

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

June 20, 2012
Knoxville, Tennessee

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 3:30 p.m. EDT, Wednesday, June 20, 2012 in Hollingsworth Auditorium, Ellington Plant Sciences Building, Knoxville, Tennessee.

I. **CALL TO ORDER**

Mr. Robert S. Talbott, Chair, called the meeting to order.

II. **ROLL CALL**

Mr. James R. Maples, Controller, called the roll, and the following members of the Finance and Administration Committee were present:

Robert S. Talbott, Chair
Joseph A. DiPietro
Charles C. Anderson
J. Brian Ferguson
John N. Foy
Don C. Stansberry, Jr.
Betty Ann Tanner

The Controller announced the presence of a quorum of the Committee. Other Trustees, members of the administrative staff, public, and representatives of the media were also present.

Charles Peccolo, Treasurer, Chief Investment Officer and Interim CFO was absent.

III. **APPROVAL OF MINUTES OF PRIOR MEETING**

Chair Talbott asked for any corrections to the minutes of the February 28, 2012 Meeting of the Committee. Hearing none the Chair called for a motion. Trustee Anderson moved approval of the minutes as presented in the

meeting materials. Vice Chair Stansberry seconded the motion, and it carried unanimously.

IV. COMMITTEE CHAIR REMARKS

No opening remarks were made.

V. FINANCIAL STATEMENTS FOR UTC, UTK, AND UTM ATHLETICS

Chair Talbott called the Committee's attention to the financial statements for UTC, UTK, and UTM athletics in the meeting materials (Exhibit 1) and asked Dr. Richard Brown, UTC Vice Chancellor, to present the UTC Athletics Financial Statement. Dr. Brown stated that UTC participates in the Southern Conference along with competitors Elon University, Appalachian State, Citadel and Georgia Southern. He noted that UTC Athletics has been through an NCAA Compliance Audit and received exceptional marks and full compliance. He noted that \$3.5 of the \$5.2 million spent on athletics goes back to UTC by grant aid/scholarships and is a reinvestment of dollars.

Chair Talbott recognized Bill Myers, UTK Senior Associate Athletics Director, to present the UT Knoxville Athletics Financial Statement. Mr. Myers explained that the UTK Athletics Financial Statement was for the period ending June 30, 2011 and was in the required reporting NCAA format. Last year's revenues were over \$104 million. Athletics generated \$103 million in revenue and received \$1.0 million in student fees. Expenditures were approximately \$97 million with a surplus of \$6.0 million. A total of \$14,900 was put into the Athletics reserve and the budgetary transfers of \$6.8 million to the campus were met with the remainder. Trustee Wharton asked if money is being paid out to any coaches that are no longer at the University. Mr. Myers explained that at the end of fiscal year 2011 there was \$4.8 million in escrow for future payments. Payments will be made until 2014 and have been previously expensed and will not hit Athletics financial statements in the future. The expenses have been incurred but money is in escrow for those payments. Trustee Talbott asked if UTK Athletics was cash flow positive, and Mr. Myers stated that there is currently \$5.8 million unrestricted in a savings account.

Chair Talbott then recognized Phil Dane, UT Martin Athletics Director to address the Committee. Mr. Dane began by saying that UTM competes in FCS Division 1 like UTC and have approximately the same sports inventory.

Five women's teams competed in conference championships and three won. He proudly announced that student athletes had a 3.0 GPA for spring. Expenses for the period ending June 30, 2011 were \$9.5 million. Approximately 35% of the increase in revenues came from three sources (student fees, game guarantees and contributions). Both revenue and expenses are related to a \$50 per semester student fee increase that started in 2007 and has greatly enhanced the program and facilities.

VI. TREASURER'S REPORT ON ENDOWMENT INVESTMENT PERFORMANCE

Chair Talbott asked Mr. Rip Mecherle, Executive Director of Investments, to present the report on endowment investment performance (Exhibit 2). Mr. Mecherle informed the Committee that the UT Consolidated Investment Pool is roughly \$630 million and is the Endowment's investment vehicle. It is trailing the bogey of inflation and spending on a ten and five-year basis, but outperforming over the last three years - the shorter the period, the less significant due to the Pool's indefinite time horizon. The Pool has been heavily affected by the credit crisis of 2007-2009, and the ten-year period is still being affected by the credit cycle of 2002. On a twenty-year and inception basis the Pool is performing inline or better than the long-term bogey of spending versus inflation. In the future, those numbers will be included in the presentation, to a longer frame of reference. Vice Chair Stansberry suggested the spend rate versus Pool performance be examined. The Investment Advisory Committee did so and believes it is at a reasonable level but bears watching. Mr. Mecherle suggested that performance like this quarter's could be expected over the next several quarters as well due to the weak economic conditions and market volatility from the Europe crisis. He then reviewed the Pool's categories and noted that the high quality fixed income securities had been some of the most steady, best performers over recent time periods. In addition, the real asset or natural resource components of the portfolio had as well. The Pool is broadly diversified by not only vehicle type, but also asset class. The purpose for that is to dampen volatility from some of the more challenging segments of the capital markets with more stable performers over time. High quality fixed income assets, for example, have recently returned 11% for the one-year and continue to do well. The reasons being, a continued downdraft in rates, central banks trying to hold rates low to stimulate economic growth, and as a safe haven. The challenging conditions likely will remain intact for several quarters. For instance, Europe's situation is still evolving and won't change anytime soon,

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however, the Pool should be well positioned to withstand these challenges over the long haul. He then presented the Asset Allocation as of 3/31/12 and noted that there was not much change from February 2012.

VII. RATIFICATION OF 2011-2012 QUASI-ENDOWMENTS

Chair Talbott recognized Controller Ron Maples to present the next agenda item, which calls for action by the Committee. Mr. Maples explained that the Board adopted a resolution in September 1995 authorizing the University President and Treasurer to establish quasi-endowment funds and report information concerning the funds to the Board annually at the June meeting. He referred to the schedule in the meeting materials presenting information for 2011-2012 quasi-endowments totaling \$1, 708,804.79. He then requested the Board's review and ratification.

Vice Chair Stansberry moved that quasi-endowments established during FY 2012 (Exhibit 3) be ratified. Trustee Ferguson seconded, and the motion carried unanimously.

VIII. USE OF QUASI-ENDOWMENT FUND FOR UT ALUMNI ASSOCIATION AWARDS

Mr. Maples explained to the Committee that the Alumni Association would like to take \$535,000 out of the Quasi-Endowment to fund their budget for the coming year. In the past, they have budgeted on a wish by raising money and using endowment income after the fact to plan the budget. The request is to give money prospectively (seed money if you will) for the budget this year and then in following years there will be real results of fundraising and endowment earnings to actually be the budget. The \$535,000 would be the budget for fiscal year 2013. Vice Chair Stansberry asked how the budget had been determined. Trustee Murphy interjected that his understanding was that they had been guessing each year and then setting the budget and then raised the funds. Vice Chair Stansberry clarified that in FY 2014 the Alumni Association will get what they raise. Trustee Murphy added that this action is to reverse the prior practice and put it where the money is upfront. Chair Talbott asked Lofton Stuart to speak, and he reiterated that the money requested would fund the program for a year and the budget for the following year would be what was raised and earned. Mr. Maples added that the budget last year was approximately the same amount and the quasi-

endowment money was from unrestricted gifts and is the same source of funds.

Vice Chair Stansberry moved approval of a one-time transfer of \$535,000 from the Alumni Affairs Unrestricted Gift Quasi-Endowment for 2012-13 Alumni Association awards and programs (Exhibit 4). Trustee Anderson seconded, and the motion carried unanimously.

IX. FY 2013 DISTRIBUTION OF UC FOUNDATION UNRESTRICTED ENDOWMENT FUNDS

Mr. Maples stated that each year the Board is presented with a proposed distribution of funds from the UC Foundation unrestricted endowment but is not all the money that the UC Foundation provides the Chattanooga campus. He then referred to the schedule for 2013 and noted that the amount was similar to last year.

Trustee Foy moved approval of the proposed FY 2013 Distribution of UC Foundation Unrestricted Endowment Funds as presented in the meeting materials (Exhibit 5) with the understanding that any subsequent changes to the proposed distribution will be presented to the Board of Trustees or the Executive and Compensation Committee for approval. Trustee Tanner seconded, and the motion carried unanimously.

X. DEBT MANAGEMENT POLICY

Controller Maples informed the Committee that even though the University does not issue its own debt the State has asked that a debt management policy be developed. The copy of the policy is included in the meeting materials and the Committee was asked to disregard the DRAFT watermark on the policy. President DiPietro mentioned that he took a trip with the Tennessee State School Bond Authority (TSSBA) to New York to speak to rating agencies about TSSBA's approach to managing debt. The bond rating agencies wanted to know if the institutions across the state have the ability without the State's knowledge to incur debt. The development of this policy is a result of a reply to agencies that if an institution incurs debt it is working through the State so it doesn't negatively impact TSSBA's bond rating. Trustee Murphy added that the State is making all agencies across the state that issue debt have official policies in writing. The University is being consistent with all other agencies.

Trustee Foy moved that the Debt Management Policy be approved as presented in the meeting materials (Exhibit 6). Trustee Ferguson seconded, and the motion carried unanimously.

XI. USE OF PROCEEDS FROM THE LEASE AND TRANSFER OF UT MEDICAL CENTER

Controller Maples stated that the University has committed that annual payments under the Lease and Transfer Agreement with University Health System, Inc. (UHS) will be designated for use by the UT Health Science Center through June 30, 2015, subject to specific proposals being submitted for approved by this Board. The Health Science center has submitted the following proposal:

- \$1,600,000 to complete and enhance the Plough Center for Good Manufacturing Practice facility being constructed in the new Pharmacy Building. The construction of the Center is being funded through a grant from the Plough Foundation.

Vice Chair Stansberry asked what the total payment from UHS was and Mr. Maples replied that it is approximately \$3.2 million. Trustee Schledwitz added that it is coming out of a pool that has been built up and has a balance. Tony Ferrara, UTHSC Vice Chancellor, noted that the balance was \$7 - \$8 million. Mr. Maples informed the Committee that there was a schedule of what all has been received and spent from the UHS annual payments. Trustee Schledwitz questioned how many more years of payments there were. Chair Talbott asked Mr. Maples to provide the Committee with a simple synopsis. There is a provision in the agreement on how the University gets paid and Chair Talbott recalled while serving on this Board that there were one or two years that the University did not receive the payment(s) and Mr. Maples confirmed that was correct.

Vice Chair Stansberry moved that the allocation of \$1,600,000 from the UHS Proceeds Fund go to the UT Health Science Center to complete and enhance the Plough Center for Good Manufacturing Practice (Exhibit 7). Trustee Ferguson seconded, and the motion carried unanimously.

XII. UT KNOXVILLE TUITION MODEL

Chair Talbott requested that Dr. Jimmy Cheek, Chancellor of UTK, present the UT Knoxville Tuition Model. Dr. Cheek then shared the Take 15, Graduate in 4 plan. This tuition model proposal would be implemented in fall 2013 for new undergraduate students entering the University of Tennessee, Knoxville and would change the maximum number of charged hours from 12 to 15.

The funds would provide:

- Courses and laboratories needed for graduation
- More academic advisors
- UTracK system for monitoring progress toward graduation
- More tutoring and academic support services
- More effective communication with undergraduate students
- Increased communications with prospective students
- Better student/faculty ratio
- More summer school options
- More courses online
- Additional need-based scholarships for Tennesseans

The new model would:

- Improve graduation rate
- Increase state funding through the Complete College Tennessee Act
- Increase capacity to serve other students
- Produce more undergraduate degrees annually
- Accelerate progress toward Top 25 goal

The Trustees engaged in a lengthy discussion regarding possibly limiting the annual tuition increase for the 2013 incoming freshmen to 3%. Several members expressed concern that putting a number out to the public becomes a stated guarantee, and is not possible. Also, if the 3% was not sufficient, then future students would have to pay more to make up for the deficit. The consensus throughout the discussion was that the 15-hour model stands alone well and does not need a discussion of expected annual tuition increases.

Chancellor Cheek explained that the model was in response to student requests for predictability. Student Trustees Fowler and Shah commented, as well as Knoxville student president Adam Roddy, in support of the 3% expected annual tuition increase in conjunction with the 15 hour transition. It was suggested the 3% might be stated as an amount by which standard tuition would be discounted for those 2013 incoming undergraduates, rather than a cap on the annual increase. However, Trustees wanted the plan stated in such a way that it would be achievable. The risk factor needs to be quantified before the decision is made.

Dr. Cheek confirmed that while future UTK full-time students will be required to pay a minimum of 15 hours, 12 hours remains the minimum requirement for full-time classification due to federal financial aid stipulations. The difference in cost from the current 12-hour model to the proposed 15-hour model is \$1,400.

The proposed model was applauded and it was noted that classes must be available for student success. Continued discussions included the fact that only a small amount of the total bill is actual tuition and the rest of the cost is for being at UT Knoxville and that students need more incentive to graduate in four years.

It is hoped that in three years Dr. Cheek will return to the Board to discuss a growth model. President DiPietro asked Chancellors Brown and Rakes to look at whether this model has any application for their campuses and they have agreed to do so.

Vice Chair Stansberry moved that the 15-hour tuition model for UT Knoxville be approved as presented in the meeting materials, increasing the maximum number of student credit hours charged from 12 to 15 hours for undergraduate freshmen and transfer students beginning in fall 2013 (Exhibit 8). Trustee Foy seconded, and the motion carried unanimously.

XIII. DISCONTINUANCE OF UT MARTIN REGIONAL TUITION RATE PROGRAM FOR UNDERGRADUATES

Chancellor Rakes explained that a couple of years ago a 25% reduction in out-of-state tuition was started for three contiguous counties in Mississippi. Within the first year the University of Mississippi started offering classes at a nearby community college and it is no longer a bargain or recruitment tool

for UT Martin. The plan is to help the one remaining student but need the Board's approval for discontinuing the program.

Trustee Foy moved that the Regional Tuition Rate Program for undergraduates at the UT Martin Selmer Center be discontinued for new enrollees, effectively immediately (Exhibit 9). Trustee Anderson seconded, and the motion carried unanimously.

XIV. EXTENSION OF UTC REGIONAL TUITION RATE PROGRAM FOR UNDERGRADUATES, FY 2012-13

Chancellor Brown presented statistics regarding the UTC Regional Tuition Rate Program for Undergraduates that was first implemented in 2007. It is an economic development program for the region UTC serves and raising college education attainment in an area that feeds the Chattanooga job market. Many of the families that the discount tuition is for shop, work, drive and pay Tennessee taxes. Approval was asked for the seven contiguous counties that touch Hamilton County as long as it did not displace any qualified Tennessee student applicant and as long as we could increase enrollment for the amount of the decreased tuition. The most enrollments came from Walker and Patoosa counties and they consider Chattanooga their hometown. You cross the street in Chattanooga and you are in Georgia. Business is the largest major and Caucasian is the largest demographic. There has been a gain of \$504,393 past the breakeven threshold of what it would have been for out-of-state tuition.

Trustee Foy moved that the UTC regional tuition rate program for undergraduate students residing in seven contiguous counties in Georgia and Alabama be extended for FY 2012-13 (Exhibit 10). Trustee Tanner seconded, and the motion carried unanimously.

XV. EXTENSION OF UTC REGIONAL TUITION RATE PROGRAM FOR GRADUATE STUDENTS, FY 2012-13

Chancellor Brown continued and presented the UTC Regional Tuition Rate Program for graduate students that was first approved in October 2009. He noted that it took longer to break even on the graduate program but it was achieved. There were 59 graduate degrees from that cohort. Enrollment is gradually increasing in the program with those students as a choice. A total

of \$127,303 was achieved above what it would have been for out-of-state tuition.

Trustee Foy moved that the UTC regional tuition rate program for graduate students residing in seven contiguous counties in Georgia and Alabama be extended for FY 2012-13 (Exhibit 11). Trustee Ferguson seconded, and the motion carried unanimously.

XVI. ELIMINATION OF FEES FOR THE FINAL SUMMER SESSION IN THE COLLEGE OF VETERINARY MEDICINE

Jim Thompson, Dean of the College of Veterinary Medicine, presented for discussion a proposal to eliminate fees for the final summer session in the College of Veterinary Medicine (Exhibit 12). He began by saying that the College of Veterinary Medicine is one of 28 schools in the nation and one of only three that actually charges for nine semesters of academic work. The remaining 25 colleges across the nation charge for eight semesters. Most parents and students realize that when they enroll that it is a four-year program and expect to pay for eight semesters of tuition. It comes as a sticker shock when you tell them that they are required to pay for a summer semester while being a clinical student. The first through the third years the student attends in the fall and spring. When they become seniors they enter the teaching hospital and attend year-round. We would like to eliminate the summer's tuition and fees and will save Tennessee students \$10,000 and out-of-state students \$22,000. It will result in a \$1.0 million tuition and fee deficit for the College that we currently collect. To recapture that revenue we would like to invite 16 offshore students from the Caribbean islands that are in AVA accredited programs to come to the College and that will account for \$700,000 of the deficit. There will also be a need to increase tuition for current students by 10% but they will still be saving money over their entire educational program. Our student debt burden is \$130,000 and those savings would be very helpful. Trustee Anderson asked if the Caribbean idea was sustainable. Dean Thompson explained that there are two schools in the Caribbean island, Ross University and St. George's University and both have large numbers of students. The problem is they do not have a teaching hospital and so they seek United States' schools where their students can get their clinical year education. The Vet Teaching Hospital has the capacity to hold these 16 students and will increase other opportunities for our students to do elective courses as well. There isn't capacity in the lecture halls to increase enrollment. President DiPietro explained that it is common in the United

States with US Veterinary Schools to take offshore students for clinical training as Dean Thompson mentioned. It is sustainable and has been in place over the last 16 years or so at various places.

This item was presented only for discussion only in the Committee, with action on the item to occur in the full Board meeting as part of the overall FY 2012-13 tuition and fee proposal.

XVII. REPORT OF STUDENT FEE CHANGES

Ron Loewen, Budget Director, explained that the report was an information item and the full Board will act on the fee changes at the meeting on June 21, 2012 when the budget document is presented.

- A. (Exhibit 13.1) Student Fee Changes Requiring Board Approval - Fees in this section are mandatory fees that either apply in general or to all students or apply in general or to all students in a specific program. They are included in the budget document.
- B. (Exhibit 13.2) Student Fee Changes Requiring President's Approval - Fees in this section require signature by President DiPietro. The fiscal impact of these specific fee changes are summarized in the budget document.
- C. (Exhibit 13.3) Student Fee Changes Requiring Campus Approval - Fee changes in this section are at the discretion of each Chancellor and their campuses. They are related to housing, meal plans, parking and different types of auxiliaries.

XVIII. ANNUAL HUMAN RESOURCES REPORT/COMPENSATION ADVISORY BOARD REPORT

(Due to time constraints, and without objection, the Chair moved this item to the end of the agenda.)

Linda Hendricks, Chief Human Resources Officer, presented the Annual Human Resources Report (Exhibit 14). She explained that the detailed HR Strategic Plan was in the meeting materials and covers the first two years of a five-year plan (Exhibit 14.1). The HR redesign went into effect in January 2010 and changes included Regional Service Centers in Knoxville and Memphis, a HR Call Center and a redesign of the HR website. The HR Call

Center averages 88 calls per day with two Call Center employees and seven additional employees in rotation. If both Call Center employees are on the line, the calls rotate to seven other individuals before the call goes to voicemail. When the Call Center began, 68% of the calls were handled with the first person that answered the phone without having to triage to a HR professional or vendor. The percentage rate is now 85% without triage, and the national rate is 80% for call centers. She encouraged all to visit the HR website and explained that it is a work in progress. Traffic has increased since the first quarter of 2010 from 13,000 visitors to 85,000 in the fourth quarter of 2011. There have been six feature series in order to better educate employees about benefits and opportunities they may not be aware of. One of those features was about the Sick Leave Bank, and it generated an increase of 13% participation statewide. Testimonials were also run on several issues, an example being "The Grass Isn't Always Greener" featuring employees that left the University and returned. "FOR YOUR BENEFIT," a biannual employee newsletter is sent to homes right before open enrollment in the fall to insure that employees understand any change in benefits plans and prepares them for enrollment. It is followed up with open forums on every campus and at every institute to answer questions. The second issue is sent in the spring. In January, 2012, HR launched a new applicant tracking system statewide for staff hires, where we have seen an 83% increase in applicants. HR provides senior leaders performance review completion reports monthly, quarterly diversity reports for faculty and staff (recruitment, terminations and net impact) and biannual HR service center updates. Last year, HR ran 3,869 background checks statewide, resulting in 49 no hire decisions. SkillSoft e-learning offers more than 300 courses to employees at no cost and can be accessed at any time including nights and weekends. The Employment Engagement Survey had a participation rate of 61% at the encouragement of the Chancellors, and the national rate for higher education is 42%. The Survey will be implemented every three years and in the intervening years there will be work culture improvement teams. HR will survey to see if progress has been made. The Leadership Institute is held every other year for a week and can only accommodate 50 participants. There is a proposal to go before the President and Chancellors to conduct annually to assist with succession planning, as well as other programs that build future leaders in the pipeline. We are on year two of a redesign of performance management. Year one developed new forms/process and provided supervisor training. This year we are completing competency-based job descriptions and developing templates for peer and supervisor reviews. Hopefully in year three the performance management process will be automated. The

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Workforce Strategic Plan is a small sample of the information that is supplied to Chancellors annually. Thirty percent of UT's workforce is retirement eligible today and 48% are eligible in five years. That is why new programs such as applicant tracking system, focus on recruitment, succession planning and internal development are critical. HR is now a service provider that provides workforce information and support to the President and Chancellors so that they can make good business decisions and ensure that HR policies procedures are aligned with the mission and goals of the University. A great deal of foundational work has been done, and we are now ready to move on to the redesign of new employee orientation, succession planning and those initiatives that will have good return for the University.

CHRO Hendricks then asked Dr. Richard Brown, Chair of the Compensation Advisory Board to report on its progress. Dr. Brown explained that the work of the Compensation Advisory Board (CAB) is ongoing and thanked President DiPietro for his continuing support. CAB consists of key staff from every campus and institute across the University and its goal is to recruit and keep top talent. The University of Tennessee spends almost 75% of its resources on human capital. It is the quality of faculty and staff that allows the completion of the University's mission. Each campus is working on an employee of choice model that explains why they are the best campus in the United States and why individuals would want to work there. This year, each campus will present a compensation and framework plan. The Board supported pay increases over the past two years have made a significant difference. The employee engagement survey has been critical and has created data and feedback. The common thread on every campus has been the need for us to communicate better and develop a culture that is transparent, understandable and frequent. CAB will work to implement those particular strategies. CAB has also recently launched three new work teams, based on the employee engagement survey, Sibson market assessment, Employer of Choice models (Exhibit 14.2), as well as compensation, benefits and work culture improvement teams. It was mentioned that Executive Director, Mark Paganelli will be the statewide representative on the statewide insurance committee over the next three years.

Trustee Murphy noted that there is an emphasis on training supervisors to evaluate and that it has been a topic of discussion for sometime in the Effectiveness and Efficiency for the Future Committee. He asked if evaluating employees in the University had progressed up to today's

standards or is there further to go. CHRO Hendricks said good progress has been made but there is further to go because some of the supervisors that really need training do not attend training provided. Making training part of the supervisor's performance review may be a CAB recommendation. It is an expectation for supervisors to be trained in these areas and if they don't, they are not meeting expectations. It is being discussed to tie it into the performance review itself for supervisors and Trustee Murphy agreed that it is a deficiency in their performance if they are not trained. President DiPietro replied that we are improving by making the first step of ensuring that the performance evaluations are being done. People get promoted into a manager's role because they were good at the job they did last and the aspect of managing and evaluating then needs to be strengthened. Trustee Murphy added that sometimes in government folks are promoted because of their longevity, but that doesn't necessarily mean they can do the job. Part of our job is to train them, but the other part is to evaluate who can and cannot do the job and be willing and able to tell the ones that to improve or be replaced. It happens in the private sector, and the University needs to have the same mindset. There is a desire to compensate employees at market if we can, but in order to do that, performance at the market is required. CHRO Hendricks agreed that in the past, employees have at times been promoted just because of the longevity and may be good at what they did, but that doesn't mean they are supervisor material. First, we must do a better job of looking at the attributes of supervisors and managers and assess those that can perform in that role. Second is a structured training component. Part of the HR strategic plan is to go back and train supervisors that have been in the role for a long time and have not had the appropriate training.

Information will be posted on the CAB website.

XIX. FY 2013 OPERATING/CAPITAL PLANS FOR UNIVERSITY OWNED OR LEASED RESIDENCES FOR SENIOR ADMINISTRATORS

Controller Maples presented the annual approval for the operating/capital plans for the former President's residence in Knoxville and the Chancellor's residence in Chattanooga. We are only proposing the on-going operations and maintenance for the two residences.

Trustee Anderson moved that the operating and capital plans for senior administrator residences be approved as presented in the meeting materials

(Exhibit 15). Trustee Ferguson seconded, and the motion carried unanimously.

XX. CAPITAL PROJECTS OUTSIDE THE BUDGET PROCESS

Controller Maples reported that additional revenue/institutionally funded projects for FY 2012-13 had been identified by University administration. The Board's approval of revenue/institutionally funded projects in October 2011 included authorization, with the President's approval, for additional projects identified during the year. The projects listed on the attached schedule total \$58,700,000 (Exhibit 16).

XXI. UT CHATTANOOGA CAMPUS MASTER PLAN

(Due to time constraints, and without objection, the Chair moved this item to the end of the agenda.)

Controller Maples introduced Ms. Krisan Osterby from the firm of Perkins and Will, Inc. of Minneapolis and she then presented the UT Chattanooga Campus Master Plan. She explained that the campus master planning process was accomplished over a year and a half timeframe. The strategic goals and objects were confirmed by UT Chattanooga at the very beginning of the process and were the basis for all physical planning. They revolved strategically around enrollment growth targets. The Carnegie Classification includes the fact that it is a metropolitan engaged university. Erlanger Medical Center and the Martin Luther King Neighborhood are also working on their planning and redevelopment with private and community partners and the city of Chattanooga. The University has a portion of access with Finley Stadium as well as the use of Warner Park with Engle Field. It was a parcel of property that was purchased, approved and completed during the master planning process. All of the planning was based on Tennessee Higher Education Commission guidelines. She explained that on the diagrams anything in red is academic facilities, housing neighborhoods are in yellow; student life university center is in orange, recreation sports in green and varsity sports in blue.

Most of the parking evolved to a structure parking solution on the parameter relying more on pedestrian, biking and transit traffic. The major finding was that transit is very valued on the UTC campus and has been increasing. It is a simple strategy to look at alternate routes that would be reverse routes to

gain even more ridership to increase the pedestrian versus single use vehicles occupancy on the campus.

Ms. Osterby went over Phase One and noted that the new construction was in blue so housing in conjunction with structured parking from here to the west of the campus core. There are a few sites for life sciences, communication and potentially health sciences would with structured parking may require property acquisition or partnerships to achieve and then continuing improvement in the Engle field area.

Phase Two continues improvement of academic facilities for specialized labs, study and office space. It is in the campus core of academics with 15,000 in enrollment and a need of investment to expand the university center in the heart of the campus. An additional student housing neighborhood to meet the target of 35% housed with significant increased enrollment. There would also be continuing improvement for varsity sports at that time.

Phase Three would allow a lot of flexibility for continued growth of the University and identifying infield sites. Trustee Foy commented that a great deal of time has been spent on this campus master plan and there is a lot of buy in from the city and they spent a lot of time on it as well. One thing that has been learned in Chattanooga is that there is a lot of involvement by the citizenry to make it a better place and the University is a vital part of it. The master plan incorporates that and the presentation has been exceptionally well done. Trustee Hall commented he and Trustee Foy spent an entire afternoon reviewing the master plan and thinks that all future needs have been anticipated and thinks it is an excellent plan.

Vice Chancellor Richard Brown thanked Krisan Osterby for the planning and commented that the process was almost two years long. UT Chattanooga is going to be one of the fastest growing campuses in the entire system and appreciates the Board's support. He went on to say that in the large footprint there are potential acquisition properties and have been talking to President DiPietro, CFO Peccolo and the UC Foundation regarding the acquisition of the south campus housing. It is similar to what was done at UT Knoxville. We anticipate moving that acquisition very quickly this fall. UTC has managed the property for the UC Foundation for approximately four years and is cash flowing beyond expenses to the amount of \$1.0 million annually. It is a good opportunity for UTC to control that full south campus.

There is a property exchange between First Presbyterian Church and a parking lot area that the Church owns on McCallie Avenue. It is an equal swap of land and wanted to make the Board aware that both of those are fully implemented in the master plan.

Trustee Foy moved that the Campus Master Plan for The University of Tennessee at Chattanooga be approved as presented in the meeting materials (Exhibit 17). Vice Chair Stansberry seconded, and the motion carried unanimously.

XXII. REAL PROPERTY TRANSACTIONS

A. Electrical Line Easement to Knoxville Utilities Board (UTK) – Executive Director, Robbi Stivers presented the utilities easement that presents a unique opportunity to the University. The University of Tennessee, Knoxville and Knoxville Utilities Board (KUB) propose construction of an electrical line within the boundaries of an existing sanitary sewer and gas line along Third Creek (see attached map). The new electrical line will accommodate expanding loads and provide beneficial system redundancy to the Cherokee Farm Campus and UT Medical Center. KUB seeks authorization to enter upon, replace, install and maintain the electrical line.

The existing Permanent Utility Easement is irregular in shape and contains approximately 125,501 +/- square feet, or 2.89 +/- acres. This utility improvement is for the benefit of the University, and therefore no further consideration is sought from KUB. Upon approval by the Board of Trustees, the University will seek all required State approvals.

Trustee Foy moved that the Knoxville Utilities Board be authorized to construct an electrical line within the boundaries of the existing Permanent Utility Easement described in the meeting materials (Exhibit 18). Trustee Anderson seconded, and the motion carried unanimously.

B. Utility Easement to Knoxville Utilities Board (UTK) – Executive Director, Robbi Stivers then presented a utility easement for UT Knoxville's new University Center. The University of Tennessee, Knoxville and Knoxville Utilities Board (KUB) propose a Permanent Utility Easement necessary for a new water line and sanitary sewer line construction to serve the new

University Center (see attached map). The easement will authorize KUB to enter upon, operate, repair and maintain utilities located within the area defined by the easement.

The proposed Permanent Utility Easement is irregular in shape, varies in width, and contains approximately 1.08 acres+/- . The easement is for the benefit of the University, and therefore no further consideration is sought from KUB. Upon approval by the Board of Trustees, the University will seek all required State approvals.

Trustee Anderson moved that the Knoxville Utilities Board be granted the Permanent Utility Easement as described in the meeting materials (Exhibit 19). Trustee Foy seconded, and the motion carried unanimously.

XXIII. ANNUAL REPORT OF SALE OF GIFT PROPERTY

Controller Maples explained that the Bylaws require an annual report of all sales of real property acquired by gift or devise and that the report for 2011-12 was in the meeting materials.

Trustee Foy moved that the 2011-12 Annual Report of Sale of Gift Property be approved (Exhibit 20). Trustee Anderson seconded, and the motion carried unanimously.

XXIV. PRESIDENT EMERITUS AGREEMENTS

President DiPietro explained that Public Chapter 840 of the Tennessee Public Acts of 2000 authorizes higher education institutions to enter into one-year agreements with former presidents for services. The agreement may be renewed from year to year if the governing board is satisfied with the performance of services.

President DiPietro presented proposed agreements with Dr. Edward J. Boling and Dr. Joseph E. Johnson for the coming year. At Dr. Boling's request, his agreement extends only through December 31, 2012. The salary rate for both Dr. Boling and Dr. Johnson remains the same as the past fiscal year, and all other terms and conditions are unchanged, except the operating expenses for Dr. Boling's office have been reduced to reflect the fact that his agreement is only for six months. President DiPietro noted that the meeting materials

include reports by Dr. Boling and Dr. Johnson of their services during the past fiscal year.

Vice Chair Stansberry moved that the President Emeritus Agreements with Dr. Edward J. Boling (Exhibit 21.1) and Dr. Joseph E. Johnson (Exhibit 21.2) be approved. Trustee Tanner seconded, and the motion carried unanimously.

XXV. RESOLUTION AUTHORIZING EXECUTION OF INSTRUMENTS FOR THE ASSIGNMENT AND TRANSFER OF SECURITIES

Controller Maples explained that the proposed Resolution is a housekeeping item to correct the inaccurate titles for the University Officers the Board has previously authorized to execute written instruments for the assignment and transfer of securities held by the University.

Trustee Anderson moved that the proposed Resolution Authorizing Execution of Instruments for the Assignment and Transfer of Securities be approved (Exhibit 22). Vice Chair Stansberry seconded, and the motion carried unanimously.

XXVI. OTHER BUSINESS

The Chair called for any other business to come before the Committee. There was none.

XXVII. ADJOURNMENT

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

Respectfully Submitted,



Charles M. Peccolo
Treasurer and Chief Financial Officer