

MINUTES OF THE EXECUTIVE COMMITTEE MEETING
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

January 14, 2005
Knoxville, Tennessee

The Executive Committee of the Board of Trustees of The University of Tennessee met at 10:30 a.m., Eastern Standard Time, Friday, January 14, 2005 in the Executive Dining Room of the University Center, Knoxville.

I. CALL TO ORDER

Mr. Don C. Stansberry, Jr., Chair of the committee, called the meeting to order.

II. ROLL CALL

The Secretary called the roll, and the following members were present:

Mr. Waymon L. Hickman
Mrs. Andrea J. Loughry
Mr. James L. Murphy, III
Dr. John D. Petersen
Mr. Don C. Stansberry, Jr.
Mr. William B. Stokely, III
Mr. John C. Thornton
Mrs. Susan R. Williams

The Secretary announced the presence of a quorum.

III. APPROVAL OF MINUTES OF THE LAST MEETING

Chair Don Stansberry called for corrections or additions to the minutes. Mrs. Susan Williams moved approval. Mr. William B. Stokely, III seconded, and the motion carried unanimously.

IV. DISCUSSION OF AGENDA FOR WINTER MEETING OF THE BOARD OF TRUSTEES

Mr. Stansberry said one of the responsibilities of the committee is to review and set the

agenda for Board meetings. He asked President Petersen for his recommendations.

Dr. Petersen said one of the key issues facing the University campuses is enrollment management, especially with the influx of freshmen brought about by the lottery scholarships. He said that instead of being reactive to enrollment issues, the University should look at enrollment management planning for all its campuses. Dr. Petersen said questions such as the cost of education, the available facilities and their efficient use, the appropriate size of the student body to fit the facilities and the demographics of the student body are just some of the ingredients to be considered in the planning process. He distributed a comparative report showing UT's demographics for fall 2004 (Exhibit 1). Dr. Petersen recommended that a consultant well versed and respected in the area of enrollment management be invited to attend the March Board of Trustees meeting and talk about how an institution goes about looking at the metrics involved in enrollment management and how the University might formulate a long term plan. There was a consensus that the invitation be issued with the presentation to be made at the full Board of Trustees meeting on March 2, 2005.

Ms. Mizell called attention to the tentative schedule for the March 1 and 2 meetings and a tentative list of possible agenda items for each committee meeting (Exhibit 2). She asked for agenda additions or changes. There were none.

V. DISCUSSION OF BOND FINANCING FOR CAPITAL PROJECTS

Mr. Bill Stokely distributed materials compiled by THEC from peer institutions regarding their experiences using bond revenue and bond sources for major capital projects (Exhibit 3). He said that if the University pursues the use of bonds, a source of resources to defease the bonds will have to be identified. Mr. Stokely said he will appoint a subcommittee of the Finance and Administration Committee and recommend that it meet with a similar THEC subcommittee so that both entities are moving in the same direction. He said there have been informal discussions with the state constitutional officials on the issue of bond financing, and they have indicated they are open to discussions. Mr. Stokely said the issue is moving along in the dialog stage.

VI. DISCUSSION OF LEGISLATIVE AGENDA

Dr. Petersen said that the revitalization plan for UTSI was forwarded to the House and Senate education committees. Dan Stuart, a retired executive with the civilian corps of the Air Force, is working with UT on a part-time basis to assist with the plans to realign and focus the programs of the Space Institute with three major partners – Arnold Engineering, Oak Ridge and UT's departments of engineering. Dr. Petersen said General Stringer of Arnold Engineering is offering input into the revitalization effort. UTSI's focus will be geared toward its laser work and aeronautical engineering tied to aircraft, spacecraft and automobiles. The educational programs will be reconfigured to make use of distance education. Dr. Petersen said the plan is an opportunity to regenerate the research and

educational power of UTSI. He said the revitalization plan will be forwarded to all Trustees.

President Petersen said a joint effort with THEC and the Board of Regents is underway to address the future of pharmacy training in Tennessee. He said a final recommendation appears to be eminent, and a Board agenda item in March may deal with the expansion of the size of the College of Pharmacy in Memphis. The preliminary plan calls for developing cohorts in Knoxville, Nashville and upper East Tennessee. First year pharmacy classes will be completed in Memphis with the following years and the clinical training being done by distance education at the cohort sites, clinical sites and venues around the state.

President Petersen said with respect to capital funding issues, UT's budget priorities have been forwarded to Nashville for Governor Bredesen's consideration as he maps out the state budget for the next fiscal year. He said THEC will work to reconfigure the education funding formula, and UT and the Board of Regents will assist to find a formula that deals with the issues and idiosyncrasies of the educational institutions. Dr. Petersen said the top research initiative involves UT and Oak Ridge National Labs. Oak Ridge has made a challenge to place recurring funds of up to \$10 million in the base of a joint appointment pool. UT is asking the state over the next few years to raise its base by \$10 million beginning with a \$2 million increase this fiscal year. The pool would allow UT and Oak Ridge to seek out academy level faculty for the areas of neutron science, computational science, genetics and genomics and nanomaterials. In terms of capital projects, the highest priority on UT's list is the electrical and computer engineering building in Knoxville, where there is a commitment from a donor to fund one-third of the building cost. Also on the capital project list is the Neutron Science Building and the Steam Plant in Knoxville. Dr. Petersen said a proposal was also made dealing with salary increases and distributions. The proposals asks that the University administration be allowed the flexibility to award merit increases based on evaluations rather than across-the-board increases.

VII. DISCUSSION OF COMPENSATION PACKAGE FOR CHANCELLOR POSITIONS

Dr. Petersen said he hopes to bring the name of an individual to fill the Chancellor's position at the Health Science Center to the Board in March. He said the seven individuals who have interviewed with the search committee represent a wide range of diversities and backgrounds. President Petersen distributed survey data on compensation packages for health science CEO's (Exhibit 4). The contract for the Health Science Center in Memphis might include the base salary, the house, the possibility of private practice time, and the length of the term. Discussion about the issue of private practice time followed with a consensus that it be avoided. The consensus of the committee was that Dr. Petersen use the 75 percentile salary figure from the chart as a ceiling for the final offer unless further discussion with the committee takes place. Dr. Petersen said the term can be written into the contract as renewable based on yearly evaluations. He said his preference would be

that the term be five years.

Dr. Petersen said the Chancellor at Chattanooga will have the benefit of a house on Lookout Mountain. He said his thought is the salary for the position will be on the low end of the \$200,000 range. President Petersen said that the individual to fill the position will probably not be selected until mid to late April, and final approval can be done at the annual Board meeting in June.

VIII. UPDATE ON FILLING PRESIDENT'S STAFF VACANCIES

Dr. Petersen said there may be one additional candidate to be considered for the position of Vice President for Public Relations and Governmental Affairs. In the meantime, the search for the director of state relations has been opened. Sylvia Davis is chairing the search committee for that position. Applications are coming in at a steady pace, and interviews will begin around the end of January. Jack Britt is chairing the search for the Vice President for Research and applications are being received. Joe Johnson is chairing the search for the Vice President for Development and Alumni Affairs, which is underway. Dr. Petersen said the search committee for the Chief Financial Officer has been appointed and is beginning its work. Eli Fly is chair of that search committee. Loren Crabtree is chairing the search for the Vice President for Agriculture

IX. PROPOSAL FOR A JOINT MEETING OR SOCIAL EVENT WITH TENNESSEE BOARD OF REGENTS

Mrs. Loughry said that the Board of Trustees is currently working on higher education initiatives that are pertinent to all of higher education in the state. She suggested that the Board combine its efforts in some instances with those of the Board of Regents and the Higher Education Commission to work on questions facing higher education in general. Mrs. Loughry said one such initiative that might be considered is the capital bond question.

Dr. Petersen said one of the closest relationships UT has with the Tennessee Board of Regents is the relationship Sylvia Davis has with Bob Adams because they are working closely on the issue of formula funding. He said that he and the staff might talk with Charles Manning and his staff to find out what might work for them and come back with some thoughts of what might be appropriate. President Petersen said the planning for such an effort could also be handled at the staff level.

X. OTHER BUSINESS

The Chair asked for other business to come before the Committee. No other business was presented.

XI. ADJOURNMENT

There being no further business come before the Executive Committee, the meeting was adjourned.

Respectfully submitted,

Catherine S. Mizell
Vice President, General Counsel and Secretary