continued commitment to closing our salary gap and making and keeping our salaries competitive among our peers; developing UT

as an “Employer of Choice;” and creating a system-wide culture where all members of our community feel valued, respected and safe.

Dr. DiPietro said achieving these goals will not come easy and will require continued leadership and support from the UT community. Nevertheless, they are important to achieve the optimal living, learning and working environment we strive for every day across the University.

He then turned to the complex Title IX lawsuit involving UT Knoxville. He said he joins our counsel, both internal and external, and Chancellor Cheek in fully refuting any allegations that would suggest we do not take seriously the safety of our students, especially as it relates to sexual violence. He said that although he cannot address specific allegations or legal aspects of the suit, he wanted to state publicly our commitment to the safety and well-being of every student on every campus across the UT System. This commitment extends to our faculty and staff as they, too, need a safe environment in which to prepare young men and women for their future.

He stated that we are working diligently to ensure continual progress across the UT System in this area. In recent years, each campus has:

- Enhanced prevention and awareness programs and educational resources to support and better educate students on sexual violence;
- Adopted comprehensive policies on sexual misconduct, relationship violence and stalking;
- Created centralized websites where students and employees can easily find comprehensive information about campus policies and resources; and
- Revised its student code of conduct to ensure compliance with Title IX and the Clery Act.

He reported that the System has also been engaged in facilitating greater dialog around the issue of sexual assault and relationship violence. One example was hosting a statewide sexual assault training event, in collaboration with TBR and our state’s private institutions, in 2015. This summit featured customized tracks for campus police, student support services and Title IX investigators. It resulted in the implementation of several new resources across our System, including a new online training program related to sexual assault and harassment, stalking and intimate partner violence.

Although there are no excuses when it comes to sexual violence, we must recognize that these issues represent accelerating social problems in our society and at college and university campuses across the country. At UT, we believe strongly that every single

incident is one too many. From the Health Science Center and UT Martin in the west to UT Knoxville and UTC in the east and all points in between, at the University of Tennessee, it is our goal to set the standard for creating an environment and programs that will serve as a model for institutions across America that are looking at ways to deal effectively with this issue. Be assured, we will never be complacent on issues of sexual violence, and it is a priority for every University of Tennessee campus and institute. The Chancellors and other leaders will be held accountable for their progress in these areas, and we will keep the Board apprised of major developments.

Dr. DiPietro provided a brief update on other significant initiatives for the System including the progress of the Budget Advisory Group, outsourcing, executive searches, and succession planning. He said the Oliver Group has been engaged to assist in creating a succession planning model at the System level for use across our campuses.

Dr. DiPietro referred to Commissioner Julius Johnson's announced retirement, saying the Commissioner has been a valuable colleague and friend to him and the University. He is a true servant leader who has been an appreciated and respected member of the Board. He thanked him for his service on the Board and said he will be greatly missed.

Dr. DiPietro then recognized the System's three inaugural President's Awards winners. The award is the highest UT employee award, spotlighting success and inspiring excellence. The awards were presented at the conclusion of the State of the University Address, and two of the three winners are from UT Martin. He recognized the winners from UT Martin, Dr. Julie Ann Hill, Director of Percussion Studies, and David Lee McBeth, Professor of Art. He said we are pleased to have a meaningful and tangible way to recognize their achievements at the System level and let them know how proud we are that they are a part of the UT family.

The Vice Chair thanked Dr. DiPietro for his report and said he has been very pleased with his work through these tough times. He said the Board really appreciates Dr. DiPietro's level of commitment.

VI. REPORT OF THE EXECUTIVE AND COMPENSATION COMMITTEE

Vice Chair Jubran, Chair of the Executive and Compensation Committee, reported items considered and approved at the February 23, 2016 Committee meeting.

A. Ratification of Committee Action to Revise 2015-16 Goals under the Performance-Based Variable Compensation Plan and to Approve a Methodology for Calculating the Score

Vice Chair Jubran called the Board's attention to the supporting materials included in the meeting materials (Exhibit 2). He reported that the Committee, acting on behalf of

the Board, approved revisions to the 2015-16 goals resulting from the audit and additional revisions recommended by the Vice Chair in consultation with the President. The Committee also approved a methodology for calculating a participant's score under the Plan.

