

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

June 21, 2012

The Annual Meeting of The University of Tennessee Board of Trustees was held at 1:30 p.m. EDT, Thursday, June 21, 2012, in Hollingsworth Auditorium, Ellington Plant Sciences Building, Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

Mr. Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order and noted Governor Haslam had asked him to chair the meeting. Mandy Trammell, Associate Director of the UTK Baptist Collegiate Ministry, offered the invocation.

II. ROLL CALL

Secretary Catherine S. Mizell called the roll, and the following members were present:

Charles C. Anderson
Anne Holt Blackburn
George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
J. Brian Ferguson
Teresa K. Fowler
John N. Foy
D. Crawford Gallimore
Monice Moore Hagler
James E. Hall
William E. Haslam
Douglas A. Horne
Julius T. Johnson
James L. Murphy, III
Karl A. Schledwitz
Shalin N. Shah
Don C. Stansberry, Jr.
Robert S. Talbott
Betty Ann Tanner
Charles E. Wharton
Tommy G. Whittaker
Janet M. Wilbert

The Secretary announced the presence of a quorum. Commissioner Huffman, Executive Director Rhoda, and Dr. Steinberg were unable to attend the meeting. Members of the administration, faculty, staff, and media were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. INTRODUCTIONS

Vice Chair Stansberry welcomed Emeriti Trustees Toby Boulet and Carey Smith. He also welcomed Mr. Shalin Shah, the new Non-voting Student Trustee, and presented him with a Trustee lapel pin.

IV. RECOGNITIONS

The Vice Chair called on Chancellor Roger Brown to make a brief tribute to Phil Oldham, outgoing Provost of UT Chattanooga, who will be assuming the office of President of Tennessee Technological University.

The Vice Chair then recognized Chancellor Jimmy Cheek, who praised Joan Cronan for her many years of outstanding service as Women's Athletics Director and her recent service as Interim Vice Chancellor and Director of Athletics. He announced that in recognition of her service, the word "interim" is being removed from her title. He presented Mrs. Cronan with a plaque naming her as the first Vice Chancellor and Director of Athletics. Chancellor Cheek also announced that she would hold the honorary title of Women's Athletics Director Emerita. Mrs. Cronan expressed her appreciation to the Trustees and the administration for their longstanding support of women's athletics.

V. APPROVAL OF MINUTES OF PRIOR MEETING

Trustee Wharton moved approval of the minutes of the February 29, 2012 meeting of the Board of Trustees as presented in the meeting materials. Trustee Talbott seconded the motion, and the motion carried unanimously.

VI. ADOPTION OF HONORARY RESOLUTIONS

The Vice Chair recognized Trustee Wilbert, who presented the Resolution honoring Toby Boulet for his service as a Faculty Trustee (Exhibit 1). Trustee Wilbert moved adoption of the Resolution, Trustee Murphy seconded the motion, and the Resolution was adopted unanimously. Trustee Wilbert presented Dr. Boulet with a copy of the Resolution and a framed photograph of the Board of Trustees.

In accepting the Resolution, Dr. Boulet encouraged the Trustees to continue their good work and read from an article in *Trusteeship*, "Twelve Inconvenient Truths about Higher Education." Although he does not believe these inconvenient truths are presented at UT, he urged the Trustees to continue to ask the tough questions necessary to keep UT campuses strong. Dr. Boulet thanked those who had the insight to create the Faculty Trustee positions, opening the door for communication and collaboration.

The Vice Chair next recognized Trustee Fowler, who read and moved adoption of the Resolution honoring Carey Smith for her service as a Student Trustee (Exhibit 2). Trustee Murphy seconded the motion, and the Resolution was unanimously adopted. Trustee Fowler presented Ms. Smith with a copy of the Honorary Resolution and a framed photo of the Board of Trustees.

In accepting the Resolution, Ms. Smith thanked the Board for their service to the University and commented on her remarkable experiences as a student Trustee. She looks forward to continuing participation as an Emerita Trustee. The Vice Chair noted that the Board looks forward to continuing work with Ms. Smith in her new role with the State Relations Office.

VII. GOVERNOR'S REMARKS

Governor Haslam began by noting that Tennessee's economy is generally encouraging. Unemployment is in single digits, and state revenue is above projections. However, the list is long for programs seeking funding.

The Governor said he and his staff are very mindful of the state's role in funding higher education. And although K-12 education and health care are also areas of pressure for state funding, the state does not want to continue the trend of reducing funding for higher education. There is a new focus on higher education in three key areas: increasing the number and quality of Tennesseans with a degree; the cost of obtaining a degree; and preparing the workforce to meet the state's needs. The status quo, the old model of higher education, will not hold for the next ten years. The Governor reiterated the state's commitment to partnership with higher education, which will be reflected in the upcoming budget.

Governor Haslam announced that the Trustees would be invited to a session in Nashville on July 10 with the Tennessee Board of Regents, THEC, and legislative leaders to kick off this new higher education endeavor.

VIII. PRESIDENT'S ANNUAL REPORT

President DiPietro began his annual report (Exhibit 3) with a discussion of the System Strategic Plan. He described the plan as the University's guide to moving forward for the next five years. The plan was developed through relationships and collaboration with over 400 administrators, faculty, staff and students. The first objective was to eliminate the confusion between UT System and UT System Administration and define the mission of each. The University of Tennessee System is a confederation of autonomous campuses, and the System Administration provides the benefits of infrastructure, advocacy, collaboration, identity, and reporting for all. The outcome is education, discovery, and connection greater than the sum of the individual parts. The plan promotes all components of the System being best in class.

The University's five strategic goals will lead the focus for the future. These goals are in concert with the Governor's strategy of focused investments. Implementing the Strategic Plan will be difficult, but detailed action steps have been identified and agreed to. Implementation champions will lead the 60-day implementation on each campus. The dashboard will promote accountability, allowing progress to be assessed by any point in time. Specifically, progress on the Complete College Tennessee Act indicators will be tracked.

President DiPietro then presented data on tuition and fees for full time undergraduates in the southeastern region, noting that the cost of attending a Tennessee university remains affordable compared to other states. Tennessee's average student debt at the time of graduation is 45th out of the 50 states. He next presented data showing that a large portion of tuition and fee costs is being covered for a large part of the student population by grants and scholarships. Thus, the real costs of an undergraduate education at UT are living expenses and books.

To demonstrate the effectiveness of the University's efforts to control costs, President DiPietro presented unrestricted Education and General expenses per student FTE, an audited measurement, showing that the University has become more efficient at educating undergraduate students over time. As another measure of performance, he presented a comparison of six-year graduation rates for four-year public universities in Tennessee. UTK is best in class in the state, followed immediately by UTM, with UTC in the middle of the group. Although these numbers are good in relation to other universities in the state, they need to be better if the campuses are to meet their goals to become top-tier institutions.

During discussion that followed the President's report, Trustee Gallimore requested that four-year graduation rates be tracked separately from six-year rates.

IX. FY 2012 OPERATING BUDGET, STUDENT TUITION AND FEES, AND COMPENSATION GUIDELINES

A. FY 2013 Operating Budget and Student Tuition and Fees

Vice Chair Stansberry recognized Budget Director Ron Loewen to present a summary (Exhibit 4) of the proposed FY 2013 operating budget. Mr. Loewen noted that the fastest growing budget expenditure category has been scholarships and fellowships. He reviewed unrestricted Education and General revenues and expenditures and presented an overview of salary increases and recommendations for tuition and fees.

In discussion on the subject of compensation, the following points were noted:

- Although the market and merit adjustment pool is 2.5%, the range of increases will vary based on performance evaluations, market factors, and other departmental priorities.
- The state funds only a portion of the 2.5% across-the-board salary increases for University employees. UTC, UTK, and UTM are required to provide approximately 45% of their salary increases through tuition.
- THEC has allocated a 2.7% increase for the non-formula units.
- Employees with an annual salary of less than \$40,000 are receiving \$1,000 annual increase. The lowest paid employees were brought up to an hourly rate of \$8.50 last year, received the \$1,000 increase for the second year, and were also eligible for merit and market increases.
- Each campus determines how it will address merit and market issues, based on its particular needs and means.

Mr. Loewen called the Trustees' attention to the full FY 2013 operating budget, including student tuition and fees, in the meeting materials (Exhibit 5).

B. FY 2013 Compensation Guidelines

Mr. Loewen invited Trustee questions concerning the FY 2013 Compensation Guidelines (Exhibit 6). Trustee Gallimore requested an analysis indicating whether the actual expenditure percentage for Instruction expense (33% budgeted) has fluctuated significantly over time. Student Trustee Shah noted that UTC students are alarmed with the athletic fee increase of 100% over the past two years. He noted that student fees are providing over 30% of the total budget for UTC Athletics. Chancellor Brown responded that students have been paying this amount through student fees; it has just recently been broken out to indicate separate allocations.

C. Resolution Approving FY 2013 Operating Budget, Student Tuition and Fees, and Compensation Guidelines

Discussing the subject of student tuition and fees, Trustees noted that until the general population is willing to assume a higher tax burden to fund higher education, increasing tuition and fees is necessary to avoid a decrease in the quality of the University's programs. Student Trustee Fowler noted that although she believes students are not generally in favor of tuition increases, she understands the necessity. She encouraged the Chancellors to share more detail with students and their families to help them understand why the increases are necessary.

At the conclusion of the discussion, Trustee Schledwitz moved adoption of the Resolution on the FY 2012 Operating Budget, Student Fees and Tuition, and Compensation Guidelines (Exhibit 7). Trustee Murphy seconded, and the Resolution was adopted unanimously. Trustee Fowler requested that in future meetings, tuition and fees be presented in separate motions.

X. ACTION ITEM FROM THE FINANCE AND ADMINISTRATION COMMITTEE

A. UT Knoxville Tuition Model

Committee Chair Talbott summarized the proposed 15-hour tuition model for UT Knoxville and reported that the Finance and Administration Committee recommended its approval after thorough discussion. He then 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 Anderson seconded the motion, and it carried unanimously.

Trustee Wilbert asked Chancellor Cheek to address what will happen if a student must take a leave of absence during the four years. The Chancellor indicated that special circumstances will be dealt with on a case-by-case basis. Trustee Wharton requested the minutes reflect that the 15-hour tuition model includes an expectation of a 3% annual tuition increase, but that is not a guarantee. Trustee Schledwitz requested the minutes also reflect that UT will continue its current practice of providing extra assistance to those least able to afford a higher education.

XI. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE

A. System Administration Strategic Plan

Vice Chair Stansberry reported that the Executive and Compensation Committee recommended approval of the System Administration Strategic Plan, which was highlighted by the President in his annual report earlier in the meeting. Trustee Gallimore moved that the System Administration Strategic Plan be approved as presented in the meeting materials (Exhibit 9). Trustee Driver seconded the motion, and it carried unanimously.

B. President's Annual Performance Review and 2012-13 Goals

Vice Chair Stansberry reported that the Executive and Compensation recommended approval of the Vice Chair's assessment of the President's performance, his recommendation of the President's goals for the coming year, and his recommendation concerning the President's compensation (Exhibit 10). He moved, therefore, that (1) the Vice Chair's assessment of Dr. DiPietro's performance for 2011-12 be approved; (2) the proposed presidential goals for 2012-13 be approved; (3) Dr. DiPietro's base salary be increased to \$430,500, effective July 1, 2012, and the Vice Chair be authorized to execute an amendment to Dr. DiPietro's current employment agreement to incorporate the change in base salary; and (4) the Vice Chair be authorized to negotiate with Dr. DiPietro concerning a retention and performance incentive plan and to present any necessary amendments to the employment agreement concerning such a plan to the Executive and Compensation Committee for its consideration and subsequent recommendation to the full Board. Trustee Hall seconded, and the motion carried unanimously.

C. Election and Compensation of University Officers

Vice Chair Stansberry reported that the Executive and Compensation Committee recommended approval of the Resolution to re-elect the named University Officers with the compensation in Exhibit A to the Resolution. The Secretary noted that the material presented to the Executive and Compensation Committee included two typographical errors, the inadvertent omission of Chancellor Larry Arrington and the transposition of numbers in the salary of the Chief Financial Officer. These errors have been corrected in the Resolution and Exhibit A presented for the Board's approval.

Trustee Murphy moved approval of the Resolution on Election and Compensation of University Officers (Exhibit 11). Trustee Talbott seconded, and the motion carried.

XII. REPORT AND ACTION ITEMS FROM THE TRUSTEESHIP COMMITTEE

A. Report of Board and Individual Trustee Self-Assessment

Trustee Murphy, Chair of Trusteeship, reported the aggregate summaries of the Board self-assessment exercise recently conducted (Exhibit 12), pointing out areas of strength and suggestions for improvement.

B. Charter of the Health Affairs Committee

Trustee Murphy reported that on May 15, 2012, the Trusteeship Committee considered and approved the charter for recommendation to the Board of Trustees, subject to subsequent approval of the charter by the Health Affairs Committee. The charter tracks language of the Bylaw amendments creating the Health Affairs Committee concerning the purpose, powers and responsibilities, and composition of the committee. The charter also includes standard language concerning various procedural requirements for committee meetings (number of meetings, notice, agenda, quorum, and minutes). The Health Affairs Committee approved the proposed charter at its first meeting on June 20, 2012.

Trustee Murphy moved that the Health Affairs Committee charter be approved as presented in the meeting materials (Exhibit 13). Trustee Talbott seconded the motion, and it carried unanimously.

XIII. AUTHORIZATION FOR THE VICE CHAIR TO MAKE INTERIM CHAIR AND COMMITTEE APPOINTMENTS

The Vice Chair noted that the Governor will make several Trustee appointments or reappointments this year, and thus the final composition of the Board for 2012-13 is unknown at this time. To ensure that all committees have a chair and a full complement of members, he moved that the Vice Chair be authorized to make any necessary interim chair and committee appointments before the next meeting of the Board of Trustees, subject to confirmation by the Board at its next meeting. Trustee Murphy seconded the motion, and it carried unanimously.

XIV. REPORT OF THE AUDIT COMMITTEE

Trustee Hall stated that the Audit Committee last met on May 8, 2012, and gave the following highlights from that meeting:

- Mr. Bob Hunter, Audit Manager for the Division of State Audit, presented the financial and compliance audit report for the University of Tennessee. The State Auditors issued an unqualified opinion for the year ended June 30, 2011. There were four findings related to federal compliance. Management concurred with the recommendations and the state auditors will follow up on actions during their work this year.
- Mr. Hunter also presented the report on the Athletics agreed-upon procedures and financial statements. Each athletic department presented financial trends for the last five years to the audit committee.
- The independent auditors' reports for the University of Tennessee Foundation, the University of Tennessee Research Foundation, and the University of Chattanooga Foundation were presented. In each case, the auditors issued an unqualified opinion for the year ended June 30, 2011. The independent auditors' reports for UT Medical Group and UT Le Bonheur were also presented. The auditors issued an unqualified opinion in both cases.
- Dr. Wes Hines, the Head of Nuclear Engineering Department and the Chair of the UT Knoxville Compliance Committee, provided an update on compliance efforts for the UT Knoxville campus. The committee is focused on two areas: environmental health and safety, and sponsored projects accounting.

The Division of State Audit conducted a performance audit of the Tennessee Higher Education Commission, The University of Tennessee, and the Tennessee Board of Regents with respect to the Complete College Tennessee Act of 2010. The report indicates that although there has been considerable progress in implementing the Complete College Act, not all required transfer pathways or dual agreements are in place. They also concluded that additional data validation and communication are needed to ensure that the new outcome-based funding approach achieves its goals. Finally, they concluded that the Tennessee higher education commission is taking steps to avoid and address unnecessary program duplication. The Tennessee Higher Education Commission, The University of Tennessee, and the Tennessee Board of Regents responded jointly that much has been accomplished in a short period of time and that some aspects of implementation continue to be a work in progress. The three entities plan to continue to work together to implement the Act in a way that honors legislative intent.

Finally, Trustee Hall announced that Judy Burns, who served as the interim executive director for 19 months and has been with the University for the past 25 years, has been promoted to Associate Director for Audit and Consulting Services.

The Vice Chair then recognized Trustee Home for a brief update on the work of the Committee for Effectiveness and Efficiency for the Future. Trustee Horn stated that the

committee continues to look for ways to streamline and coordinate services in the most effective and efficient manner.

XV. CONSENT ITEMS

The Vice Chair noted that all items on the consent agenda have been fully discussed and recommended by the relevant committees and asked for any requests to remove items from the consent agenda. There being none, he call for a motion to approve the following items:

- A. 2013 Dates for Regular Meetings and a Summer Workshop (Exhibit 14)
- B. Ratification of 2011-2012 Quasi-Endowments (Exhibit 15)
- C. Use of Quasi-Endowment Fund for UT Alumni Association Awards (Exhibit 16)
- D. FY 2013 Distribution of UC Foundation Unrestricted Endowment Funds (Exhibit 17)
- E. Debt Management Policy (Exhibit 18)
- F. Use of Proceeds from the Lease and Transfer of UT Medical Center (Exhibit 19)
- G. Discontinuance of UT Martin Regional Tuition Rate Program for Undergraduates (Exhibit 20)
- H. Extension of UTC Regional Tuition Rate Program for Undergraduates, FY 2012-13 (Exhibit 21)
- I. Extension of UTC Regional Tuition Rate Program for Graduate Students, FY 2012-13 (Exhibit 22)
- J. FY 2013 Operating/Capital Plans for University Owned or Leased Residences for Senior Administrators (Exhibit 23)
- K. UT Chattanooga Campus Master Plan (Exhibit 24)
- L. Real Property Transactions
 - 1. Electrical Line Easement to Knoxville Utilities Board (Exhibit 25)
 - 2. Utility Easement to Knoxville Utilities Board (Exhibit 26)

- M. Annual Report of Sale of Gift Property (Exhibit 27)
- N. President Emeritus Agreements (Exhibit 28)
 - 1. Edward J. Boling (Exhibit 29)
 - 2. Joseph E. Johnson (Exhibit 30)
- O. Resolution Authorizing Execution of Instruments for the Assignment and Transfer of Securities (Exhibit 31)
- P. Program of Study Leading to the Degree of Doctoral of Occupational Therapy at UTC (Exhibit 32)
- Q. Program of Study Leading to the Degree of Bachelor of Integrated Studies at UTC (Exhibit 33)
- R. UT Knoxville Faculty Handbook Revisions (Exhibit 34)
- S. Extension of the Pilot Five-Point Scale for Knoxville Area Faculty Evaluations (Exhibit 35)
- T. Tenure Recommendations (Exhibit 36)
- U. 2012 Comprehensive Listing of Academic Programs (Exhibit 37)
- V. Authorization to Confer Degrees (Exhibit 38)
- W. Eastridge-Cole Endowed Professorship in Thoracic Oncologic Surgery (Exhibit 39)

The Secretary noted that in the Academic Affairs and Student Success Committee meeting, the recommendation regarding UT Knoxville Faculty Handbook Revisions was revised by the Committee. The document presented for the Board's approved includes the revised language. Trustee Murphy moved approval of all items on the consent agenda, and Trustee Talbott seconded the motion. The motion carried unanimously.

XV. OTHER BUSINESS

The Vice Chair stated that no other business had been brought to his attention.

XVI. ANNOUNCEMENTS


The Vice Chair reminded Trustees of the dates of the summer workshop, August 27-28 in Nashville, and the Fall Meeting, November 8-9, in Knoxville.

The Vice Chair then thanked the Secretary and her staff for their work on coordinating the meetings. The Secretary recognized Rachael LeBlanc and Mike Gregory for planning and oversight of the meeting logistics. She thanked Beth Gladden and her staff for support with transportation, Jeff Loveday for tireless efforts on the sound, Justin Johnson and Shaun Stahl for webcasting, and Tyler Bird for technology support.

XVII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary