

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE ANNUAL MEETING
June 23, 2016
Knoxville, Tennessee

The Annual Meeting of The University of Tennessee Board of Trustees was held at 1:00 p.m. EDT, on Thursday, June 23, 2016, on the campus of Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

Raja J. Jubran, Vice Chair of the Board, called the meeting to order. Reverend Andy Morgan 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
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 Trustee Driver 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 introduced newly appointed Non-voting Faculty Trustee Susan Davidson and presented her with a Trustee lapel pin. He also introduced the new Commissioner of Agriculture for Tennessee, Jai Templeton, attending his first meeting, and presented him with a Trustee lapel pin.

III. ADOPTION OF HONORARY RESOLUTIONS

Chancellor Cheek presented a Resolution honoring Dr. David Golden (Exhibit 1) for his service as a Faculty Trustee. After Dr. Cheek recited the Resolution, Trustee Pryse moved its adoption. The motion was seconded by Trustee Anderson, and the Resolution was adopted unanimously. Dr. Golden thanked the Trustees, President DiPietro and Chancellor Cheek for their support and leadership. He said being involved in the governance of the University and consequently with state government was a valuable learning experience and the greatest experience of his professional career. He thanked the Board and administration for their friendship. In closing, Dr. Golden said that although he is not a native Tennessean, he considers Tennessee home and himself a Vol for life, and he stands ready to serve the University at any time on any campus.

Dr. DiPietro presented a resolution honoring Brian Ferguson for his service as a Trustee. (Exhibit 2). After reciting the Resolution, he especially thanked Mr. Ferguson for serving as Vice Chair of the Board, during which time he assisted in launching a crucial initiative to transform the University's business model to achieve sustainability for the future. Dr. DiPietro also recited a letter from Governor Haslam thanking Mr. Ferguson for his service as a Trustee. Vice Chair Jubran moved adoption of the Resolution, Trustee Murphy seconded the motion, and the Resolution was adopted unanimously. Mr. Ferguson thanked the Governor, Trustees, and President DiPietro for the honor and privilege of serving the University as a Trustee. He congratulated the efforts of the Trustees, employees and constituents of the University in their excellent progress toward raising academic metrics across board, increasing efficiency, closing the salary gap, increasing development funds and keeping tuition increases to the lowest in years. In closing, he thanked the Board for remaining focused on the University's core missions, even in tumultuous times.

IV. PRESIDENT'S REPORT

Dr. DiPietro began his presentation (Exhibit 3) by sharing his predictions for the coming year for the University. He stated that the new year will be impacted by important policy and governance changes, cultural, legislative and operational shifts, and leadership changes. He thanked Chancellor Cheek for his service to UT Knoxville, noting he would be formally recognized at a future meeting, and briefly outlined the plans for the search for

the new Chancellor. He updated the Board on the status of searches for the UT Martin Chancellor, Chief Financial Officer, and Executive Vice President/Chief Operating Officer. He mentioned organizational changes that will be made to the senior staff in the next few months as the searches progress. He updated the Board on succession planning efforts across the University, explaining that UT System Administration will be the pilot group for the consultants, the Oliver Group, to analyze. The resulting approach will be utilized by our HR staff and applied across the University. He said the objectives of the succession planning initiative are to identify critical positions and potential successors, to build programs to train, attract and retain personnel, and to develop and implement a sustainable framework to identify candidates for critical positions.

Turning to the subject of diversity and inclusion, Dr. DiPietro said it is imperative that we make evident that diversity and inclusion are important to this institution, and we should not vacillate or waiver on that. He stated that inclusion is essential to student academic success, noting troubling past incidents indicate that some students arrive on campus without an understanding of both the reality and the importance of diversity and multiculturalism. Such an understanding, he said, is key to a campus environment of civility and enhanced learning opportunities and to meeting expectations of prospective employers. He mentioned the appointment of Dr. Noma Anderson as Special Advisor to the President for Diversity and Inclusion/Diversity Advisory Council (DAC) Chair, effective July 1. He said Dr. Anderson will advise him – in collaboration with other members of the President’s Staff – on strategic planning and decision-making for diversity and inclusion initiatives system-wide. He further explained that half of Dr. Anderson’s time will be spent as Special Adviser to the President and as Chair of DAC, and the other half will be devoted to serving in a faculty role tasked with streamlining admissions, transfer and financial aid processes within the Department of Audiology and Speech Pathology.

Dr. DiPietro next updated the Board on the state facilities outsourcing initiative. He said UT remains focused on workforce protections and clarifying available service options. He noted that meetings with campus officials are underway.

