

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

June 20, 2013
Knoxville, Tennessee

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 10:45 a.m. EDT, Thursday, June 20, 2013, in the Hollingsworth Auditorium on the campus of The University of Tennessee Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER

Chair Charles Wharton called the meeting to order.

II. ROLL CALL

Johnnie Ray, President & CEO of the UT Foundation, Inc. and Vice President for Development and Alumni Affairs, called the roll of Committee members. Those present were:

Mr. Charles Wharton, Chair
Ms. Anne Blackburn
Dr. Joe DiPietro
Ms. Vicky Gregg
Mr. Doug Horne
Mr. Karl Schledwitz
Mr. Don Stansberry
Mr. Tommy Whittaker

The Chair announced the presence of a quorum.

III. OPENING REMARKS BY COMMITTEE CHAIR

Chair Wharton welcomed Trustees and guests.

IV. CONSENT AGENDA

- A. Minutes of Last Meeting
- B. Annual Report of Naming Interior Spaces and Grounds (Exhibit 1)

Chair Wharton called the Committee's attention to the Consent Agenda and asked if any member wished to have an item removed from the Consent Agenda. Hearing no requests to remove an item, the Chair called for a motion to approve the Consent Agenda. Trustee Gregg moved approval, Trustee Whittaker seconded, and the motion carried.

V. GOVERNMENT RELATIONS AND ADVOCACY UPDATE

Anthony Haynes, Vice President for Government Relations and Advocacy, reported (Exhibit 2) that the First Session of the 108th Tennessee General Assembly was one of the fastest and challenging sessions in a long time. Despite the challenging year, it was one of the best budget years for The University of Tennessee because of Governor Bill Haslam and UT friends in the Tennessee General Assembly.

Funding for capital projects included: \$66 million for the Crowe, Mooney, and Nash Buildings in Memphis; the Steam Plant Conversion in Knoxville; and a \$1 million expansion at UT Martin's Parsons Center for a nursing collaboration between the UT Health Science Center and UT Martin. There were commitments for the supercomputer and for the UT Pediatrics program as well as the first recurring funding for the UT Law Enforcement Innovation Center. Funding increases were appropriated for non-formula units, including UTHSC and the UT College of Veterinary Medicine, and later for the UT Institutes of Agriculture and Public Service, which were appropriated at a lower rate.

The Government Relations staff spent long hours working on the gun issue through a coalition of the Tennessee Chamber of Commerce and Industry, business communities, Tennessee Farm Bureau, and health care organizations. Although there is not legislative clarity in this area, there is a recent Attorney General's opinion which states that employers are still permitted to set and enforce firearm policies for their workplaces.

Other major issues this past session dealt with preference/anti-preference language, UT counseling clinics, the UTK Legal Clinic, proprietary schools, lottery, tuition, and UT Knoxville's Sex Week. The Sex Week discussion brought forth the broader question of how colleges and universities spend their student activity fees, and new legislative proposals on this topic are expected in the upcoming session.

At the federal level, a congressional budget agreement has finally been achieved. With that came sequestration of about \$85 billion in cuts this fiscal year and cuts of \$1 trillion over the next 10 years. Because of the current economic climate, action on the debt ceiling and tax reform probably will not take place until the fall.

The federal farm bill and immigration bill both have components that are not only important to higher education but also specifically to The University of Tennessee. The appropriations process for the fiscal year beginning October 1 is underway. With the Higher Education Reauthorization Act, pressure on public and private colleges and universities to lower tuition will continue.

UT's Advocacy Program had a great first year (Exhibit 3), with Carey Smith leading the program. More than a 2,000 percent growth in participation has occurred since 2012, and it has become the home for grassroots advocacy.

Last year, election surveys were sent to candidates and the results were posted on the Advocacy website; the surveys will be used again for the next election to assist people in their voting decisions.

Trustee Schledwitz asked if the election survey was a UT or higher education initiative. Mr. Haynes replied that the survey was a UT initiative that originated in the Advocacy Program. Trustee Schledwitz then asked if it would make sense to involve other institutions to make it a higher education initiative. Mr. Haynes stated that this idea has merit and is something that UT could grow into, working with TBR and private institutions.

Mr. Haynes recognized Kurt Schlieter, UT Associate Vice President and Director of Federal Relations; Damian Kunko, Vice President, Strategic Marketing Innovations, Inc.; and Jim Kohlenberger, former Chief of Staff at the White House Office of Science and Technology, who is helping with UT's research enterprise.

Trustee Horne asked whether the University is successful in obtaining funding by going directly to agencies rather than through earmarks. Mr. Haynes stated that structure will be changing because the agencies are cutting back. The competition for funds has not diminished, so the strategy will need to change; Jim Kohlenberger's expertise will help us in the University's efforts.

VI. ANNUAL REPORT OF THE UT DEVELOPMENT COUNCIL

Janet McKinley, President of the UT Development Council, gave an update of Development Council activities. Last October, all the system-wide volunteer boards, which included the UT Development Council, UTFI Board, and Executive Committees from the Alliance and the Alumni Association, gathered in Knoxville for the second annual Volunteer Leadership Weekend. The members want to be involved and want to help the UT system and the campuses to grow. They took part in brainstorming and problem solving activities. This Council is the main volunteer fundraising arm of the University. But it is critically important that the Council understands the strategy, direction and goals of the University and campuses to assist in that fundraising activity. The meeting focused on the strategic plan with some of the discussion centered on the research capabilities UT has, and how to get that message out to the community. Recommendations include advertising and communications. Likewise they talked about how to position UT for an online education environment. A large number of comments were positive as this is a great way to reduce costs and also increase graduation rates.

Ms. McKinley spoke for herself as well as the Council in thanking Dr. DiPietro for including them in this discussion just as he did with other constituents. He gave an update on the strategic plan, the dashboard, where the University is headed and where there may be issues. Ms. McKinley also stated Ms. Carey Smith has done an excellent job in getting the Advocacy Program up and running. Many members signed up.

The next Volunteer Leadership Weekend will be on November 7-9, which is the Auburn weekend. Ms. McKinley encouraged the Trustees to join the Council for this meeting.

The spring meeting of the Development Council was held in Memphis in April. Dr. Schwab shared his vision for the UT Health Science Center and the current initiatives taking place. From his remarks it is clear that the UTHSC is deeply invested in Memphis and in the region through partnerships, alliances and community outreach.

VII. ANNUAL REPORT OF THE UT ALUMNI ASSOCIATION

Jennifer Stanley, current President of the UT Alumni Association was unable to attend. Worrick Robinson, newly elected President of the UT Alumni

Association beginning July 1, presented the report. He began by announcing that his son will soon be the third Worrick Robinson to attend UT Knoxville.

The UT Alumni Association completed its first ever strategic plan in 2010 and is now half way through the five-year plan. Five key milestones to report are:

- The successful transition from a 78 member board to a more involved 32 member Board.
- Completion of an 18-month review of the Alumni Chapter Program and after a thorough evaluation including surveys, meetings and focus groups with staff and alumni across the state and country, a new plan was approved. This plan restructures the chapter form into more regional and campus specific.
- Implementing and expanding an Alumni Career Service Program. It was launched in 2011 and in 2012 expanded to reach 9,000 members, an 80% increase; had 2,000 plus webinar views, 2,000 plus alumni database users and 236 individual appointments.
- Restructured the Annual Giving segmentation and calendar to enhance services to campuses. The segmentation approach was restructured based upon donor behavior, implemented new ask amounts based on previous gift amounts and moved to a new year-round schedule for campus and college solicitations.
- Upgraded the communications strategy and publications which includes a redesign of all alumni websites and online giving sites as well as developing a system-wide e-mail calendar to coordinate e-mails received by alums.

The five goals of the UT Alumni Association going into 2013 are:

- Hire an intern to assist with Career Services. This has been the fastest growing area.
- Begin operation of the new Alumni Association Advisory Council which was one of the recommendations from the strategic plan. This will be a system-wide advisory council that can provide input on programs, services and initiatives to the Alumni Association. The 40 members have been recruited and will begin work in July.
- The roll out and full implementation of the new Chapter Program restructure. The new format began in March with the goal of having every chapter, network and club fully operational by the end of the calendar year.

- Continue to work with Government Relations and Advocacy staff to expand the number of alumni engaged in advocacy related activities. Would like to have one to five advocates in all 95 counties in the state.
- Implementation of the new electronic communications strategy in conjunction with the Chapter restructure.

Mr. Robinson thanked the Trustees for their time, leadership and support. He looks forward to serving as President of the UT Alumni Association over the next year.

Trustee Driver pointed out that Mr. Robinson's father, some 40 years ago, was the UTAA President and helped to form the first UT Legislative Advocacy Council so there is a rich tradition and legacy here.

Trustee Gregg asked how many regional chapters there will be. Lofton Stuart, Executive Director of UTAA, stated there will be nine chapters in Tennessee and those out of state will remain much the same as they are now. They will each be run by an individual board that will coordinate with Mr. Robinson.

VIII. ANNUAL REPORT OF THE UC FOUNDATION

Tom Griscom, current President of the UC Foundation, was unable to attend. Pat Branam, Interim Vice Chancellor and Interim Executive Director of the UC Foundation, presented the report (Exhibit 4). The newly elected President of the UC Foundation, Mr. Fred Decosimo, will begin his term July 1.

Ms. Branam said the UC Foundation is very pleased to be completing the first year of affiliation with the UT Foundation and with The University of Tennessee as fundraising partners to benefit the Chattanooga campus.

Over the lifespan of the UC Foundation, more than \$100 million of resources have been provided to the UTC campus and going forward to next year at the recommendation of their provost, about \$104 million in very strategic grants will provide academic excellence on the UTC Campus.

As of now, the UC Foundation is holding for the benefit of the faculty and students 38 professorships and 250 individual scholarship programs. Fundraising for this year stands at about \$8.2 million. With another week to go, the UC Foundation hopes to top out at \$9 million for this year with the help of some good volunteers through the Alumni Council at UTC and the Development

Council members who represent UTC. The UC Foundation will create a Development Committee of its own. So with those three groups of development volunteers, the foundation hopes to do much better in the future.

Through the UC Foundation's Real Estate Development subsidiary, along with Richard Brown's facilities group and student housing, the south campus housing project has been turned into a financial positive, and about \$1 million per year will be flowing from that residential project back to the resources of the UC Foundation.

The investment performance was about 9.2% which exceeds the benchmarks set last year. The UC Foundation has not received any gifts that would pose any financial liability for the University of Tennessee.

IX. ANNUAL REPORT OF THE UT FOUNDATION

Johnnie Ray, President and CEO of the UT Foundation and Vice President for Development and Alumni Affairs, thanked Ms. McKinley and Mr. Robinson for all they do and for being great friends to the University. Ms. McKinley is a newly elected member of the UT Foundation Board of Directors.

Mr. Ray then proceeded to present the Annual Report of the UT Foundation (Exhibit 5). He projected that across the system the fiscal year would end at \$167 million in cash, pledges and estate gifts. Great credit goes to the Chancellors for putting forth visions and aspirations that are resonating with the donor public. The nature of the business is that these numbers will fluctuate some year to year, but it is still a very good sign that the \$200 million per year in steady state philanthropy across the system is within sight.

Mr. Ray recognized the five very experienced and high performing vice chancellors: Randy Farmer (UTHSC), Andy Wilson (UTM), Scott Rabenold (UTK), Pat Branam (UTC) and Keith Barber (UTIA).

The UT Foundation is now coming on its second anniversary, having been reformed in 2011. The first top to bottom outside audit was conducted and the Foundation came out 100 percent clean with no findings or corrections needed. This is critical because the most important thing is having the trust of the alumni and donors.

In keeping with the Strategic Plan, Mr. Ray and the vice chancellors are working on a long range vision and clear definition for how the central system part of the Foundation and the campuses will operate and interface. One example is involving the Development Council into a plan where each campus chancellor and vice chancellor operates their own campus council. A subset of each campus council will roll up into a system wide President's Council that will help the UT President spread the work of the value proposition of the UT System. This Council will become a cornerstone program of the UT Alumni Association. This change is supported by the chancellors and vice chancellors.

Mr. Ray commended Mr. Robinson for his report about the strategic plans of the UTAA.

Mr. Ray thanked Ms. Tiffany Carpenter for her efforts during the recent personnel crisis on the Foundation's public relations position. Also, Ms. Carpenter and her staff recently created an e-mail calendar to coordinate the myriad of e-mail messages which are sent to alumni.

Mr. Horne stated that he, Spruell Driver, and Charles Wharton serve on the UT Foundation Board. Ms. Andrea Loughry, Dr. Jan Williams, and Dr. Steve Schwab have just rotated off the Board. He asks the Trustees to notify the UT Foundation of any good prospects for the UT Foundation Board of Directors. Mr. Ray concurred.

X. FY 2014 UT FOUNDATION OPERATING BUDGET

Mr. Ray referred the Committee to the budget located behind Tab 6 (Exhibit 6). The budget was originally set up to be reviewed every two years with the Chancellors and the UT President. This review has been moved to every year, and both the President and Chancellors agree.

Chair Wharton requested that future income statements show compensation in two groups, development staff and administrative support staff, so the Committee can get a handle on how much money is going into fundraisers.

Mr. Ray introduced the UTFI Controller and Treasurer Lisa Taylor who is also serving as Interim Executive Vice President and COO of the Foundation. Mr. Ray asked her to give a quick representation of the budget. Ms. Taylor stated salaries are broken out under development salaries and the administrative salaries, with the exception of Planned Giving, are listed under the Finance & Operations section. The proposed budget is \$25 million with 84% of that as

Page 8

compensation. This budget has the opportunity to add six development positions, so hopefully in the next three to four months all development positions will be filled.

XI. SECOND AMENDMENT TO THE AFFILIATION AND SERVICES AGREEMENT BETWEEN UT AND UTFI

There are two changes being presented to the Agreement. The direct support payments from UT to UTFI will be changed from every two years to annually to allow for more accurate and responsive commitments for UTFI's budget needs. The date for calculating the net administrative fee assessed on UT and UTFI funds invested in the Consolidated Investment Pool is being changed from fiscal year end June 30 to calendar year end December 31.

After operating under the terms of the Agreement for two years, it has become apparent that changing the timing of these calculations would provide for a more efficient and accurate budgetary process for UT and UTFI. In accordance with the terms of the Affiliation and Services Agreement, the proposed Amendment has been submitted to the Comptroller for the State of Tennessee for consideration and approval.

Trustee Cates moved approval of the proposed Second Amendment to the Affiliation and Services Agreement between the University and the University of Tennessee Foundation, Inc. (Exhibit 7), subject to the approval of the Comptroller for the State of Tennessee. Trustee Gregg seconded, and the motion carried.

XII. NAMING OF THE DEPARTMENT OF DERMATOLOGY AT UTHSC

Dr. Schwab presented the recommendation that the UT Health Science Center's Department of Dermatology be named for Dr. Robert J. Kaplan, Dr. Rex A. Amonette, and Mrs. Johnnie D. Amonette. Dr. Kaplan and Dr. and Mrs. Amonette have provided extraordinary philanthropy, leadership and service to the University of Tennessee and in particular, the UT Health Science Center. A celebration and steps to place their names on any physical departmental spaces or listed in any printed or online publications would occur between fall 2013 and spring 2014.

A motion was made that the UTHSC Department of Dermatology be renamed the Kaplan-Amonette Department of Dermatology to reflect the giving, service, and accomplishments of Dr. Robert J. Kaplan, Dr. Rex A. Amonette, and Mrs.

Johnnie D. Amonette (Exhibit 8). Trustee Schledwitz seconded, and the motion carried.

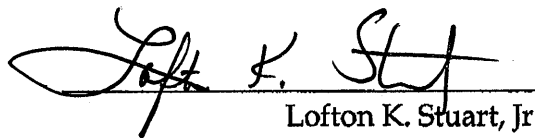
XIII. OTHER BUSINESS

There was no other business to come before the Committee.

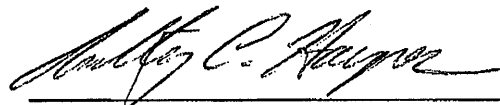
At the request of Vice Chair Stansberry, Chair Wharton announced that there is a vacancy on the newly reconstituted UT Knoxville Athletics Board and requested that anyone interested in serving on the Board should let Vice Chair Stansberry know.

XIV. ADJOURNMENT

With no other business, the meeting was adjourned.



Lofton K. Stuart, Jr.
Interim Vice President for Development
and Alumni Affairs
Interim President/CEO, UT Foundation, Inc.



Anthony C. Haynes
Vice President for Government
Relations and Advocacy