

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE FALL MEETING
October 3, 2014
Knoxville, Tennessee

The Fall Meeting of The University of Tennessee Board of Trustees was held at 1:15 p.m. EDT, on Friday, October 3, 2014, on the campus of the Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

J. Brian Ferguson, Vice Chair of the Board, called the meeting to order. Father Donald Andrie of St. John XXIII University Parish offered the invocation.

II. ROLL CALL

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

William E. Haslam, Chair
J. Brian Ferguson, Vice Chair
Charles C. Anderson, Jr.
Shannon A. Brown
George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
John N. Foy
D. Crawford Gallimore
David A. Golden
Vicky B. Gregg
Julius T. Johnson
Raja J. Jubran
Brad A. Lampley
Bonnie E. Lynch
James L. Murphy, III
Sharon J. Pryse
Richard G. Rhoda
Rhedona Rose
Julia T. Wells
Charles E. Wharton
Tommy G. Whittaker
Thaddeus A. Wilson

The Secretary announced the presence of a quorum. Commissioner Huffman, Dr. Evans, and Mr. Duncan 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.

III. INTRODUCTIONS

Vice Chair Ferguson introduced new Trustees Shannon Brown, Rhedona Rose, and Julia Wells, and presented each with a Trustee lapel pin.

IV. GOVERNOR'S REMARKS

Governor Bill Haslam thanked the current Board and Emeriti Trustees for their continued willingness to serve The University of Tennessee in challenging but hopeful times. His remarks included the following:

- Funding higher education is an issue for Tennessee and across the nation.
- Applications for the Tennessee Promise last-dollar scholarship have surpassed 32,000 and likely to increase to 40,000, significantly over the goal of 25,000.
- The "Drive to 55" goal is to achieve 55 percent of Tennesseans equipped with a college degree or certificate by 2025, but there are financial challenges to achieving that goal in every public higher education institution in the state.
- The UT and TBR administrations have been good partners in working to meet the state's revenue challenges.
- His administration fully understands that a great higher education system requires adequate funding. The challenge is to determine how to accomplish that in a very challenging revenue environment.

At the Governor's request, Vice Chair Ferguson continue to chair the meeting.

V. PRESIDENT'S REPORT

President DiPietro reflected briefly on his past four years as president and said achieving the goals of stability, teamwork, and trust will provide momentum for the next four years.

The President then highlighted data regarding graduation rates, number of graduates, enrollment, research expenditures, outreach, and impact (Exhibit 1). He recapped the discussion from the Board's workshop in September regarding realigning the business model. The President's Budget Advisory Group will provide advice in reviewing the business model moving forward. Trustee Raja Jubran will chair the group, which includes Faculty, Trustees, Chancellors, and Staff members.

Dr. DiPietro acknowledged that the University will need to look different in the future. He stated UT will continue to be efficient, effective, entrepreneurial, and excellent going forward. Graduation rates, research, outreach, and fundraising will all need to increase. Rigorous K-12 standards are needed; revenue will be garnered from intellectual property through UT Research Foundation; UT Extension offices will continue to be the front door to UT in every Tennessee county; and fundraising is on track for a record year based on first quarter returns to date. The future is bright for education becoming a higher priority in the State of Tennessee.

The President closed with a video tribute to employees.

VI. CHANCELLOR CHEEK'S REPORT ON THE TOP-25 INITIATIVE

Chancellor Cheek reported on Knoxville's Journey to the Top 25 (Exhibit 2). He recapped the history and shared progress of the journey, highlighting four-year and six-year graduation rates, second-year retention, research, growth, construction projects, and philanthropy. Dr. Cheek highlighted the success of the Bredesen Center, the ten percent increase in the freshman class, partnerships, and the tremendous momentum on the Knoxville campus. He also noted that UT Knoxville has been selected as one of three land grant institution finalists to receive the Trail Blazer Award for the last four years' progress.

The Chancellor closed with a student video showing updates on the Knoxville campus.

