

**MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
November 2, 2006
Knoxville, Tennessee**

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 1:30 p.m. (eastern standard time) on November 2, 2006 in Room 166 of the Biosystems Building, Knoxville, Tennessee.

I. CALL TO ORDER

Chair Susan Williams called the meeting to order.

II. ROLL CALL

The Chair called the roll of committee members. Those present were:

Mr. William Carroll
Mr. James Hall
Mr. James A. Haslam II
Ms. Anne Holt
Ms. Andrea Loughry
Dr. John D. Petersen
Mr. Charles Wharton
Ms. Susan Williams

III. APPROVAL OF MINUTES

The Chair referred the committee to the minutes from the June 20, 2006 meeting of the committee. Ms. Williams noted that there is one correction that needs to be made. Spruell Driver was in attendance at the June meeting, which was not noted in the board notebook minutes. That change will be made. A motion to approve the minutes was duly made, seconded and unanimously approved.

IV. REPORT BY PRESIDENT OF THE NATIONAL ALUMNI ASSOCIATION

Ms. Williams introduced UTNAA President Debbie Diddle. Ms. Diddle took office in June 2006. Ms. Diddle introduced Kerry Witcher as Interim Director. Mr. Witcher has been with the department for 19 years. Ms. Diddle introduced Alumni's three R's: Reconnecting with the university, Reinvesting to the university whether it be money, time or resources, and Recruiting. We must be able to recruit and retain the very best students. In August, Dr. Petersen unveiled his strategic plan, and for the first time the alumni association had a blueprint. Ms. Diddle and Mr. Witcher decided that the National Alumni Association will develop their own strategic plan. Ms. Diddle discussed the new format for the Board of Governors. There will now be three committees. The first one will look at chapter activities as a main way to reconnect. Ms. Diddle wants to be sure we are doing the best we can with our resources. Another group will look at the annual

giving program and revenue and marketing. Last year there was \$26 million for the annual giving program with 47,000 donors. Ms. Diddle is focused on looking for ways to service alumni better. The last group will look at scholarships. This year 600 scholarships were awarded, close to \$1 million from the alumni association. All of these findings will be turned over to Kerry Witcher and his staff and, from there, Ms. Diddle hopes that the alumni association will be able to develop a strategic plan. The National Alumni Association's new motto is "A Future So Bright, We've Got to Wear Shades."

V. REPORT BY CHAIR OF THE DEVELOPMENT COUNCIL

Ms. Williams introduced the Chair of the Development Council, Dee Haslam. Ms. Haslam discussed the three goals of the development council. The first one is to raise money. It is important for development council members to raise money. The second one is to volunteer and the third is to inform. The development council is now self-sufficient. Dee mentioned several donations made by members of the development council. Over \$57 million has come from the development council.

Mr. Jim Haslam gave a report of the UT Foundation. As of September 30, 2006, there has been \$6.4 million in endowments, \$135 million in pledges, \$13.8 million in deferred gifts. The young foundation is doing well and they are very optimistic.

VI. REPORT BY VICE PRESIDENT FOR DEVELOPMENT

Henry Nemcik stated that the campaign is still in the planning stages and are continuing to make great strides. On a monthly basis they have in the Chronicle the campaigns that are occurring in the United States. Currently there are 24 American institutions seeking \$1 billion or more campaign contributions. One of the largest campaigns announced is a \$4 billion campaign for Columbia. Cornell has now announced a \$4.2 billion campaign to become the largest. Some others are Yale, which is seeking to raise \$3 billion, University of Virginia announced a \$3 billion campaign. Vanderbilt University has reached its goal of \$1.25 billion. Large campaigns are not easy, they take a lot of time and planning. For UT, what makes it even more complex is that the university system has multiple campuses.

Mr. Nemcik is excited and pleased to report the progress to date. As of September, the university has received a total of \$347 million in total gifts (which would be 35% of a \$1 billion goal). The most astounding thing is that by the end of November, gifts should total over \$450 million. The totals for previous years were \$157 million for 2005 and anticipated over \$250 million for 2006.

Mr. Nemcik asked the Committee for their help to drive a high level of performance with implementing an incentive compensation plan for university employees. This will not take the place of state support. A recent survey indicated that about 30% of universities have some type of incentive compensation program.

Components of the non-recurring incentive compensation plan are that it is for all staff, exempt and non-exempt. It is team based (fail or succeed as team). Predicated on accomplishment of specific goals and objectives – not just money brought in. Tied to individual performance evaluation and goals. The goals are based on aggressive campaign goals. In future years, we will be flexible. The criteria being evaluated may be changed based on changing goals and focus of the university. Funding of the program will be through cost savings and distribution to employees does not affect base salaries or

retirement benefits. Incentive compensation is not an entitlement. The President and/or the Chancellor must approve annual goals and the CFO/staff will validate final accomplishments. The Incentive pool would be encumbered prior to the beginning of the annual program.

The criteria for the program would be based on the following four elements: (1) endowment growth/capital projects; (2) campaign contributions; (3) planned gifts, and (4) critical success factors. The first three criteria apply to the entire system where the critical success factors are customized for each institution.

The goals of this program are designed to create a sense of urgency about achieving goals and objective and to create teamwork through the system. We would also enhance focus and assist in recruiting and retaining high caliber professional staff.

Mr. Nemcik is asking for approval of incentive compensation for the following: Division of Development and Alumni Affairs (5%) with pilot programs (with their incentive level to be determined by each institution) for the following areas: Knoxville campus, Institute of Agriculture, UT Health Science Center, UT Martin, UT Chattanooga and the UT system. All pilot programs will include both exempt and non-exempt employees.

After a short discussion, the committee unanimously approved and recommends this plan go before the Board during the meeting on November 3.

VII. APPROVAL OF NAMING OF CLAXTON ADDITION AT UT KNOXVILLE

The Claxton Addition on UT Knoxville's campus, if approved, will be renamed to the David and Jean Bailey Education Complex. The Bailey's are very active supporters of the University. A motion to approve was duly made, seconded and unanimously approved.

VIII. REPORT BY VICE PRESIDENT FOR PUBLIC & GOVERNMENT RELATIONS

Hank Dye, the Vice President for Public and Government Relations, reported on the branding initiative. He stressed that it is very important that there be a consistent identity across all of the campuses to maximize the statewide message and help tell the UT story. On September 19, 2006 the branding initiative was launched. 3,600 employees participated in the interactive simulcast across the state and over 1000 website hits on the streaming of that. This was a big starting point for internal communications. There was great media coverage on the launch and UT received huge support from their partners at Oak Ridge.

David Millhorn reported on the FY06 Research Awards and the UT-Battelle economic impact study. There has been significant progress in research awards, with the majority of the money coming from federal grants. Dr. Millhorn then went on to discuss the UT-Battelle economic impact study. The most important statistic is that ORNL spending supported 20,708 full-time equivalent jobs in the state of TN in 2005. In addition, UT-Battelle (ORNL) contributes to the state and local economies in numerous other ways.

IX. APPROVAL OF ANNUAL REPORT TO THE GENERAL ASSEMBLY

The annual report was approved.

X. OTHER BUSINESS

None stated.

XI. ADJOURNMENT

With no other business to discuss, the meeting was adjourned.