

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE SPRING MEETING
March 29, 2017
Chattanooga, Tennessee

The Spring Meeting of The University of Tennessee Board of Trustees was held at 1:00 p.m. EDT, on Wednesday, March 29, 2017, in the Tennessee Room of the University Center on the campus of The University of Tennessee at Chattanooga.

I. CALL TO ORDER AND INVOCATION

Raja J. Jubran, Vice Chair of the Board, called the meeting to order. Rev. Keith Moore, of the UTC Wesley Center, offered the invocation.

II. ROLL CALL

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

Raja J. Jubran, Vice Chair
Charles C. Anderson, Jr.
George E. Cates
Susan C. Davidson
Joseph A. DiPietro
William E. Evans
John N. Foy
D. Crawford Gallimore
Vicky B. Gregg
Mike Krause
Sharon J. Miller Pryse
Jefferson S. Rogers
Rhedona Rose
Miranda N. Rutan
Rachel M. Smith
Jai Templeton
John D. Tickle
Julia T. Wells
Charles E. Wharton
Tommy G. Whittaker

The Secretary announced the presence of a quorum. Governor Haslam, Commissioner McQueen, Trustee Brown, and Trustee Lampley were unable to attend the meeting. Newly appointed Trustee David Shepard attended committee meetings the previous day but was unable to attend the Full Board meeting due to his confirmation hearing before the state legislature. 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 congratulated Chancellor Davenport and UT Knoxville for success in breaking a Guinness World Record for the world's largest human letter, a Power T, as part of the NBC Today Show "Rokerthon" series. He thanked the *Daily Beacon* for creating the video and bringing the event to UT Knoxville. The event created a tremendous amount of free positive press and publicity for the University.

Vice Chair Jubran thanked Trustee Vicky Gregg and Fred Gregg and Trustee John Foy and Trish Foy for hosting an excellent reception and dinner the previous night. He also thanked Chancellor Angle and his staff for their planning and hard work to make the meetings on the UTC campus run so smoothly and successfully. He said the Board has enjoyed visiting the campus and is very proud of its continued success under the leadership of Chancellor Angle and his team.

Vice Chair Jubran called to the attention of the Trustees the action items on the regular agenda and noted that most action items recommended to the Board for approval by committees of the Board are included on the consent agenda. For the benefit of the audience, he explained that most Trustees attended the committee meetings and were able to participate in the discussion. He called for any requests to move an item from the consent agenda to the regular agenda. Hearing none, he proceeded with the regular agenda.

III. HONORARY RESOLUTIONS

Dr. DiPietro presented a Resolution honoring Dr. Jimmy G. Cheek (Exhibit 1), expressing his sincere appreciation for Dr. Cheek's service as Chancellor of UT Knoxville. He also recognized Dr. Cheek's wife, Ilene, for her support. After reciting the Resolution, Dr. DiPietro moved its adoption. The motion was seconded by Trustee Pryse and adopted unanimously. Dr. Cheek received a standing ovation from the Trustees and meeting attendees. In his remarks, he quoted Dr. Seuss saying "Don't be sad it's over, be glad that it happened." He thanked his wife for her constant support over the past eight years. He thanked Governor Bredesen for setting UT Knoxville on the right path with the high goals he set for the campus; Governor Haslam for his support of and attention to higher education; and the Trustees for their leadership and assistance in making the journey very successful. He thanked President Emeritus Jan Simek and President DiPietro for their support and leadership. He thanked his cabinet, the faculty, and alumni and friends for

their commitment and support, particularly and most recently Trustee Tickle, whose generous philanthropy resulted in naming the Tickle College of Engineering. Lastly, he thanked UT Knoxville's excellent students.

