

MINUTES OF THE FALL MEETING  
BOARD OF TRUSTEES  
THE UNIVERSITY OF TENNESSEE

October 28, 2005

The Fall Meeting of the Board of Trustees of The University of Tennessee was held at 2:30 p.m., Friday, October 28, 2005 in Rooms 156-157, Plant Biotech Building, Knoxville.

**I. CALL TO ORDER AND INVOCATION**

Mr. Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order. Father Eric Andrews, Pastor, John XXIII University Parish, offered the invocation.

**II. ROLL CALL**

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

Mrs. Johnnie D. Amonette  
Mr. William Y. Carroll  
Mrs. Barbara Castleman  
Mr. Spruell Driver, Jr.  
Commissioner Ken Givens  
Mr. James A. Haslam, II  
Mr. Waymon L. Hickman  
Dr. Rhynette N. Hurd  
Mr. Jerry L. Jackson  
Mrs. Andrea J. Loughry  
Mr. James L. Murphy, III  
Dr. John D. Petersen  
Dr. Lawrence M. Pfeffer  
Ms. Amy N. Prevost  
Dr. Richard Rice  
Dr. Richard G. Rhoda  
Commissioner Lana Seivers  
Mr. Karl A. Schledwitz  
Mr. Don C. Stansberry, Jr.  
Mr. William B. Stokely, III  
Mr. Joseph M. Sturdivant  
Mr. John C. Thornton  
Mrs. Susan R. Williams  
Mr. James L. "Bucky" Wolford

The Secretary announced the presence of a quorum.

### III. INTRODUCTIONS

Vice Chair Stansberry introduced Dean Skadberg, President of the National Alumni Association, and President Emeritus Edward J. Boling. Mr. Stansberry also introduced Trustee Emeritus Lynn Johnson and welcomed him to the meeting.

Mr. Stansberry introduced newly appointed Trustees William Y. Carroll of Sevierville; Spruell Driver, Jr. of Nashville; Lawrence M. Pfeffer, non-voting Faculty Trustee from Memphis; Amy N. Prevost, voting Student Trustee from the Chattanooga campus; Richard Rice, voting Faculty Trustee from Chattanooga and Joseph M. Sturdivant, non-voting Student Trustee from the Health Science Center in Memphis. He invited each Trustee to come forward and receive a lapel pin.

Mr. Stansberry called on President Petersen for the introduction of new members of his staff.

Dr. Petersen introduced Dr. David Millhorn, Vice President of Research, an internationally known researcher and research administrator. Before joining UT in August, Dr. Millhorn served as the Director of the Genome Research Institute, University of Cincinnati. Previously Dr. Millhorn was the Joseph Eichberg Professor and Chair of the Department of Molecular and Cellular Physiology at the University of Cincinnati College of Medicine.

President Petersen introduced Vice President for Development and Alumni Affairs Henry F. Nemcik, who has more than 23 years of development experience. Prior to joining UT in September, Mr. Nemcik was affiliated with Texas A & M Foundation, most recently serving as campaign director. In the role of campaign director, he planned and directed a successful \$1 billion capital campaign for the Texas A & M Foundation.

Dr. Petersen introduced Dr. Gary Rogers, Chief Financial Officer of the University and the most recent addition to the President's staff. Dr. Rogers previously served as Vice President for Administration, Finance and Human Resources at West Virginia University. He also served in the Oregon University System in a major financial position.

#### **IV. ADOPTION OF HONORARY RESOLUTIONS**

Mrs. Susan Williams presented and moved approval of the Resolution recognizing and thanking Mr. D. Lynn Johnson for his many contributions to The University of Tennessee during his tenure as a Trustee (Exhibit 1). Mr. Waymon L. Hickman seconded, and the motion carried unanimously.

Mr. Johnson thanked the Board for their friendship and encouraged Trustees to support new Trustees Spruell Driver and Bill Carroll as they begin their tenure on the Board. He said he anticipates many good things for the University under the leadership of Dr. John Petersen.

Mrs. Johnnie Amonette presented and moved approval of the Resolution of appreciation to Mrs. Linda Logan, Assistant Secretary of the University, upon the announcement of her retirement after 35 years of service to The University of Tennessee (Exhibit 2). Mrs. Andrea Loughry seconded, and the motion carried unanimously.