On the recommendation of the Executive and Compensation Committee, Vice Chair Jubran moved adoption of the following Resolution:

RESOLVED: The following action by the Executive and Compensation Committee, acting on behalf of the Board of Trustees at its meeting on February 23, 2016, is ratified:

1. **Approval of changes to the base year data, and resulting changes to the FY 2015-16 quantitative goals under the Performance-Based Variable compensation Plan for University Officers (Plan), based on the Audit and Compliance report;**
2. **Approval of eliminating the following quantitative metrics under the Plan:**
 - a. Total Fall Headcount
 - b. In-State Enrollment > Fall 2015
 - c. Rank in top 5 in CCTA metrics;
 - d. Number of Research Proposals
 - e. Revenue from Licenses
 - f. U.S. Patents Issued
 - g. Vet Med Clients
 - h. Number of Alumni Who Donate
 - i. Tuition/Fees Below Peer Average
 - j. Change in Graduate Tuition Rate Below HEPI +2-3%
 - k. Change in Professional Tuition Rate Below HEPI +2-3%
3. **Approval of adding the following quantitative metrics:**
 - a. (State Appropriation + Tuition/Fee Revenue) / Per Student FTE
 - b. Research Award Dollars
4. **Approval of adding the following goals:**
 - a. For all participants, Advocacy and Leadership
 - b. For David Millhorn, the following additional goals:
 - (1) Achieve an ORNL performance score of 94 or higher for FY 2016; and

- (2) **Develop a business plan and obtain a signed contract to purchase the Pro2serve building for \$17.5 million or less and lease 25% or more of space to a third party customer before September 1, 2016**
5. **Approval of the following methodology for calculating a participant's score:**
- a. **No points will be awarded when the actual is less than the base;**
 - b. **If the actual exceeds the goal, the percent above the goal will be multiplied by the weight of the metric;**
 - c. **If the actual is greater than the base but lower than the goal, partial credit will be awarded based on the % from the base where:**

$$\% \text{ from base} = (\text{Actual} - \text{Base}) / (\text{Goal} - \text{Base})$$

1% - 33% from Base = 25% credit

34% - 66% from Base = 50% credit

67% - 99% from Base = 75% credit

- d. **Advocacy and Leadership will be increased from 10% to 20% of the total score**
- e. **Additional Goals (subjective) will be scored as Met (100%), Partial (50%), or Not Met (0%)**
- f. **Self-evaluation and evaluation narratives may include contextual information, such as a discussion of circumstances beyond the participant's control that prevented achieving the goal, but significant improvements were made toward the spirit of the goal.**

Coming to the Board as a recommendation of the Committee, no second was required. Trustee Wharton expressed his view that the bar, so to speak, is not as high as it was. As an example, he called attention to the goal for UTK's graduation rate to increase by .2% or 44 students. He said it is the Board's obligation to ensure these goals are a true stretch. Vice Chair Jubran responded that some of the Budget Advisory Group goals, on which some of these performance goals are based, used "greater than" language, and therefore the original calculations were no stretch at all. He said this plan is really focused on achieving a stretch above and beyond expected performance. Vice Chair Jubran said he believes the proposed goals for the coming year are in line with what we want to achieve. As we continue this process from year-to-year, we will make the matrix better and better. He called for any further discussion. There being none, the Vice Chair called for a vote on the Committee's recommendation for adoption of the Resolution, and the motion carried unanimously.

B. President's Four-Year Comprehensive Performance Review of Chancellor Larry Arrington and Compensation Recommendation

Vice Chair Jubran called the Board's attention to the supporting materials included in the meeting materials (Exhibit 3). He said that at the Committee's meeting on February 23, 2016, Dr. DiPietro presented a four-year comprehensive review of Dr. Arrington's performance and made a compensation recommendation. On the recommendation of the Executive and Compensation Committee, Vice Chair Jubran moved adoption of the following Resolution:

RESOLVED: The President's Four-Year Comprehensive Performance Review of Chancellor Arrington is approved, and the recommended 10% increase in Chancellor Arrington's annualized base salary is approved to bring his annualized base salary to \$333,208, effective July 1, 2016.

Coming to the Board as a recommendation of the Committee, no second was required. Vice Chair called for any discussion. Dr. DiPietro said Chancellor Arrington's report demonstrates a very strong achievement record. His advancement efforts have really grown, enrollment has grown, and he is very well regarded across the state. He added that the compensation adjustment places him in the middle of the market analysis for his peers. There being no further discussion, the Vice Chair called for a vote, and the motion carried unanimously.

VII. REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE

A. UT Martin Undergraduate Out-of-State Tuition for 2016-17

Committee Chair *Pro Tempore* Murphy reported that at its meeting on March 31, 2016, the Finance and Administration Committee considered and approved proposed UT Martin Undergraduate Out-of-State Tuition for 2016-17 (Exhibit 4). He briefly reviewed the supporting materials and stated that the proposal received the full support of the UT Martin Faculty Senate. On the recommendation of the Committee, Chair Murphy moved adoption of the following Resolution:

RESOLVED: The amount charged to out-of-state undergraduate students for the combined maintenance fee and out-of-state tuition for the 2016-17 academic year will be \$13,440 (\$6,720 per semester), provided that this amount will not apply to online or international students.

Coming to the Board as a recommendation of the Committee, no second was required. There being no discussion, the Vice Chair called for a vote, and the motion carried unanimously.

B. Amendment of the Rule on Classifying Students In-State and Out-of-State

Chair Murphy reported that at the Finance and Administration Committee meeting on March 31, 2016, Deputy General Counsel Matthew Scoggins presented proposed amendments to the University Rule on classifying students as in-state or out-of-state (Exhibit 5). He briefly reviewed the proposed amendments, which are in response to recent state legislation. On the recommendation of the Committee, Chair Murphy moved adoption of the following Resolution:

RESOLVED: The Board of Trustees adopts the amendment of Chapter 1720-1-1 of the Rules of The University of Tennessee as presented in the meeting materials to be effective upon completion of the rulemaking procedures under the Uniform Administrative Procedures Act.

Coming as a recommendation of the Committee, no second was required. The Vice Chair called for a roll-call vote, and the motion carried unanimously.

IX. REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

Trustee Gallimore reported that the Audit and Compliance Committee last met in December 2015 and reviewed the following matters.

First, the Committee reviewed the risk assessment conducted to comply with the Tennessee Financial Integrity Act. Each year the office of Audit and Compliance works with the campus chief business officers and the Chief Financial Officer's team to facilitate an entity-wide risk assessment of UT's financial operations. There were two new areas added this year: the American's with Disability Act Initiatives for Student Accessibility and potential changes in Fair Labor Standards Act regulations concerning exempt employee classifications. Related risks and controls were reviewed in the process and added to the assessment. As part of the work to comply with the Act, the internal audit team also conducts a self-assessment of controls. They review the controls for two areas each year, and in 2015 they evaluated sensitive minor equipment and accounts receivable. Of approximately 550 departments, 85 identified control weaknesses in those areas, and 138 control weaknesses were reviewed. Eight material weaknesses were noted for the University.

Second, the Committee reviewed IT security. In addition to the information received from the CIOs, the IT audit team provided a status report on UT's security posture. There have been strong efforts to develop and enforce IT policies, improve security coverage by adding and reallocating staff, identify and limit sensitive information and provide security awareness training to staff system wide. The IT audit team also noted improved cooperation and sharing among campus IT leadership and staff and more stability and consistency in governance and management. On behalf of the Committee,

Chair Gallimore thanked the campuses and system leadership for their engagement and cooperation in this critical endeavor.

Third, the Committee received an update on UT's emergency management plans, including training efforts and preparedness for floods and campus violence.

Finally, Chair Gallimore reported that the Office of Audit and Compliance implemented a compliance hotline in the fall of 2015. The hotline provides an avenue for the anonymous reporting of concerns and is a tenet of an effective compliance program.

X. CONSENT AGENDA

The Vice Chair directed the Board's attention to the Consent Agenda. In response to a question from the Trustees, he noted that item L was modified to include revisions requested by the Academic Affairs and Student Success Committee at their meeting earlier in the day. He called for any requests to remove items from the Consent Agenda. Hearing none, the Vice Chair called for a motion to approve the Consent Agenda, consisting of the following items:

- A. Minutes of the Last Meeting
- B. Easement from Tennessee Baptist Convention (UTC) (Exhibit 6)
- C. Vine Street Right-of-Way (UTC) (Exhibit 7)
- D. Easements to City of Memphis (UTHSC) (Exhibit 8)
- E. Easement of Knoxville Utilities Board (UTK) (Exhibit 9)
- F. Transfer of Jurisdiction to Tennessee Military Department (UTK) (Exhibit 10)
- G. Corporate Authorization to Transfer Securities (Exhibit 11)
- H. FY 2016 Revised Operating Budget (Exhibit 12)
- I. Revised UT Knoxville/UTIA Campus Master Plan (Exhibit 13)
- J. Revised UT Martin Campus Master Plan (Exhibit 14)
- K. UT Knoxville Honorary Doctor of Science Degree, Thomas E. Mason (Exhibit 15)
- L. UT Knoxville Strategic Plan Refresh, Vol Vision 2020 (Exhibit 16)

M. UT Martin Faculty Handbook Revisions (Exhibit 17)

N. Naming of the Center for Business and Economic Research, UT Knoxville (Exhibit 18)

O. Naming of the Lake Loudoun Residence Hall, UT Knoxville (Exhibit 19)

P. Naming of the Joint Institute for Neutron Sciences, UT Knoxville (Exhibit 20)

Trustee Murphy moved approval of the Consent Agenda, Trustee Driver seconded, and the motion carried unanimously.

XI. FUTURE BOARD AND COMMITTEE MEETING DATES

Vice Chair Jubran announced that the 2015-16 Scheduled Meetings and Workshop were included in the meeting materials and can be found on the Board of Trustees website.

The Vice Chair expressed his appreciation for the Trustees' time traveling to and attending this meeting, as well as all the time dedicated to preparation for the meeting. He thanked them for being prepared and being an engaged Board. He said he knows Trustees are extremely careful about how they cast their vote, and he appreciates their time spent in preparation.

The Vice Chair thanked Interim Chancellor Bob Smith and his entire team for their excellent work in hosting the meeting.

Dr. DiPietro recognized Emerita Trustee Barbara Castleman present at the meetings throughout the day and thanked her for her support of UT Martin.

XII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary