

**MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE
THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
JUNE 20, 2007**

The meeting of the Finance and Administration Committee of the Board of Trustees was held at 8:00 a.m. EDT, Wednesday, June 20, 2007 in the Plant Biotechnology Building, Rooms 156-157, in Knoxville, Tennessee.

- I. **Call to Order** - Mr. Bill Stokely, Chair called the meeting to order.
- II. **Roll Call** – Chairman Stokely asked Dr. Gary Rogers, Senior Vice President and CFO to call the roll. He did so and advised the Chair that a quorum was present.

Present

Bill Stokely, Chair
Johnnie Amonette, Member
Jerry Jackson, Member
Andrea Loughry, Vice-Chair
John Petersen, Member
Charles Wharton, Member

Absent

Jim Haslam, II, Member

Other Trustees Present

Anne Holt Blackburn, Trustee
Bill Carroll, Trustee
Spruell Driver, Trustee
Jim Hall, Trustee
Rhynette Hurd, Trustee
Brittany McGruder, Student Trustee
Jim Murphy, Trustee
Karl Schledwitz, Trustee
John Schommer, Trustee
Don Stansberry, Trustee
Susan Richardson-Williams, Trustee
James “Bucky” Wolford, Trustee
Anna York, Student Trustee

Also present was Senior Vice President and CFO Gary Rogers, other members of staff, and media representatives.

- III. **Approval of Minutes of Last Meeting**— Mr. Stokely noted that a special meeting had been held on June 5 and that a number of items had been reviewed. He explained that those items covered were listed at the bottom of the agenda and would be presented for approval in the full Board of Trustees meeting on Thursday, June 21. Mr. Stokely

called for consideration of the last meeting's minutes. On a motion made by Mr. Jerry Jackson and seconded by Mr. Charles Wharton, the minutes were unanimously approved as distributed with no corrections needed.

- IV. **Report of Endowment Investment Performance**—Information Item—Mr. Stokely asked Mr. Butch Peccolo, Vice President and Treasurer to give a report of the Endowment Investment Performance. Mr. Peccolo informed the Committee that there was a handout behind the agenda that showed performance numbers. The March 31, 2007 quarterly endowment investment returns were strong at 3.1%. On a 1, 3, and 5 year rolling basis investment returns were 13.1%, 13.4% and 10.7% respectively. For fiscal year-to-date through May 2007 the annual return is expected to remain strong barring a major downturn in the capital markets. The asset classes that reported the strongest returns for the twelve month period ending March 31st were private equity, international equity, real estate and natural resources.

Mr. Stokely complimented the Investment Committee and Mr. Peccolo's staff for meeting benchmarks. He informed the Committee that during the down markets of 2001 and 2002, there were many endowments "underwater"—meaning that current market value was below the historic gift value. Mr. Peccolo reported that as of December 2006 all endowment market values were above historic gift value.

- V. **Approval of FY 2008 Distribution of UC Foundation Funds**—Consent Item—Mr. Stokely asked Mr. Peccolo to discuss the University of Chattanooga Foundation's funds. Mr. Peccolo advised the Committee that behind Tab 5 was the UC Foundation's unrestricted budget for FY 2007 & 2008. Both years have budgets totaling \$1.8 million. Monies are allocated to the programs listed. Dr. Rogers advised the group that the Sunset Audit Review had just been completed by the State. The requirement of the Board of Trustees to have knowledge of all foundations was noted in this Audit Review. This report of the UC Foundation is provided in an effort to address that requirement and establish a Board policy and practice of reviewing matters related to the foundations. Mr. Jerry Jackson made a motion to approve, second was made by Ms. Johnnie Amonette; motion was approved as presented.

Mr. Stokely also noted that the Board has a responsibility to monitor the financial information of the University of Tennessee Research Foundation and the University of Tennessee Foundation. Financial information and funds of both these foundations were reviewed by the Finance & Administration Committee at its June 5, 2007 meeting. These actions by the Board will help improve accountability by the University related to the foundations. The reviews also protect the funds and assets made available to the University.

- VI. **Discussion of University Housing for Senior Administrators**—Mr. Stokely advised the group that the Finance and Administration Committee has the responsibility to review university policy related to housing for senior administrators. Housing arrangements for chancellors are different from campus to campus and the inconsistency has evolved through the years. Other institutions have been surveyed; they do not have a standard practice either. Some schools give an allowance and some provide houses. The Chattanooga Chancellor's home is owned by the UC Foundation but the University pays for the operations, renovations and upkeep. UT Knoxville does not have a Chancellor's house; the Chancellor receives \$12,000 per year for a housing allowance. UT Martin's new Chancellor will receive a housing allowance of \$10,000 per year; the previous Chancellor's house will be used as an Alumni/Welcome Center. UTHSC owns the Memphis property on Morningside; it will be vacated with the departure of Dr. Owen. The Committee discussed the housing issue and considered the issue of remaining competitive when recruiting administrative candidates. Ms. Johnnie Amonette made a motion to have the University provide housing allowances rather than houses for chancellors. The motion further provided for the University to sell the UTHSC house on Morningside in Memphis and for the University Administration to develop an amount for a housing allowance that would be part of a compensation package for the purpose of recruiting for the Chancellor position at UTHSC. Ms. Andrea Loughry seconded the motion; it carried unanimously.

Mr. Stokely advised that the approved motion would go to the full Board for action. The Executive and Compensation Committee will consider the housing allowance for the Chancellor position at UTHSC as the search progresses.

- VII. **Approval of FY 2008 Operating and Capital Plans for President and Chancellor Residences**—Mr. Stokely asked Dr. Rogers to review the FY 2008 Operating and Capital Plans for the residences. Dr. Rogers informed the Committee that the housing budgets are simpler than in prior years. The budget for housing at UTHSC in Memphis changes because of the Morningside property being vacated. UTC's budget will decrease due to the roof and air conditioning being repaired last year. These costs will not have to be incurred in the new year. Utilities and other expenses have increased due to inflation. Motion was made to approve by Ms. Johnnie Amonette and seconded by Mr. Jerry Jackson; the motion carried unanimously.
- VIII. **Report of Athletics Finances, UT Knoxville**—Information Item— Mr. Stokely called for Ms. Joan Cronan and Mr. Mike Hamilton to report on Athletics Finances. A detailed Power Point presentation was given regarding budgets, capital projects and classroom success of the student athletes.

- IX. **Other Business**—Mr. Stokely addressed the Committee regarding an item on the agenda for the Board of Trustees meeting. UTC seeks to offer reduced tuition rates to nonresident students from bordering counties. Trustees discussed the issue of subsidizing students outside of Tennessee versus increasing enrollment numbers. The item will go before the Board of Trustees for consideration on June 21, 2007.
- X. **Adjournment**—With no further business to be brought before the committee, Mr. Stokely adjourned the meeting.

Gary W. Rogers
Senior Vice President and
Chief Financial Officer