Mrs. Logan thanked all the Trustees with whom she worked over the years for their friendship and for the opportunity to be of service to the University.

#### **V. APPROVAL OF MINUTES OF PRIOR MEETINGS OF THE BOARD AND OF THE EXECUTIVE AND COMPENSATION COMMITTEE**

Mr. James L. Murphy, III moved approval of the minutes of the Board and Executive and Compensation Committee meetings held since June 2005.

Mrs. Andrea Loughry seconded, and the motion carried unanimously.

#### **VI. PRESIDENT'S REPORT AND PRESENTATION ON STRATEGIC PLANNING**

Dr. Petersen reported that the senior staff met for two days in a strategic planning session in September. Prior to the session, background information was developed in six key areas: (1) student access, (2) student success, (3) research, (4) outreach, (5) economic development, and (6) globalization. Each area was discussed fully in

an effort to relate each specific area back to the overall function of the University. Dr. Petersen said the effort is a work in progress and one that will ultimately evolve into a scorecard for the senior staff and the President. He invited Trustees to offer their comments and suggestions about additional areas of focus that should be included in the strategic plan.

Dr. Petersen said the best description of the University's mission revolves around its efforts to serve all Tennesseans through innovative higher education programs, which encompasses all the University does in terms of teaching, research, outreach and public service. Dr. Petersen said the single most critical area of importance and focus that continued to emerge through the planning session is the need for better internal communications. He said unless employees, students and faculty clearly understand the University's mission and its relevance to the citizens of the State of Tennessee, they cannot be advocates to help disseminate the message throughout the State. Internal newsletters, emails and other printed materials will be developed and utilized more fully to distribute its message and the news of the many good things that are happening at the University to its employees and students with the hope that they will spread the news to their families, friends and neighbors.

Dr. Petersen reported that in the area of student access, the State of Tennessee ranks below the national average in terms of the number of citizens who hold baccalaureate degrees. He said work needs to begin with students at the kindergarten level and continue through high school to inform them of the benefits and opportunities that exist as a result of higher education. They should be encouraged to pursue higher education, and assistance should be provided to help them achieve their goals. The Tennessee Higher Education Commission is initiating efforts to involve higher education administrators to assist Commissioner Lana Seivers in getting the message out to students in K-12.

Dr. Petersen said enhancing research includes providing the proper environment, hiring the right faculty, nurturing those faculty members and providing the necessary environment to improve their scholarship and enhance their productivity, and finally rewarding their productivity.

Dr. Petersen noted that as a land-grant institution, outreach is key to the University's success. The University is in all ninety-five counties of the State through the extension services. The Institute for Public

Service also reaches all corners of the State. Dr. Petersen said it is the obligation of the University to serve not only its students but also the public. Work will be done to continue to develop mechanisms for reaching each and every person in the State through University programs.

Dr. Petersen said the University's efforts in the area of economic development are visible not only through its outreach throughout the State, but also through its pursuit of intellectual properties that are developed on its campuses and moved into the private sectors. The University helps to build companies that are currently a part of the state environment as well as helping to recruit new businesses to Tennessee. Finally, the University is obligated to help develop and educate a capable workforce that will fuel existing companies and encourage new companies to consider Tennessee as a permanent location.

Dr. Petersen said in the area of globalization, each of the undergraduate campuses of the University has in one way or another focused on globalization as a priority. He said if the University cannot provide a global environment for its students, its campuses and the state, it is missing an opportunity for broader outreach in terms of the State's economic programs.

Moving from the focus areas to actual outcomes, Dr. Petersen noted that three basic areas were identified. The first is fostering a successful organization and methods necessary to achieve success. During the strategic planning retreat, the staff looked at the structure and function of the University in terms of the system, campuses and institutes, examining carefully how responsibilities for most operations could be moved down into the organization in an effort to give autonomy to campuses and institutes and assist them in working with the development of a strategic plan specific to their organization and still within the framework of the overall institution. Dr. Petersen said the chancellors discussed the ability to deliver courses from one campus to another through distance learning. He said by allowing students and faculty access to resources on each and every campus, the University is able to utilize its full complement of resources in everything it does across the State.

Dr. Petersen said development activities are also key to fostering a successful organization. Although giving is often based on a passion for a particular campus, program or community, the University must

centrally support, nurture and enhance gifts that are campus or program specific.

The information technology system should be used to connect campuses and institutions and communicate across the state. The infrastructure can be developed and maintained centrally but can be distributed and used on each and every campus to communicate and offer the benefits of statewide communications to faculty, staff and students.

The importance of personnel issues, a system-wide human resources alliance with awards and recognitions programs, improved faculty and staff diversity, and the incorporation of succession planning into the professional development program are all aspects of building a strong personnel base.

Partnerships are important to every successful organization. Dr. Petersen said not only are partnerships between the University's campuses and institutes essential, but partnerships between external entities like Oak Ridge, St. Jude's and Vanderbilt are important as well.

Dr. Petersen said in order to be successful in its mission, The University of Tennessee must maximize all its resources. He said the University is preparing to undertake an approximate \$1 billion capital campaign. Additionally, the University administration will be looking at strategies to help the state find ways to bond its capital projects in the future. Dr. Petersen said as the University seeks to enhance its external resources, it should also strive to build its grants and contracts portfolio. Preliminary data shows that once again this year, The University of Tennessee will have an increase in grants and contracts. Dual credit offerings, on-line courses and library resources will be expanded to make sure that students and faculty have access to all University resources. Dr. Petersen said employee productivity is essential, and compensation awards are important as a reward for excellent productivity at all levels.

Dr. Petersen said effective communications are essential to the operations of a successful organization and to the dissemination of its mission. He said an important part of communications is message content. The message must be clear and consistent. He said there are many good things happening throughout the State at UT's campuses and institutes but many of our citizens do not know about

those good things. He said the communications plan is to not only make sure that our internal constituencies understand who the University is and what it is about, but that the citizens of the State, the legislators and others within the State understand the value UT brings to the State of Tennessee.

Dr. Petersen said all the plans in the world will not ensure that an organization is moving forward. The mission results must be measured, benchmarked and evaluated. He presented a first draft of a report card with five-year benchmarks (Exhibit 3). He said the report card is broken down into four main areas and fifteen measurable topics. Additional areas can be added if necessary.

## **VII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE**

### **A. Filing of Flight Operations Annual Report for FY 2005**

Mr. William B. Stokely, III, Chair of the Finance Committee, noted that Board policy requires an overview and final flight operations report presented annually to the Board for review (Exhibit 4). He reminded the Board that the University aircraft is a 1978 vintage model, and at some point, the issue of replacing the plane will need to be addressed. Mr. Stokely moved approval of the FY 2005 Flight Operations Annual Report.

Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

### **B. FY 2006-07 Appropriations Request**

Mr. Stokely asked President John Petersen to present the FY 2006-07 Appropriations Request (Exhibit 5).

Dr. Petersen said the appropriations request was presented in detail to the Finance and Administration Committee the previous day. He said the request has been broken down into two general categories. System-wide initiatives total \$123 million. Additional campus/institute initiatives total \$19 million for a grand total request of \$142 million. An effort has been made to link the requests to the six areas of student access, student success, research, economic development, community

outreach and globalization. As a part of the FY 2006-07 appropriations request, funds are being requested to match a commitment by Oak Ridge to recruit and hire scientists for the four joint institutes. Additional money in the appropriations request would be used to enhance science and engineering initiatives. Dr. Petersen said equipment included in the appropriations request is for the new Material Science Building. \$6 million is included for graduate student stipends to allow the University to become more competitive with other institutions in the region. Dr. Petersen said all the funds requested in the area of student access are for the continued funding of efforts related to the Geier Consent Decree and the diversification of the student population.

Dr. Petersen said \$50 million of funding in the appropriations request is proposed for reinvigorating a program that Senator Lamar Alexander started as Governor, matching private gift endowments with state money.

\$25 million of the appropriations request represents economic development initiatives. Dr. Petersen said \$24 of the \$25 million is a statewide initiative that would enable UT to link not only all of its campuses, but the Board of Regents campuses, the cities and many industries within the state to one backbone that would be virtually be one of the best technology infrastructures in the country.

President Petersen said \$19 million of the appropriations request represents strategic initiatives much like the one the College of Veterinary Medicine is seeking to expand statewide. Their program is an outreach project called the H.A.B.I.T. project. Dr. Petersen explained that when children with reading disabilities are paired with an animal in the classroom, the anxiety level for the child goes down and the ability to master and learn reading goes up phenomenally. This project is one of the initiatives under the College of Veterinary Medicine's \$1.7 million portion of the appropriations request.

Finally, Dr. Petersen addressed the common misperception that to fund priorities, the University could simply reallocate existing resources. When comparing peer institutions to The University of Tennessee, Knoxville campus, \$38.9 million would be required to bring the funding for students on the



campus into the 50<sup>th</sup> percentile of its peers; \$53.55 million would be necessary to bring it to the 70<sup>th</sup> percentile. On the Chattanooga campus \$5.81 million would be necessary to reach the 50<sup>th</sup> percent equivalent while \$10.3 million would take it into the 70<sup>th</sup> percentile in comparison to its peers. The Martin campus would need \$2.18 million to take it to the 50<sup>th</sup> percentile of its peers and \$5.62 million to take it into the 70<sup>th</sup> percentile. Dr. Petersen said new funding is important to bring UT campuses to a level average with that of its peers.

Mr. Stokely moved approval of the 2006-07 Appropriations Request and recommended it be forwarded to THEC for consideration. Mr. James A. Haslam, II, and the motion carried unanimously.

**C. Approval of FY 2005-06 Mid-Year Compensation Plans**

Mr. William B. Stokely, III, moved approval of mid-year salary adjustments which require Board approval prior to implementation in accordance with the FY 2006 appropriations bill (Exhibit 6). He said the salary adjustments are targeted rather than across-the-board adjustments.

Mr. Jerry Jackson seconded, and the motion carried unanimously.

**D. Approval of the Fall 2006 Fees for MBA Program (UT Knoxville)**

Mr. Stokely said an increase in the fees for students working toward the MBA degree at UT Knoxville is proposed to become effective with the Fall Term 2006 (Exhibit 7). The proposed increase impacts incoming students but does not affect currently enrolled students.

In response to a question from Ms. Amy Prevost, Dr. Loren Crabtree said the seventeen-month MBA program on the Knoxville campus has been consistently running at a deficit. The deficit has been mounting because of cuts and the lack of operating increases in University budgets. The College has covered the MBA deficit with internal funds but can no longer afford to do so. By raising the fee by \$7,000, the real costs of the program are covered. An extra allowance provides for

significant enhancements to the program. Dr. Crabtree said the enhancements relate to the focus on globalization. The MBA students will have much more of an opportunity for international internships and international travel to help build their international capabilities as they move forward into their different careers. The fee increase provides for enhancement of the quality and services to the students. He said the fee will also cover the basic structural deficit that the college can no longer bear.

Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

#### **VIII. ACTION ITEMS FROM THE ACADEMIC AFFAIRS AND STUDENT LIFE COMMITTEE**

##### **A. Promulgation of Rules under the Tennessee Uniform Administrative Procedures Act**

###### **1. Student Conduct Rules at UT Chattanooga**

Mrs. Andrea J. Loughry moved approval of the Student Conduct Rules at UT Chattanooga (Exhibit 8). Mr. James A. Haslam, II, seconded. The motion carried by a roll call vote by show of hands.

###### **2. Student Housing Rules at UT Chattanooga**

Mrs. Loughry moved approval of the Student Housing Rules at UT Chattanooga (Exhibit 9). Mr. James A. Haslam, II, seconded. The motion carried by a roll call vote by show of hands.

#### **IX. ACTION ITEMS FROM THE GOVERNANCE COMMITTEE**

##### **A. APPROVAL OF REVISED OPERATING AGREEMENT BETWEEN THE UNIVERSITY AND UT FOUNDATION, INC.**

Mr. Jim Murphy, Chair of the Governance Committee, said the process to create an operating agreement between the University and the UT Foundation, Inc. has been ongoing for several months. Mr. Murphy said some comments were

received from the Comptroller's Office necessitating changes to the agreement. He said the UT Foundation has not had an opportunity to meet and review the revised agreement, but in a joint meeting of the Ad Hoc Committee on the UT Foundation and the Governance Committee, the draft of the agreement was approved (Exhibit 10).

Mr. Murphy moved that the agreement be approved and returned to the Board of Trustees or its Executive Committee for additional action should the UT Foundation Board desire changes to the agreement. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

## **B. APPROVAL OF BYLAW AMENDMENTS**

Mr. Murphy moved approval of the Bylaw Amendments as recommended by the Governance Committee (Exhibit 11).

Mr. Murphy explained that the first amendment would allow the Vice Chair, in consultation with the President and appropriate committee chair, to designate an agenda item for deliberation and action by the full Board without a committee recommendation. He then explained that the second and third amendments relate to composition of the Audit Committee and would provide greater flexibility in committee and chair appointments by allowing appointment of a qualified member of the Audit Committee who is not a Trustee and by eliminating the requirement that the chair of the committee have accounting or financial management expertise.

Mr. James A. Haslam, II, seconded, and the motion carried unanimously by roll call vote by show of hands.

## **X. REPORT OF THE AUDIT COMMITTEE**

Mr. Waymon Hickman, Chair of the Audit Committee, called the Board's attention to the minutes of the September 16, 2005 meeting of the Audit Committee (Exhibit 12). He said the next meeting of the Audit Committee will be held December 9, 2005 at noon in the UT offices on Capitol Boulevard in Nashville. Mr. Hickman invited all Trustees to attend.

## **XI. REPORT OF THE KNOXVILLE ATHLETICS BOARD**

Concerning UT Chattanooga athletics, Mr. Wolford noted that for the first time in a while the football team has a winning record. He said the athletics fee that was supported by the system administration and approved by the Board has solved the campus' Title IX issues and gender equity is no longer a problem. With regard to the athletics fee, Mr. Wolford said a women's golf team will be implemented.

Concerning academics, Mr. Wolford noted that all programs at UT Chattanooga subject to accreditation are fully accredited. A plan is being developed to reestablish the social work program. A joint ROTC program with UT Knoxville is being explored. SimCenter research has exceeded its grant funding expectations and cumulatively has grants totaling over \$5.8 million, which is almost double the projections. The doctoral program in education is in place and enrollment expectations have been exceeded, with a waiting list equal to another class that can hopefully be added in the near future.

### **XIII. CONSENT ITEMS**

Mr. Stansberry said each item on the consent agenda was reviewed fully by the appropriate committee. All items were recommended by the committees for approval as consent items.

Mr. Stansberry asked for requests to remove items from the consent agenda. No requests were made. Therefore, the following items were submitted for approval by unanimous consent:

- A. Approval of Annual Report to the General Assembly (Exhibit 13).**
- B. Revision of Post-Retirement Services Plan for Faculty (Exhibit 14).**
- C. Approval of FY 2006-07 Capital Outlay and Maintenance Budgets (Exhibit 15).**
- D. Approval of FY 2006-07 Revenue/Institutionally Funded Projects (Exhibit 16).**
- E. Approval of Construction of west Tennessee Regional Animal Diagnostic Lab (UT Martin)(Exhibit 17).**

Mr. Jim Haslam said the football team's record is now three and three with five games remaining in the season. Men's basketball player C. J. Watson was named to the men's basketball preseason All-SEC first team and teammate Chris Lofton was named to the second team. Mr. Haslam said the men's and women's basketball teams begin their seasons with Big Orange Madness on Friday evening, October 28. The Lady Vols soccer team recently won their fourth consecutive SEC eastern division title.

Eighty-seven current and former Vols and Lady Vols graduated from UT in the 2004-05 academic year. 200 male and female student-athletes achieved a 3.0 GPA for the fall semester and 222 achieved the same GPA for the spring semester.

Mr. Haslam said although the Athletics Department is making significant progress in fundraising and controlling its budget, it faces significant challenges with monetary issues that are beyond its control. Tuition costs continue to rise which in turn caused the scholarship bill for student-athletes to rise. Eighty-five percent of UT's student-athletes are from out-of-state which increases the cost of scholarships even more. The Athletics Department is contributing \$2.5 million in cash to the University in the form of academic scholarships and parking garage debt service payments.

## **XII. REPORT OF THE UTC CHANCELLOR'S ADVISORY COUNCIL**

Mr. Bucky Wolford advised that Chancellor Roger Brown gave the Council a report on his first one hundred days as Chancellor. He said Dr. Brown and his wife, Dr. Carolyn Thompson, have been very visible in the Chattanooga community. Dr. Brown was the keynote speaker for a recent Chamber of Commerce meeting and has made presentations at the meetings of most of Chattanooga's civic clubs.

Mr. Wolford said Dr. Brown has been focusing on meetings in which he has listened to the internal and external constituents of Chattanooga. He has started a strategic planning process to link mission, planning and budget applications. He is evaluating and strengthening the executive leadership team. He is strengthening the University and the UC Foundation relationships and partnerships and focusing on a future capital campaign. At the present the goal has not been set, but it will become one of the largest in UTC's history.

- F. Approval of Sale of Kingston Apartments (UT Knoxville)(Exhibit 18).**
- G. Proposal of Program of Study Leading to the Degree of Master of Health Informatics and Information Management (UTHSC)(Exhibit 19).**
- H. Proposal for Program of Study Leading to the Degree of Master of Cytopathology Practice (UTHSC)(Exhibit 20).**
- I. Revision of Policy on Misconduct in Research and Service (Exhibit 21)**
- J. Approval of Vice Chair's Recommendation of Committee Appointments for New Trustee (Exhibit 22).**
- K. Approval of Appointments to Board of Directors of University Health System, Inc. (Exhibit 23).**

Mr. Waymon L. Hickman moved approval of the consent agenda. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

#### **XIV. OTHER BUSINESS**

Mr. Stansberry announced that the next meeting of the Board will be held on March 15-16, 2006 at the Health Science Center in Memphis.

Ms. Mizell personally thanked Mrs. Logan for her excellent service to the University and the Board and wished her well in her retirement. She also recognized Mr. Mike Battershell, who has handled audio for the Board of Trustees meetings for as long as audio has been used at the Board meetings, and who will retire at the end of the year after 38 years of service. Ms. Mizell presented Mr. Battershell with a token of appreciation on behalf of the Board.

Mr. Karl Schledwitz said Dr. Bill Owen, the new Chancellor at the Health Science Center, also gave his 100-day report to the community recently. Dr. Owen laid out a vision to make The University of Tennessee Center for the Health Sciences a world-class institution. Mr. Schledwitz said Dr. Owen is a dynamic addition to the Memphis campus.

Dr. Richard Rice reported he and the other Faculty Senate Presidents met recently. He said he was asked to relay a faculty concern about the way the merit plan was implemented. He said the state-mandated salary increase called for a three percent increase across the Board for staff and administrators. Dr. Rice said UT faculty members received a 1.5 percent increase. Another 1.5 percent was used to form a pool that was awarded based on merit. Dr. Rice said the faculty support the concept of merit awards but would like to find a way to make merit awards to the best faculty without harming the rest.

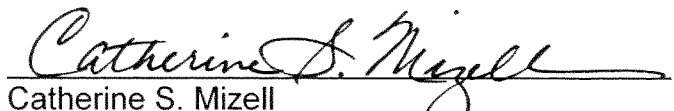
He said it seems to faculty that the plan this year has been a zero sum game. Dr. Rice said faculty feel that, perhaps in the short and the long run, merit pay distribution in its current form might be corrosive to collegiality and cooperation among faculty.

Dr. Petersen said the opportunity and obligation to put together specifics of the merit pay plan was given to each campus. The average increase for all groups was three percent. The pool for increases, as mandated by the State, was to be a straight three percent. Dr. Petersen said the state offered the flexibility to give merit increases from the three percent pool to only one group of employees – faculty – and the plan for doing so was left up to each campus to implement.

## **XV. ADJOURNMENT**

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

Respectfully Submitted,

A handwritten signature in cursive script, reading "Catherine S. Mizell".

Catherine S. Mizell  
Vice President, General Counsel and Secretary