VII. REPORT OF THE EXECUTIVE AND COMPENSATION COMMITTEE: COMPREHENSIVE PRESIDENTIAL PERFORMANCE REVIEW

After asking the President to recuse himself from the discussion, Vice Chair Ferguson summarized the report of Dr. Terry MacTaggart, Senior Fellow with the Association of Governing Boards, who was retained to assist the Vice Chair with this first-ever comprehensive presidential performance review. The Vice Chair described the extensive interview process conducted by Dr. MacTaggart, including at least 70 individuals from a broad range of constituencies. He reported that Dr. MacTaggart, who is very experienced in conducting presidential performance reviews, said he had never, in all his experience, encountered a president who was broadly supported by all constituents, especially this far into his term of service. He attributed this to Dr. DiPietro's integrity, approachability, sincerity, willingness to make hard decisions, and ability to connect well with all constituents. Dr. MacTaggart gave the President the highest marks in terms of the retrospective review. With respect to the future, Dr. MacTaggart talked with the Vice Chair and the Executive and Compensation Committee about the matters the President has just mentioned in his report. The University's path forward is on a collision course with the resources it will likely have in the future, and the University must reconcile resources and mission in a more creative way to make sure it delivers on its mission within constraints it faces. Dr. MacTaggart concluded that Dr. DiPietro is definitely the leader to

take the University through that process. Accordingly, the Executive and Compensation Committee has recommended that the Board accept Dr. MacTaggart's report, approve the goal of a comprehensive initiative to address the unfavorable financial realities, and extend the President's employment agreement for another term.

The Vice Chair called for three separate motions presented in the meeting materials:

1. Trustee Murphy moved that the Board approve Dr. Terrance MacTaggart's Report of a Comprehensive Presidential Performance Review of President Joseph A. DiPietro (Exhibit 3). Trustee Pryse seconded, and the motion carried unanimously.
2. Trustee Murphy moved that the Board approve the goal of pursuing a systematic and comprehensive initiative to address unfavorable financial realities and trends by aligning the University with the state's most compelling economic and educational needs and priorities. Trustee Lampley seconded the motion, and it carried unanimously.

The Vice Chair noted that this goal describes the fundamental objective of the President during his next term. He explained that that this goal will evolve into specific goals, objectives, and measures over the President's next term to be promulgated through the President to the Chancellors and through the Chancellors to the campuses. Compensation programs will be designed for the President and Chancellors aligned with these specific goals, objectives, and measures. In effect, he said, the Board is approving an aspirational goal and kicking off a major initiative with aligned compensation.

3. Trustee Wharton moved that the Board approve an extension of the term of President DiPietro's employment agreement through June 30, 2019. Trustee Murphy seconded, and the motion carried unanimously.

Trustee Murphy commented that these motions reflect that the Board and the President are working together to move this University to a place it has never been before but needs to be, and he commended the Vice Chair for his leadership in bringing the Board to this point. As he returned to the meeting, President DiPietro was greeted by a standing ovation as he learned of the vote to extend his presidential term.

VIII. REPORT OF THE AUDIT COMMITTEE

Committee Chair Gallimore reported that two major projects were reviewed by the Audit Committee at the September meeting, IT Security and Institutional Compliance.

IT Security Progress:

- efforts to develop seven new information technology policies, three of which were in the final review stages;
- work toward a revised governance structure;
- formation of a single business intelligence team to provide managerial and analytical reporting including dashboards, decision support, and to meet regulatory reporting requirements;
- alignment of programming resources with functional owners of the supported systems;
- expanded customer support; and
- streamlined operations that resulted in an annual salary savings in excess of \$400,000.

Trustee Gallimore thanked Butch Peccolo and Les Matthews for their work on reorganizing the System Administration IT function to improve operations and the security posture of the University. The Audit Committee will review status reports from all campus chief information officers at future meetings and will continue to provide oversight to ensure progress continues. He noted that two IT staff members were transferred to Audit and Consulting and will be conducting security assessments, IT audits, and performing follow up on the IT security recommendations. The alignment of these positions within Audit and Consulting provides the independence and authority needed to perform this type of assessment.

Institutional Compliance:

UT Knoxville, UT Martin, UT Institute of Agriculture, and the Health Science Center all have committees working to identify and mitigate compliance risks on their respective campuses. In the spring, the Institutional Compliance team will begin working with UT Chattanooga on a compliance risk assessment and help facilitate a compliance committee on that campus.

IX. ADOPTION OF HONORARY RESOLUTIONS

Chancellor Angle presented the Resolution honoring Victoria Steinberg for her service as a Faculty Trustee. Trustee Foy moved adoption of the Resolution, Trustee Gregg seconded, and the Resolution (Exhibit 4) was adopted unanimously. Dr. Steinberg was unable to attend the meeting. Chancellor Angle accepted the Resolution and a framed photograph of the Board of Trustees on her behalf.

Trustee Cates presented the Resolution honoring Monice Hagler for her service as a Trustee. Trustee Cates moved adoption of the Resolution, Trustee Lynch seconded, and the Resolution (Exhibit 5) was adopted unanimously. Trustee Cates presented Ms. Hagler with the Resolution and a framed photograph of the Board of Trustees

Accepting the Resolution, Ms. Hagler shared her appreciation for the other Trustees and staff. She thanked President DiPietro for his leadership and challenged the Trustees to

continue to create ways to assure students' timely completion of their studies and graduate workforce-ready, allowing the state to compete for industries that will bring jobs to the state. In closing, she urged the Board to continue to improve diversity efforts for equity and participation.

Trustee Gallimore presented the Resolution honoring Betty Ann Tanner for her service as a Trustee. Trustee Gallimore moved adoption of the Resolution, Trustee Murphy seconded, and the Resolution (Exhibit 6) was adopted unanimously. Trustee Gallimore presented Mrs. Tanner with the Resolution and a framed photograph of the Board of Trustees.

Accepting the Resolution, Ms. Tanner stated her experience as a Trustee has been intellectually challenging, memorable, and heart-warming. She praised the commitment of her fellow Trustees and challenged the Trustees to continue to promote efficiency and effectiveness. She mentioned Dr. Dan Mote, former president of the University of Maryland, who initiated the efficiency and effectiveness initiative at that institution, and quoted his remarks upon his retirement: "A university becomes a great university when and only when an expectation of greatness is embedded in its culture. A university must replicate this belief in every decision it makes – in who it hires, in what is taught, in how it is led and in what standards of achievement are expected among others." Ms. Tanner closed by urging Trustees to heed those words in leading the University forward.

The Vice Chair recognized Trustee Cates to present the Resolution honoring Karl Schledwitz for his service as a Trustee. Trustee Cates moved adoption of the Resolution, Trustee Driver seconded, and the Resolution (Exhibit 7) was adopted unanimously. Trustee Cates presented Mr. Schledwitz with the Resolution and a framed photograph of the Board of Trustees.

Mr. Schledwitz shared his appreciation for Emeriti Trustees Andrea Loughry and Don Stansberry for mentoring him through his early years. He reviewed Andrea Loughry's remarks from October 2011, challenging the Trustees to strive to achieve two goals: working with the state legislature to reform the sunshine law to allow executive sessions to deal with sensitive human resource matters, such as performance reviews and high profile searches; and provide for at least two seats on the Board to be filled by outstanding alumni who do not reside in Tennessee. Going forward, he suggested the Board consider the following goals: increasing diversity in leadership, avoid being Knoxville-centric, asking questions that challenge management, and improving student retention.

The Vice Chair recognized Trustee Murphy, who presented the Resolution honoring Don Stansberry for his service as a Trustee. Trustee Murphy moved adoption of the Resolution, Trustee Driver seconded, and the Resolution (Exhibit 8) was adopted unanimously. Trustee Murphy presented Mr. Stansberry with the Resolution and a framed photograph of the Board of Trustees.

Accepting the Resolution, Mr. Stansberry stated that his time on the Board was a time of both great progress and reorganization for UT. He noted how wonderful the past four years have been as all constituents have come together and under Dr. DiPietro's leadership. In closing, he thanked everyone for supporting him during his two terms as Vice Chair of the Board.

X. UT KNOXVILLE NAMING

Chancellor Jimmy Cheek announced that the Haslam family has recently given the UT Knoxville College of Business a gift of \$50 million, which will accelerate the transformation of the college already in progress. He recommended the college be named in recognition of the gift and stated this would be the first college in the UT System to be named for an individual. President DiPietro said the generosity of the Haslam family, particularly Jim and Natalie Haslam, is making possible the further transformation of the college through a gift of this magnitude and structured as it is. The President said he particularly appreciates that the gift sets goals the college is expected to achieve with the resources so generously provided.

President DiPietro moved that the Board approve naming the UT Knoxville College of Business Administration the "James A. Haslam II College of Business" in recognition of the Haslam family's transformational gift of \$50 million for the College and in recognition of Jim Haslam's lifetime of exemplary leadership, consistent adherence to strong core values, selfless service, and passion for excellence (Exhibit 9). Trustee Murphy seconded the motion and commented that when he first became a Trustee in 2003, Mr. Haslam was the longest serving member of the Board (as Mr. Murphy is now), and he thanked Mr. Haslam for helping him and the Board through some difficult times and for always being willing to give whenever needed. He described Jim and Natalie Haslam as the perfect donors, always giving as needed and never expecting anything in return. Trustee Wharton noted that General Neyland did the University a great favor by offering Mr. Haslam a scholarship so many years ago. The motion carried unanimously.

Mr. Haslam said he and his family are humbled by this recognition, saying his family owes everything to the University. He came to the University in 1948 as a student in the College of Business and a member of General Robert R. Neyland's Volunteer football team. As he was preparing to graduate, he thought he wanted to be a high school football coach, and General Neyland arranged for him to be interviewed for a coaching job in South Pittsburg. When school officials said he would not receive his first paycheck for several months, he concluded, as an astute College of Business student, that working without pay was not a good thing. Later, Howard Lumsden, Director of the UT Placement Service, sent him to LaFollette to interview with Sam Claiborne, who owned a chain of gas stations and was looking for management trainees. He went to work there and three years later started the Pilot Oil Company. If he had not come to UT, that might never have happened. In that way, the University has made his family what it is today.

Mr. Haslam closed by saying that because state resources for the University have been shrinking and will probably continue to shrink, he and his family hope their gift to the College of Business will inspire others to make transformational gifts. Mr. Haslam then yielded the podium to Mrs. Haslam, who said that other than family, nothing has ever meant more to Jim Haslam than UT, and naming of this wonderful College of Business for him is a gift that will never be surpassed.

XI. CONSENT AGENDA

The Vice Chair directed the Board's attention to the Consent Agenda and called for any requests to remove items. 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. Ratification of the Vice Chair's Appointments to Standing Committees and the UT Martin Athletics Board (Exhibit 10)
- C. Resolution on Integrity in Research (Exhibit 11)
- D. Real Property Transactions (Exhibit 12)
- E. Policy on the Process for Submitting Legislative Proposals and Funding Requests to the General Assembly (Exhibit 13)
- F. FY 2015-16 Operating Budget Appropriations Request for Non-Formula Units (Exhibit 14)
- G. FY 2015-16 Capital Outlay and Capital Maintenance Projects (Exhibit 15)
- H. FY 2015-16 Revenue/Institutionally Funded Projects (Exhibit 16)
- I. FY 2014 Annual Flight Operations Report (Exhibit 17)
- J. Grant of Tenure to Six UT Knoxville Faculty Members under Expedited Procedures (Exhibit 18)
- K. Grant of Tenure to an Institute of Agriculture Faculty Member under Expedited Procedures (Exhibit 19)
- L. Annual Report to the General Assembly (Exhibit 20)

M. UT Knoxville Transfer Admission Requirements (Exhibit 21)

N. Revised Dates for the 2015 Fall Meeting - DEFERRED

A motion was made to approve the Consent Agenda, seconded, and carried unanimously.

XI. ANNOUNCEMENTS

The Vice Chair announced that future meetings of the Board would be added to the Diligent Boardbook and thanked the staff for coordinating logistics. He again thanked the Haslam family for their support of the University

XII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary