

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE MEETING
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

April 29, 2005
Nashville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 10:00 a.m., Central Daylight Time, Friday, April 29, 2005 in the offices of Boulton Cummings Connors & Berry, Nashville, Tennessee.

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

The Secretary announced the presence of a quorum.

III. APPROVAL OF MINUTES OF LAST MEETING

Chair Don Stansberry called for corrections or additions to the minutes. Mr. Waymon L. Hickman moved approval of the minutes. Mr. John C. Thornton seconded, and the motion carried unanimously.

IV. APPROVAL OF PRESIDENT'S RECOMMENDATION FOR APPOINTMENT AND COMPENSATION OF THE CHANCELLOR OF THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA.

Mr. Stansberry asked President Petersen to present his recommendation for compensation of the Chancellor of The University of Tennessee at Chattanooga.

Dr. Petersen called attention to materials contained in the packets (Exhibit 1) that summarize salary data from UT Chattanooga's peer institutions. He said the materials also include a memorandum that sets out the recommended compensation package for Dr. Roger Brown. Dr. Petersen said the recommendation places the salary package in the middle of the peer group and is

one that Dr. Brown has accepted pending his election at a special meeting of the full Board of Trustees. He said the pool of applicants included a number of good candidates including the four who were chosen as finalists. Dr. Petersen said some of Dr. Brown's strengths include the fact that he has spent the majority of his career at The University of North Carolina at Charlotte which is a metropolitan campus of a strong university system and has positioned itself in the community. The campus has modeled its programs to not be competitive with the flagship campus but be parallel in terms of its focus and expertise. Dr. Brown is comfortable with a system in which he has interaction with the system officers. Dr. Petersen said when he met with members of the search committee after receiving the names of the four finalists, Dr. Brown was very highly considered. Dr. Petersen said of the three finalists that he interviewed, Dr. Brown had a greater sense of the importance of the Chattanooga community and its strong relationship to the campus.

Mr. William B. Stokely, III moved approval of the President's recommendation. Mr. John C. Thornton seconded, and the motion carried unanimously.

V. APPROVAL OF CONVEYANCE OF PROPERTY IN KNOX COUNTY TO TENNESSEE DEPARTMENT OF TRANSPORTATION.

Mr. Stokely moved that the property conveyance that would allow for the extension of a greenway across the Buck Karnes Bridge in Knoxville be approved (Exhibit 2). Mrs. Andrea J. Loughry seconded, and the motion carried unanimously.

VI. REPORT FROM AGB NATIONAL CONFERENCE ON TRUSTEESHIP.

Mrs. Loughry said she attended the Association of Governing Boards National Conference on Trusteeship in April. She distributed copies of the executive summary from the meeting (Exhibit 3). Mrs. Loughry reviewed items from the AGB meeting that the Board and administration might consider in a strategic plan. She said numerous materials were distributed at the conference that pertained to specific areas. Those items will be shared with Board members and staff whose interest and responsibility lies in those specific areas.

VII. PLANNING FOR NEXT BOARD OF TRUSTEES MEETING JUNE 22-23

Mr. Stansberry said the UT Board is a reformatted, reconstituted, reenergized and rededicated Board in search of a format for Board meetings. Changes such as a consent agenda and a feature presentation have been tried. The consent agenda is working and the feature presentation is workable, but the format is awkward. After some discussion, Mr. Stansberry summarized by noting that there is support of committee meetings that all Board members have an opportunity to attend. Mr. Murphy said that attendance by all Trustees at some committee meetings is more critical than at others. For example, attendance of the Finance Committee meeting at budget time should be an option for everyone. The Finance Committee meeting

should be the last of the day so it can exceed its allotted time slot if necessary. Mr. Stansberry said that based upon the discussion, the consent agenda will be continued. It will be fairly liberal in nature and will include routine items. He said the focal point of each meeting should be identified. He said the meeting will be started before lunch and consideration will be given to having a luncheon speaker. Mr. Murphy suggested a break time be on the agenda to help alleviate the number of people moving in and out of the room during the meeting. He also noted that the presentations in committee meetings and the Board meeting should differ. Detailed presentations are most appropriate for committee meetings. Mr. Stansberry asked for suggestions for ways he might run the Board meetings more efficiently. Mr. Murphy suggested that reports from committee chairs might not be necessary unless the committee acted on agenda items other than those that appear on the consent agenda.

Mr. Stansberry said the feature item at the June Board meeting will be tuition increases and how they relate to benefits derived from the use of the increased funds.

Dr. Petersen summarized an item which was pulled from the agenda having to do with the Chancellor's residence in Memphis. A few years ago a land swap was completed in Memphis trading the Chancellor's residence at that time and a condo for the Cannon home, which included three acres of property across from Memphis Country Club. No preliminary inspections were done of the Cannon home. After work was started on the home, termites were discovered. No one has lived in the home in four years, and the grounds around it are not up to par. Work was begun last fall to fix it up in preparation for the hiring of a new Chancellor. Dr. Petersen said inspections revealed a substandard electrical system along with various other problems. He said another \$700,000 could easily be put into the house to get it up to standards. Dr. Petersen said the home is some distance from the campus and the adjoining property has been converted into condos. He said the house will soon be appraised. In the meantime a piece of property has been identified that would serve as a suitable Chancellor's residence. It is on the market for just over \$1 million. Dr. Petersen said he has talked with the State constitutional officers who comprise the Building Commission and brought them up to date on the housing issue. They agree that the University should not continue to put money into the current house. The new piece of property would not be purchased for more than its assessment. If there were a difference in the selling price of the old home and the buying price of the new, it would be made up through gifts funds specified for use on the Chancellor's residence. Dr. Petersen said after the pertinent questions are answered about both properties, the issue will be brought back to the Board for review. He said efforts will be made to move forward in a timely fashion since the Dr. Bill Owen is ready to move his family to Memphis as he assumes the role of UTHSC Chancellor.

Dr. Petersen distributed information about tuition. He distributed data (Exhibit 4) on what has been happening in terms of UT's comparisons to its peers, how tuition has changed for UT and its peers, where the University sits in the mix and what it has done to itself or for itself. Dr. Petersen said the charts show that in 2000 The University of Tennessee's tuition was about \$1,300 per student under the peer average. He said the top portion of the chart, which is the tuition part, shows that tuition is a fairly small part of the revenue for most of those institutions, thirty percent or less. Dr. Petersen called attention to similar charts for 2004. At that point tuition dollars make up a much greater percentage of the overall revenue than in 2000. Virginia is very heavy in its use of tuition. Dr. Petersen said by 2004 UT has made some gains on its peer average, but has not gone as far as many institutions in terms of upping tuition to account for decreasing state allocations. He said UT is still under its peers. There is a shift nationally to go more to tuition and away from state appropriations. Dr. Petersen said the University is in about the 40th percentile of tuition when comparing it to that of other institutions on the chart. Through the use of a bar chart Dr. Petersen presented figures for the Knoxville campus for the period 2000-2004 beginning with the 2000 inflation adjusted base and moving through the 2005 base. He said after inflation is factored out, Knoxville has had a \$12 million increase in academic salaries, \$11.3 million in benefits, \$7.5 million in scholarships, \$1.1 in library acquisitions and \$1.9 million in utilities for a \$33.8 million addition. There are five areas where UT has added value and two of those – benefits and utilities – are not controllable costs. Dr. Petersen called attention to a chart showing a decrease in administrative salaries for the Knoxville campus. Total tuition and fees have gone up after inflation 30 percent and prior to inflation by 42 percent. State appropriations have increased 7 percent, which has been under the inflation rate of 11.6 percent. In post inflation dollars, the University has lost 2.02 percent in state appropriations. Dr. Petersen said even if inflation only increases by 2 percent, if 40 percent of the University's funding comes from tuition and 60 percent comes the state and the state does not give the University any more money, all of the inflation increase will come from 40 percent on the budget. He said with 2 percent inflation, a 5 percent increase in tuition would be necessary to keep pace with inflation if state revenue is flat. Dr. Petersen said he has asked each campus to submit information on the effect current state funding has had on their campus and the reallocation of funds that has resulted from the loss of revenue. In addition the campuses have been asked to prepare a list of priorities and attach to each priority funding that might come from proposed fee increases.

VIII. CONSIDERATION OF A BOARD RETREAT

Mr. Stansberry asked if plans should be made for a Board retreat. Mr. Stokely suggested that Board retreats might be held every two years rather than every year.

IX. SETTING DATES FOR FUTURE COMMITTEE MEETINGS

Ms. Mizell said the next meeting of the Executive Committee needs to be set six weeks prior to the fall Board meeting. The fall meeting is scheduled for October 27 and 28. Six weeks prior to that would be the week of September 12. Mr. Murphy proposed September 9. The place and specific time will be determined.

Ms. Mizell said dates will be proposed for Board meetings for the remainder of 2005 and 2006 at the June Board meeting.

X. OTHER BUSINESS

Mr. Stansberry asked for other business. He was advised that there was none.

XI. ADJOURNMENT

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

Catherine S. Mizell
Vice President, General Counsel and Secretary