Dr. DiPietro then presented a Resolution honoring Dr. Robert M. Smith, former Interim Chancellor of UT Martin, and bestowing upon him the honorary status of Chancellor Emeritus, being recorded as the 10th Chancellor of UTM (Exhibit 2). After reciting the Resolution, Dr. DiPietro moved its adoption. The motion was seconded by Trustee Gallimore and adopted unanimously. After receiving a standing ovation from the Board and meeting attendees, Dr. Smith expressed his sincere appreciation and honor to be named Chancellor Emeritus of UT Martin. He said he had spent 48 years in higher education, and the job he completed at UT Martin was his greatest challenge. He thanked the UT Martin campus for incredible support in helping him accomplish all they did during his time there. He thanked his wife Ramona for her dedication and support. He thanked President DiPietro for his support and his trust and who described him as one of the best people he has ever had the privilege to work for. He thanked the Board for fully supporting his bold and audacious plan. He thanked his senior staff, the UT Martin faculty and the Martin area Trustees Jeff Rogers, Miranda Rutan, Julia Wells, and Crawford Gallimore. In conclusion, he said the heart of the University is a collection of people whose vision of higher education is the incredible future of Tennessee and is grateful for the opportunity to be part of that group.

IV. PRESIDENT'S REPORT

Dr. DiPietro echoed Vice Chair Jubran's appreciation to Chancellor Angle and his staff for their work in preparing for the meeting and congratulated UTC on its continued success.

The President's report included discussion of his second State of the University address in Nashville, the work of the Budget Advisory Group (BAG), and the Governor's favorable budget for higher education (Exhibit 3). Although this is the best revenue year the state has seen in many years, the University cannot rely on the economy remaining so strong and must be prepared for the next downturn by committing once again to the BAG initiative started two years ago. The BAG set a goal of \$68 million in reallocations by the end of the current fiscal year, June 30, 2017, and the University is on track to exceed that goal. The group will continue to meet regularly and report to the Subcommittee on Efficiency and Cost Savings and will provide a final revision of the boundaries document and guidelines to the Board in June.

The President also updated the Trustees on efforts to hold tuition rates below the first binding tuition range recommendations by THEC. He said UT will continue self-limiting its tuition increases, and that for the third year in a row, tuition increases would be 3% or less, which is the lowest in more than 30 years. He also noted that 44% of UT undergraduates who earn a bachelor's degree leave the University without debt. Those

who graduate with debt owe an average of \$24,000, but individuals with a college degree have as much as a seven-figure increased lifetime earning potential, demonstrating that a UT education remains a wise investment.

Turning to other matters, Dr. DiPietro said he will keep the Board informed regarding the question of outsourcing facilities services once the campus business officers discuss the opportunity and provide their justification for their decisions. He also reported on recent successful executive searches and upcoming searches for the Vice President of Academic Affairs and Student Success and the Executive Director of Capital Projects. He reported on the work of the Oliver Group, a consulting firm hired to assist in succession planning and creation of a model for developing quality internal candidates. He also announced that Dr. Robert Smith has been appointed as special advisor for leadership and talent development and is developing an executive leadership academy. Lastly, he announced that Jason Roberts, Guy Reed, Christine Smith, and Steve Butler were recently named as President's Award recipients, the highest honor a UT employee can receive.

Trustee Evans asked Dr. DiPietro about senior staff positions identified by the Oliver Group as non-critical for succession planning, and Dr. DiPietro said he would be doing a careful review of the consultant's analysis. Trustee Anderson noted that 40% of key personnel coming into retirement age in the next five years is a very challenging concern. Trustee Cates commended Dr. DiPietro for the progress made through the BAG initiative and added that the University needs to continue to keep tuition down over the long haul to coincide with the rate of inflation. Dr. DiPietro agreed but noted that when the state proposes a 3% raise for state employee salaries, the University only receives about \$.55 on the dollar and must make up the difference by cutting costs or generating revenue. Trustee Gallimore asked Dr. DiPietro if he looks for candidates who will grow into more senior positions when filling vacancies. He confirmed that he does and of the past ten hires a couple stand out as capable of filling future openings. Trustee Anderson pointed out that having 44% of bachelor degree graduates with no debt and an average debt of \$24,000 are two exceptional statistics that need to be made known. Vice Chair Jubran agreed and echoed Trustee Cates' call for a continued focus on the BAG initiative to achieve the reallocation goals from our own efforts to be cost effective and efficient.

RECESS

The Full Board Meeting was suspended while the Executive and Compensation Committee of the Board was convened. After the Executive and Compensation Committee meeting, the Full Board Meeting reconvened with all of the Trustees present at the original roll call still in attendance.

V. REPORT AND RECOMMENDATIONS OF THE EXECUTIVE AND COMPENSATION COMMITTEE

Vice Chair Jubran, Chair of the Executive and Compensation Committee, reported items considered and approved at the March 3, 2017 Committee meeting.

A. Assessment and Recommendation for Payments under the Performance-Based Variable Compensation Plan for FY 2015-16

Calling the Board's attention to the supporting materials (Exhibit 4), the Vice Chair noted the recommended payments to each participant in the Performance-Based Variable Compensation Plan for FY 2015-16. He explained that after the Committee recommended approval of the payments at its March 3 meeting, it was discovered that Dr. Millhorn's payment was calculated incorrectly because the \$50,000 administrative supplement he receives as President of UT Research Foundation was added to his base salary. The error has been corrected in the Resolution pending before the Board.

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

RESOLVED:

- 1. The revised FY16 goals for participants in outreach and engagement activities for System President, VP for Research, and UTIA are approved as presented in the meeting materials;**
- 2. The revised FY16 goal for clients served by UTHSC is approved as presented in the meeting materials;**
- 3. The metric "Reduce Faculty and Staff Salary Gaps with Peers" is deleted as a performance goal until the process and methodology for calculation has been revised to ensure consistency across the System; exclusion of this metric in scoring performance for FY 2015-16 is approved;**
- 4. Modification of the scoring methodology for Deferred Maintenance Expenditures to award 0% credit if the goal is not met, 100% if met, and no extra credit for exceeding the goal is approved; and**
- 5. The following payments under the Performance-Based Variable Compensation Plan for FY 2015-16 are approved, subject to all provisions and conditions of the Plan:**

Joseph A. DiPietro	\$101,816
Steven R. Angle	\$36,428
Larry R. Arrington	\$40,973
Jimmy G. Cheek	\$41,563
David E. Millhorn	\$46,701
Catherine S. Mizell	\$32,222
Steve J. Schwab	\$68,097

Because the Resolution was amended after approval by the Committee, the Vice Chair called for a second. Trustee Pryse seconded the motion, and the motion to adopt the Resolution carried unanimously.

B. Revisions to the Annual Presidential Performance Review Process

Vice Chair Jubran called the Board’s attention to the proposed revisions to the Board’s policy on the annual presidential performance review process (Exhibit 5) and reported that the Executive and Compensation Committee, meeting on March 3, 2017, recommended approval of the proposed revisions. On the recommendation of the Committee, Vice Chair Jubran moved adoption of the following Resolution:

RESOLVED: Revision of the Policy on Presidential Performance Reviews is approved as presented in the meeting materials.

Coming as a recommendation of the Committee, no second was required, and the motion to adopt the Resolution carried unanimously.

VI. REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS AND STUDENT SUCCESS COMMITTEE

A. Proposed UT Knoxville Student Code of Conduct

Calling the Board’s attention to the proposed UT Knoxville Student Code of Conduct and supporting materials (Exhibit 6), Committee Chair Vicky Gregg reminded Trustees that a public rulemaking hearing on the proposed UT Knoxville Student Code of Conduct was held on October 13, 2016. The University’s response to oral and written comments received in connection with the public rulemaking hearing were included in the meeting materials.

The Subcommittee on Student Conduct, Rights, and Responsibilities considered the proposed Code at its meeting on March 28 and then reported its recommendation to the Academic Affairs and Student Success Committee. Committee Chair Gregg reported that the Committee accepted the Subcommittee's recommendation for approval of the Code.

On the recommendation of the Academic Affairs and Student Success Committee, Trustee Gregg moved adoption of the following Resolution:

RESOLVED: The Student Code of Conduct for The University of Tennessee, Knoxville, is approved as presented in the meeting materials and will supersede the current Chapter 1720-04-03 of the Rules of The University of Tennessee after completion of the rulemaking procedures under the Uniform Administrative Procedures Act.

Coming to the Board as a recommendation of the Committee, no second was required. The Vice Chair called for the required roll-call vote, and the motion carried unanimously (Exhibit 7). The Code will be submitted to the Attorney General for approval and, if approved, filed with the Secretary of State and published for the statutorily required period prior to becoming effective.

VII. REPORT OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE ON COMMENTS BY MEMBERS OF THE PUBLIC

Committee Chair Sharon Pryse reported that the Committee discussed the need to disseminate widely the University's strong, positive qualities. She then summarized comments made to the Committee by a member of the public. Ellie Newell, a UTC student and co-chair of the Young Democratic Socialists, spoke to the committee about the state's initiative for the outsourcing of facilities services. Along with her presentation, Ms. Newell provided the Trustees with two handouts explaining in detail her opposition to the initiative.

VIII. REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

Trustee Gallimore, Chair of the Audit and Compliance Committee, reported that the Committee last met in December and reviewed and approved the plans and priorities of the Office of Audit and Compliance for 2017.

One significant project will be implementation of an enterprise risk management framework in 2017 to comply with updated state guidance. The framework will provide a comprehensive view of the University's risks in terms of the mission and objectives. To accomplish this goal, the Committee approved the commitment of internal audit resources. Specifically, for 2017, an associate audit director has been temporarily reassigned to develop a methodology compliant with the state statute and guidance, and one not

burdensome but beneficial for the UT System. The internal audit team will also work with executive leadership to determine who should lead enterprise risk management and determine the role of the Office of Audit and Compliance in the future.

The Committee also received a report on the status of the University's IT security posture and learned of the cyber security framework to be used in the future. The new process will continue to measure the maturity of the IT security program. In 2017, each UT campus and institute will perform a self-assessment, and the Office of Audit and Compliance will review a sample of controls to verify implementation and effectiveness. Results will continue to be reported and reviewed by the Committee.

Referring to the 2016 audits the chief executive officers (President and Chancellors), Trustee Gallimore said the results are an indication to the Audit and Compliance Committee that the CEOs are committed to being good stewards of the University's financial resources, and the University has established effective controls.

In closing, he explained that the Office of Audit and Compliance includes both the internal audit and the institutional compliance functions for the UT system and has team members located in Knoxville, Memphis, Chattanooga, and Martin. All team members are UT System staff and report centrally through the Executive Director to the Audit and Compliance Committee, but having a presence on each campus allows the auditors to provide better service to the campuses.

IX. CONSENT AGENDA

The Vice Chair directed the Board's attention to the Consent Agenda. He reported that all items except the first three listed were reviewed, discussed, and unanimously approved in committee meetings. He noted that the recommendation for committee appointments includes the proposed appointment of new Trustee Shepard to two committees, Trustee Tickle as an at-large member of the Athletics Committee, and Trustee Anderson serving as Chair of the Athletics Committee. 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. Vice Chair's Recommendation for Committee Appointments (Exhibit 8)
- C. Resolution Appointing a Managerial Group for U.S. Government Contracts (Exhibit 9)

- D. Real Estate Transactions Unanimously Approved by the Executive and Compensation Committee on March 3, 2017
1. 525 North Gay Street Acquisition and Master Plan Amendment (Exhibit 10)
 2. KUB Easement at Lake Avenue and Terrace Avenue (Exhibit 11)
 3. KUB Easement at Andy Holt Avenue (Exhibit 12)
 4. KUB Easement at Andy Holt Avenue and Twentieth Street (Exhibit 13)
 5. KUB Easement at Fraternity Park Drive (Exhibit 14)
 6. KUB Easement at Former Johnny Majors Drive (Exhibit 15)
 7. KUB Easement at Pat Head Summit Street (Exhibit 16)
 8. KUB Easement at Pat Head Summit Street and Andy Holt Avenue (Exhibit 17)
 9. KUB Easement at Phillip Fulmer Way (Exhibit 18)
 10. KUB Easement at Volunteer Boulevard (Exhibit 19)
- E. Action Items Unanimously Approved by the Advancement and Public Affairs Committee on March 29, 2017
1. Renaming Stokely Family Residence Hall as Stokely Hall (Exhibit 20)
 2. Naming of the Graduate School of Education (Exhibit 21)
 3. Naming the Tickle College of Engineering Honors Program (Exhibit 22)
 4. Appointment of a University Representative as a Co-Trustee of the Farm Support Trust (Exhibit 23)
 5. Naming Boling University Center Legislative Chambers (Exhibit 24)
 6. Employee Services Agreement between The University of Tennessee and the University of Chattanooga (Exhibit 25)
 7. Affiliation and Services Agreement among the University of Tennessee and The University of Tennessee Foundation (Exhibit 26)
 8. First Amendment to the 2011 Employee Services Agreement between the University and UT Foundation (Exhibit 27)
 9. First Amendment to the 2014 Affiliation and Services Agreement between the University and UT Foundation (Exhibit 28)
- F. Action Items Unanimously Approved by the Executive and Compensation Committee on March 29, 2017
1. Transfer of Property Located in the 900 Block of Riverside Drive in Chattanooga, Tennessee (Exhibit 29)
 2. Recommendations Concerning FY 2017-18 and FY 2018-19 Incentive Compensation Plans (Exhibit 30)
 3. Revision of Quantitative Performance Goals under the Performance Incentive Payment Plan for FY 2016-17 (Exhibit 31)
 4. President's Recommendation for Appointment and Initial Compensation of the Treasurer Pursuant to a Reorganization (Exhibit 32)
 5. Revision of the President's Employment Agreement Related to the Salary in his Post-Presidential Tenured Faculty Position (Exhibit 33)

G. Action Items Unanimously Approved by the Academic Affairs and Student Success Committee on March 29, 2017

1. Academic Program Modification, B. A. in Sustainability (Exhibit 34)
2. New Academic Program, M.S., Supply Chain Management (Exhibit 35)
3. Honorary Degree, Doctor of Humane Letters, Jon E. Meacham (Exhibit 36)
4. New Academic Program, Ph.D., Data Science and Engineering (Exhibit 37)
5. Revisions to UT Martin Faculty Handbook (Exhibit 38)
6. Revisions to UT Martin Undergraduate Admission and Continuation Requirements (Exhibit 39)

H. Action Items Unanimously Approved by the Finance and Administration Committee on March 29, 2017

1. Corporate Authorization to Transfer Securities (Exhibit 40)
2. UTHSC FY 2017-18 Student Tuition and Fees (Exhibit 41)
3. Expansion of UTHSC Regional Tuition Rate Program for Pharmacy (Exhibit 42)
4. Expansion of UTC Regional Tuition Rate Program to Freshman and Sophomore Students (Exhibit 43)
5. FY 2017 Revised Operating Budget (Exhibit 44)

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

X. FUTURE BOARD AND COMMITTEE MEETING DATES

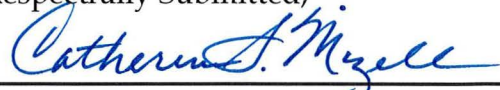
Vice Chair Jubran announced that the 2017-18 Scheduled Meetings and Workshop were included in the meeting materials and can be found on the Board of Trustees website.

XI. ADJOURNMENT

Before adjourning the meeting, the Vice Chair expressed his appreciation to Secretary Mizell for her continued dedication and hard work for this Board. He said since she has moved into her new role, she has assisted him in understanding and navigating all the work needed to be an effective Vice Chair. He added that she is available to any Trustee with questions and has tremendous historical knowledge of the procedures and practices of the University. He thanked Ms. Mizell for her excellent work and dedication to the University, and she received a round of applause from the Board and meeting attendees.

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

Respectfully Submitted,



Catherine S. Mizell, Secretary