Dr. DiPietro then addressed the new Safety Policy on Firearms, which is effective July 1, 2016, in response to newly-enacted legislation. He reported that a system-wide announcement of the new policy, with Frequently Asked Questions, was issued on June 15. He explained that each campus/institute is communicating about the registration process, specific location where firearms are prohibited, training options, and safety efforts.

Dr. DiPietro said that as the Budget Advisory Group (BAG) initiative is reset for the next two years, he would like to take a hard look at ways to garner more control of our own destiny around capital outlay given new paradigms encountered in the capital outlay appropriations process.

Dr. DiPietro closed his report by highlighting a recent employee appreciation event, Pizza with Joe, in Knoxville at the UT Gardens. The event gave him an opportunity to express appreciation and encouragement to faculty and staff.

V. FY 2017 OPERATING BUDGET, STUDENT TUITION AND FEES, AND COMPENSATION GUIDELINES FOR ADDITIONAL SALARY INCREASES DURING THE FISCAL YEAR

Interim Treasurer and CFO Ron Maples presented a summary of the proposed FY 2017 Operating Budget, Student Tuition and Fees, and Compensation Guidelines (Exhibit 4), including total current funds, unrestricted education and general (E&G) funds, and tuition and fee recommendations. Mr. Maples thanked Mr. Loewen and Mr. Bodin-Henderson and the campus and unit business officers for their hard work on the FY 2017 proposed budget.

Mr. Maples said the FY 2017 proposed budget of \$2.2 billion represents an increase of \$72 million, and he reported that the budget is balanced and within available resources. Undergraduate tuition increases are the lowest in over 30 years for the second year in a row. He noted the availability of funding for faculty and staff salary increases and said the budget includes an unrestricted state funding increase of \$28 million. He reviewed revenue and expenditure trends for all current funds and specifically for unrestricted E&G funds.

Concerning the FY 2017 salary plans, he noted that the plans were determined by each campus or unit, within overall system guidelines. Trustee Wharton noted some campuses/institutes opted for across-the-board increases while others applied only merit increases or some split between the two. He asked whether the University is moving toward a more merit-driven system. Dr. DiPietro responded that in many cases, the pools are so small, and a difference of opinion exists about whether an across-the-board increase needs to be applied first. He added that such an approach generally is in line with peer regional campuses, but the flagship campus in Knoxville can use a merit-market approach. In response to a follow-up question from Trustee Evans, Dr. DiPietro explained that within a merit pool, supervisors have the leeway to award from 0% to as high as 10%. After further discussion, the Board requested reviewing the approach in light of best practices of peer institutions for each campus/institute.

Mr. Maples outlined the proposed tuition increases for in-state and out-of-state undergraduate and graduate students across the campuses. Dr. DiPietro added that every 1% maintenance fee increase yields approximately \$4.5 million, and therefore to replace the approximately \$14 million non-formula amount from the state, tuition would need to be increased by about %3.5. Trustee Wharton said state appropriations helped relieve the burden of tuition this time around, but the University will either be cutting services or something else to achieve this low tuition increase again unless state appropriations

continue at least at this year's level. Mr. Maples then reviewed other fee changes and additional tuition and fee revenues from fee changes.

Trustee Pryse said she understands the University reports tuition and fees the same as other universities, but it would be helpful to know the final number written on a check by an incoming student for the year--in other words, to roll all fees into one number. Dr. DiPietro pointed out that the number changes from major to major, and also the net cost of attendance is much lower for many students, recalling Interim Chancellor Smith's statement from the day before that "hardly any UTM student pays sticker price." Vice Chair Jubran reminded the Board that a new subcommittee on tuition, fees, and financial aid has been established under the Finance and Administration Committee, and this subject would be appropriate for the subcommittee to review. Trustee Pryse also expressed her appreciation to elected officials who worked hard this session for state appropriations that enable tuition to remain at these levels. She noted, however, that keeping tuition at these levels may have impacted the ability to reduce the salary gap.

Dr. DiPietro explained that the formula unit funds received by the campuses were driven by performance, so he has congratulated the Chancellor's on their performance metrics that qualified them for the allocation of funds. He noted that it is harder and harder within the CCTA metric to always be in the top 5.

Trustee Murphy moved that the Resolution on the FY 2017 Operating Budget, Student Tuition and Fees, and Compensation Guidelines (Exhibit 5) be adopted. Trustee Anderson seconded, a roll call vote was taken, and the motion carried unanimously.

VI. REPORT OF THE EXECUTIVE AND COMPENSATION COMMITTEE

A. Vice Chair's Report on the President's Annual Performance Review

Vice Chair Jubran called the Trustees' attention to his assessment of President DiPietro's performance for the past year in the meeting materials (Exhibit 6). He noted that the Crawford Gallimore, Chair of Audit and Compliance, and Spruell Driver, Chair of Trusteeship, assisted and concurred with the assessment. He said proposed goals for the coming year are included, and Dr. DiPietro is already proceeding to get his team together to meet those goals. Vice Chair Jubran praised Dr. DiPietro for his performance, noting that he has exceeded expectations on many fronts, and due to his high integrity and moral character, he has reestablished trust and confidence in the office of President. Trustee Gallimore added that the performance review process itself had strong integrity, including telephone interviews members of the senior staff and review of constituent survey responses.

Vice Chair Jubran reported that the Executive and Compensation Committee recommended adoption of the following Resolution by the Board of Trustees:

RESOLVED: The Vice Chair's assessment of President DiPietro's performance and the proposed goals are approved.

On the recommendation of the Executive and Compensation Committee, Trustee Murphy moved adoption of the Resolution, and it was unanimously adopted.

B. FY 2016-17 Performance Incentive Payment Plan for University Officers

Vice Chair Jubran reported that the Executive and Compensation Committee recommended adoption of a resolution approving the FY 2016-17 Performance Incentive Payment Plan but recommended deferral of action on the performance goals until the 2016 Fall Meeting Board (Exhibit 7). He explained that the new Plan incorporates a retention component, providing that a Board-approved payment will be paid out in three equal installments: 30 days after approval; one year after approval; and two years after approval. Provisions are made for accelerating the payment in certain circumstances, including termination of employment for medical reasons or by death.

Vice Chair Jubran called the Trustees' attention to the following Resolution recommended by the Executive and Compensation Committee:

RESOLVED:

- 1. The FY 2016-17 Performance Incentive Payment Plan for University Officers is approved; and**
- 2. Action on the proposed FY 2016-17 Performance Goals is deferred until the next regular meeting of the Board of Trustees, scheduled for October 14, 2016; and**

The Performance-Based Variable Compensation Plan adopted on October 9, 2015 is terminated, provided that provisions concerning payment of a Board-approved payment for FY 2015-16 shall remain in effect until the payment has been made, including any increase or decrease in the Board-approved payment based on the audited recalculation of scores and payment amounts after final data is available for performance that may only be estimated at the time of Board action to approve a payment.

On the recommendation of the Executive and Compensation Committee, Trustee Murphy moved adoption of the Resolution, and it was unanimously adopted.

VII. REPORT OF THE TRUSTEESHIP COMMITTEE

A. Amended and Restated Bylaws

Trusteeship Chair *Pro Tempore* Murphy reported that the Trusteeship Committee, at its meeting the day before, completed its comprehensive review of the Bylaws (Exhibit 8). He reported that the Bylaws include amendments resulting from the Committee's comprehensive review and other amendments required to comply with Public Chapter 753. He reported that Trustee Wharton had raised concern in the Committee meeting about the amendments allowing extension of the Vice Chair's term and extension of committee chair terms.

Committee Chair Murphy reported that the Trusteeship Committee recommended adoption of the following Resolution on the Amended and Restated Bylaws:

RESOLVED: The Amended and Restated Bylaws are adopted as presented in the meeting materials, provided that the Secretary is authorized to make organizational changes, format changes, and technical corrections prior to publication of the Amended and Restated Bylaws.

On the recommendation of the Trusteeship Committee, Committee Chair Murphy moved adoption of the Resolution. The Vice Chair called for any further discussion. Trustee Wharton said the term limits for the Vice Chair and committee chairs were established to ensure new viewpoints. He noted that when the Vice Chair term was extended by a year during the transition of the office of the President, he objected at that time for the same reason. He argued that this change creates a risk that he believes ultimately outweighs the benefits. Trustee Gallimore stated the benefit of having the flexibility in extraordinary circumstances and the importance of having continuity in navigating a transition in the Presidency. At the request of Trustee Evans, Secretary Mizell recited the Bylaw amendment noting that with respect to the Vice Chair position, the Chair, who is the Governor, would request the term be extended by two years, and the extension would require approval by two-thirds majority of the voting members of the Board. In the case of committee chairs, the amendment gives the Board flexibility for good cause, to allow a committee chair to serve more than two, two-year terms. Vice Chair Jubran said an example might be necessary to continue progress on a complex initiative such as the Budget Advisory Group initiative.

A roll call vote was taken, and the Resolution on the Amended and Restated Bylaws was adopted, with Trustee Wharton voting "no."

B. Standing Rule Governing Requests to Address the Board of Trustees

Trusteeship Chair *Pro Tempore* Murphy reported that the Trusteeship Committee reviewed a proposed standing rule to govern requests to address the Board (Exhibit 9). He explained

that Public Chapter 753, enacted during the 2016 session of the General Assembly, requires the Board of Trustees to provide an opportunity in connection with regular Board meetings for members of the public to address the Board or a committee of the Board. This requirement has been incorporated in the Amended and Restated Bylaws, which also include a requirement for the Board to adopt a standing rule to govern requests to address the Board.

Committee Chair Murphy reported the Trusteeship Committee recommended adoption of the following Resolution by the Board of Trustees:

RESOLVED: The Standing Rule Governing Requests to Address the Board of Trustees is adopted as presented in the meeting materials.

On the recommendation of the Trusteeship Committee, Committee Chair Murphy moved adoption, and the Resolution was unanimously adopted.

VIII. REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE

Finance and Administration Committee Chair Anderson reported that the Committee took action on several items. He reported that the proposal for a differential tuition program for the UTC doctoral programs in occupational therapy and physical therapy were recommended by the Committee for Board approval on the consent agenda. He reported that the "Soar in Four" undergraduate tuition model for UTM was recommended for approval by the Board on the consent agenda.

Committee Chair Anderson reported that the Committee also considered a new system Rule on student housing and repeal of campus student housing rules (Exhibit 10). He explained that the Rule establishes a uniform framework within which each campus will manage student housing, providing greater flexibility to change specific campus housing policies. He added that the broad system Rule is consistent with what the Tennessee Board of Regents has done in this area. He then reported that the Finance and Administration Committee recommended the following Resolution for adoption by the Board of Trustees:

RESOLVED:

The Board of Trustees adopts Chapter 1720-01-13 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; and

The Board of Trustees repeals Chapter 1720-02-02, Chapter 1720-03-06, Chapter 1720-04-04, and Chapter 1720-05-04 of the Rules of The University of Tennessee to be effective upon completion of the rulemaking procedures under the Uniform Administrative Procedures Act.

On the recommendation of the Finance and Administration Committee, Committee Chair Anderson moved adoption of the Resolution. A roll call vote was taken, and the Resolution was adopted.

Committee Chair Anderson reported that the Committee heard from two employees of the University on the subject of outsourcing facilities services. Melanie Barron, a graduate assistant and Ph.D. candidate, asked the Trustees to reject the Governor's proposal to outsource facilities services, saying the work of the facilities services personnel behind the scenes makes the University a safer place. She urged the University to do the right thing and not make short-sighted attempts to make money off of its employees. Mr. Ed Daniel, a lock and key shop employee and member of United Campus Workers described UT as not just a place to work, but a family. He said he is concerned for his future and his co-workers' futures if outsourcing takes place. He called UT's expenditure on facilities services an investment in the hard working team dedicated to the safety of students, working to serve, not just to get rich. Committee Chair Anderson reported that Dr. DiPietro responded to the employee comments by expressing the University's gratitude for its hard working employees and reiterating that the campuses and institutes will have the option of keeping their current facilities services operations.

IX. REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

Trustee Gallimore, Chair of the he Audit and Compliance Committee, reported that the Committee last met in May and heard from the State Auditors on the results of the annual financial and compliance audit. As part of their work this year, the auditors conducted information technology fieldwork at several campuses. Eight information technology control weaknesses were identified, and details of the findings were discussed with the Committee. Management representative indicated they are working to correct the weaknesses and will be reporting back to the Committee at the August and December meetings. The Committee remains committed to overseeing the maturing of IT security at the University and will continue to follow-up on these matters.

Committee Chair Gallimore stated that each year the Division of State Audit of the Comptroller's Office performs agreed-upon procedures for Athletics to comply with NCAA Bylaws. At the May meeting, the Committee reviewed the agreed-upon procedures report issued by State Audit. A copy of the report is included in the meeting materials (Exhibit 11). This work is not a financial statement audit and the State Auditors do not issue an opinion on statements. Instead, this work involves a series of procedures to meet the requirements of the NCAA.

Committee Chair Gallimore also reported that the Committee heard from all three athletics departments on their five-year revenue and expense trends. He reported that for UTK, athletics total revenue was \$126 million with \$113 million in total expenses for fiscal year 2014-2015. There were several fluctuations in the revenue and expense line items, largely

due significant changes in the reporting definitions for the updated NCAA agreed-upon procedures. Revenue was up in 2015 primarily due to an increase in unrestricted annual donations, the recognition of \$7.5 million for the initial year of the SEC Network, and a one-time \$2 million commitment bonus from new apparel partner Nike. For UTC, athletics operating revenue and expenses each equaled \$17 million for fiscal year 2015, about \$1 million greater than last year. Again, some changes in revenue reporting occurred because of reporting definition changes. The most significant expense fluctuation was an increase of \$640,000 for coaches' salaries. For UTM, athletics operating revenue and expenses each equaled \$10.6 million, up almost \$1 million from 2014. The most significant expense fluctuation was an increase of \$262,000 for coaches' salaries.

Committee Chair Gallimore reported that the Executive Director of Audit and Compliance has provided the required report on the previous year's audits and the plans for the current year. The report is included in the materials (Exhibit 12) and provides a summary of the 2015 accomplishments and 2016 plans. The Audit and Compliance Committee reviewed this report at the last meeting.

In closing, Committee Chair Gallimore said for the remainder of the year, the Committee will continue to receive monthly updates on the audit plan and results of audits. The Committee will meet again in August and December. Agenda items for those meetings include IT security, institutional compliance, as well as approval of the Committee and departmental charters and the 2017 audit plan. As always, he will forward the results of the chief executive officer audits to all Trustees in December. On behalf of the Committee, he thanked Executive Director Sandy Jansen and her staff for their hard work. Vice Chair Jubran echoed appreciation for the excellent work of Ms. Jansen and her staff.

X. CONSENT AGENDA

The Vice Chair directed the Trustees' attention to the Consent Agenda. He called for any requests to remove items from the Consent Agenda. He commented on the renewal of the President Emeritus agreement with Dr. Joe Johnson, saying how much the University appreciates his continuing service to the University.

Hearing no requests to remove items from the Consent Agenda, the Vice Chair called for a motion to approve the Consent Agenda, consisting of the following items:

- A. Minutes of the Last Meeting
- B. 2017 Board of Trustees Meeting Dates (Exhibit 13)
- C. Resolution Appointing a Managerial Group for U.S. Government Contracts (Exhibit 14)
- D. Ratification of FY 2015-16 Quasi-Endowments (Exhibit 15)

- E. FY 2017 Distribution of UC Foundation Unrestricted Endowment Funds (Exhibit 16)
- F. Annual Report of Sale of Gift Property (Exhibit 17)
- G. Easement to KUB/ Andy Holt Avenue and Twentieth Street (UTK) (Exhibit 18)
- H. Easement to KUB/1800-1806 Lake Avenue (UTK) (Exhibit 19)
- I. President Emeritus Agreement with Dr. Joseph E. Johnson (Exhibit 20)
- J. UTC Differential Tuition Plan for the Doctoral Program in Occupational Therapy (Exhibit 21)
- K. UTC Differential Tuition Plan for the Doctoral Program in Physical Therapy (Exhibit 22)
- L. "Soar in Four: A New Undergraduate Tuition Model for UT Martin" (Exhibit 23)
- M. Revised Finance and Administration Committee Charter (Exhibit 24)
- N. Revised Research, Outreach, and Economic Development Committee Charter (Exhibit 25)
- O. 2016 Comprehensive List of Academic Programs (Exhibit 26)
- P. Administrative Action to Terminate or Inactivate Academic Programs (Exhibit 27)
- Q. Revised Academic Affairs and Student Success Committee Charter (Exhibit 28)
- R. UT Knoxville Strategic Plan Refresh, Vol Vision 2020 (Exhibit 29)
- S. Tenure Recommendations (Exhibit 30)
- T. Revised Advancement and Public Affairs Committee Charter (Exhibit 31)

Trustee Cates 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 2016-17 Scheduled Meetings and Workshop were included in the meeting materials (Exhibit 32) and can be found on the Board of Trustees website.

Vice Chair Jubran presented Dr. DiPietro a plaque commemorating his ten years of service to the University, signed by Governor Haslam. Dr. DiPietro said it is his privilege to serve the University.

Vice Chair concluded the meeting saying this meeting has revealed how much work has been done in the past year. He reminded everyone that this year's tuition increase is the lowest in thirty years, the salary gap has been reduced, and each campus is doing extremely well on most metrics the Board reviews. He urged the Trustees to be proud of the University, proud of what the campuses have done well, including improved graduation rates across the board. He added that the medical school is a great source of pride, as are the great things are happening with UT Battelle. He encouraged the Trustees to remember all these positives when there are negative comments about the University.

Dr. DiPietro thanked Trustee Anderson, Trustee Jubran, and Trustee Pryse for hosting an excellent reception and dinner on Wednesday evening.

XII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary