

MINUTES OF THE ANNUAL MEETING
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
June 23, 2011

The Annual Meeting of the Board of Trustees of The University of Tennessee was held at 1:30 p.m. EDT, Thursday, June 23, 2011, in Hollingsworth Auditorium on the campus of The University of Tennessee Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

Mr. James L. Murphy, III, Vice Chair of the Board of Trustees, called the meeting to order. Reverend Charlie Donahue of the UTK Campus Ministers Association 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
J.A.M. (Toby) Boulet
William Y. Carroll
George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
Teresa K. Fowler
John N. Foy
D. Crawford Gallimore
Monice Moore Hagler
James E. Hall
William E. Haslam
Douglas A. Horne
Julius Johnson
Andrea J. Loughry
James L. Murphy, III
Richard G. Rhoda
Karl A. Schledwitz
Carey E. Smith
Don C. Stansberry
Robert S. Talbott

Betty Ann Tanner
Charles E. Wharton
Janet M. Wilbert

The Secretary announced the presence of a quorum. Commissioner Kevin Huffman was 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. Vice Chair Murphy announced that Governor Haslam has asked the Vice Chair to chair the meeting.

III. INTRODUCTIONS

Vice Chair Murphy welcomed President Emeritus Joe Johnson, former Interim President Simek, former Trustee Jimmy Harrison, former Faculty Trustee Karen Johnson, and former Student Trustee Sumeet Vaikunth. He also welcomed Tommy Whittaker from the First District and Brian Ferguson from the Sixth District, both of whom have been appointed by Governor Haslam for terms beginning July 1, 2011.

Vice Chair Murphy also welcomed Dr. Janet Wilbert and Ms. Teresa Fowler, the new Non-voting Faculty and Student Trustees attending their first meeting, and presented each with a Trustee lapel pin.

IV. APPROVAL OF MINUTES OF PRIOR MEETING

Trustee Carey Smith moved approval of the minutes of the February 25, 2011 meeting of the Board of Trustees as presented in the meeting materials (Exhibit 1). Trustee Wharton seconded the motion, and the motion carried unanimously.

V. ADOPTION OF HONORARY RESOLUTIONS

Vice Chair Murphy recognized Trustee Schledwitz for adoption of the first Honorary Resolution (Exhibit 2). Trustee Schledwitz read the Resolution honoring Sumeet Vaikunth and moved adoption of the Resolution. Trustee Hagler seconded the motion, and the Resolution was adopted unanimously. Trustee Schledwitz presented Sumeet with a copy of the Resolution and a framed photograph of the Board of Trustees.

Mr. Vaikunth addressed the Board, expressing his gratitude for the opportunity to serve as a Trustee and learn about the comprehensive ways in which the University serves the citizens of Tennessee. He also expressed his admiration for the Trustees' commitment to helping behind the scenes and for the University's current leadership.

Vice Chair Murphy then recognized Trustee Cates, who offered highlights from the Resolution honoring Karen Johnson and moved adoption of the Resolution (Exhibit 3). Trustee Hagler seconded the motion, and the Resolution was unanimously adopted. Trustee Cates presented Dr. Johnson with a copy of the Honorary Resolution and a framed photo of the Board of Trustees.

Dr. Johnson thanked the Board and said she never expected to have the opportunity to serve the University in this way. She will return to research and continue trying to improve the health of Tennesseans, and she looks forward to continuing work as an Emerita Trustee.

Vice Chair Murphy recognized Trustee Stansberry for the final Honorary Resolution (Exhibit 4). Trustee Stansberry read the Resolution commending Dr. Jan Simek for his service as Interim President, providing for the history of the University to reflect Dr. Simek as the 24th President, and bestowing the honorary title of President Emeritus on him. Trustee Stansberry moved adoption of the Resolution, Governor Haslam seconded the motion, and the Resolution was unanimously adopted.

Dr. Simek received a standing ovation, and Trustee Stansberry presented him with a framed copy of the Resolution. Dr. Simek addressed the Board and thanked the Trustees for the honor of the Resolution as well as allowing him to serve the institution. He also commended the leadership at both system and campus levels. Dr. Simek is happy to be back in the field of Archaeology and looks forward to a productive future.

VI. ELECTION OF CHAIR AND VICE CHAIR OF THE BOARD

Vice Chair Murphy noted that in June 2010 the term of the Vice Chair was extended for one year due to transition in the office of Governor and in the office of President of the University. In February of 2011, the Board elected Governor Haslam as Chair of the Board for the remaining time of Governor Bredesen's term as Chair.

The Vice Chair recognized Trustee Loughry, who thanked Governor Haslam for the support he has already demonstrated for higher education in Tennessee. She then nominated Governor Haslam for election as the Chair of the Board of Trustees for a two-year term from July 1, 2011 through June 30, 2013. Vice Chair Murphy called for any further nominations. There being none, Trustee Loughry moved Governor Haslam's election, Trustee Carroll seconded the motion, and the motion carried unanimously. Governor Haslam thanked the Board for his re-election.

Vice Chair Murphy then stated that as the retiring Vice Chair, he had given careful thought to his recommendation for the next Vice Chair, had consulted with Governor

Haslam and President DiPietro, and ultimately concluded that Trustee Don Stansberry is the Trustee most prepared to lead the Board for the next two years. He noted that Trustee Stansberry will be the longest-serving current Trustee and the Trustee with the most experience in Board leadership positions. Vice Chair Murphy then nominated Trustee Stansberry for election as Vice Chair serving July 1, 2011 through June 30, 2013 and called for any other nominations. There being none, he moved Trustee Stansberry's election, Trustee Hall seconded the motion, and it carried unanimously. Trustee Stansberry thanked Vice Chair Murphy and the Board for the opportunity to continue to serve in a leadership role.

VII. PRESIDENT'S ANNUAL REPORT

Dr. DiPietro congratulated Vice Chair-Elect Stansberry and thanked Governor Haslam for his engagement with the University. Dr. DiPietro then addressed the following key categories.

BUDGET

- The University experienced a further reduction in appropriations this year, but funds made available by the Governor and Legislature for salary improvements are greatly appreciated.
- The University has been preparing for three years and is ready for "the cliff" effective July 1, 2011.
- Longer term, the system administration will be working with the campuses on strategies for coping with the State's economy in the future.
- Now is the time for higher education and UT to be as effective and efficient as possible.

TUITION

- Although raising tuition is not popular, it is necessary to maintain quality and access.

LEGISLATIVE

- The administration is pursuing stronger grass roots advocacy for higher education.
- The recently completed legislative session was a successful one for the University:
 - The “Guns on Campus” bill was defeated;
 - Legislation authorizing restructuring of the UT Foundation was enacted; and
 - Needed amendments to the “hearing aid” statute were passed.
- The work of the Government Relations team is appreciated.

CAPITAL CAMPAIGN

- UT is 1 of 28 public universities to exceed \$1 Billion in a capital campaign.
- Celebration of the successful campaign will occur this fall, and then planning for the next campaign will begin, with links to strategic planning priorities.
- The total endowment is close to \$700M now but needs to be pushed upward.
- Unrestricted gifts are very limited and very difficult to increase, but the University needs help with its operating costs.

RESEARCH

- The University will strive to grow research at UTHSC, UTIA, and UTK
- The new Center for Interdisciplinary Research and Education (CIRE) at UTK will help to strengthen and foster the University’s relationship with ORNL ; CIRE is one of the first interdisciplinary PhD programs in energy science/engineering in the United States.
 - The program is expected to add about 30 doctoral students per year; there are 38 faculty lines initially.
 - Increasing doctoral students and the research base makes CIRE instrumental in UTK’s pursuit of Top-25 status.
- The Memphis Research Consortium should stimulate growth of research and economic development in the Memphis region, and UTHSC will be a key player.

- UT Research Foundation is key to getting University-developed technology into the hands of those who can achieve a return on investment.
- Development of the Cherokee Farm Campus is taking longer than expected, but eventually it will serve to link scientists and graduate students in real world settings.

COMPLETE COLLEGE TENNESSEE ACT

- The focus of the Act is on completing college in four years.
- Institutions will be rewarded for performance.
- The University will seek to optimize formulas to gain the most resources.
- The Diversity Advisory Council is examining efforts to recruit and retain a more diverse student population.

STRATEGIC PLAN

- The plan will align with the Complete College Tennessee Act.
- The plan will be outcomes-oriented, and the process will be transparent.
- The process will engage the Board extensively.
- The plan will define, identify, and drive the University's future
- Board engagement will begin with the August workshop.
- The target completion date is June 2012.

Dr. DiPietro thanked the Trustees for their service, engagement, and support and apologized for perhaps contacting them too much for their input.

Dr. DiPietro then commended Dr. Simek for his service and for introducing him to the Eastern Band of the Cherokee Nation, a peaceful and thoughtful people who have been engaged in renovating the Native American Interpretive Garden next to the Indian Mound, a sacred, spiritual place that means a great deal to the Cherokee people. Dr. DiPietro announced the Jan Simek Endowment in Support of the Native American Interpretive Garden, established collectively by the Institute of Agriculture, the UT Knoxville Office of Equity and Diversity, and the UT Knoxville Office of the Provost. The garden is not only a beautiful spot, but an opportunity to learn how these plants placed there were used in the Native American culture. The Eastern Band of the Cherokee Nation has made an annual financial commitment to the endowment, which will be used to maintain the garden. About \$30,000 of the \$200,000 needed has been raised.

Dr. DiPietro closed with a fast-paced video of his official activities since he took office as President on January 1, 2011.

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

Vice Chair Murphy recognized Treasurer and Interim Chief Financial Officer Butch Peccolo to present a summary of the proposed FY 2012 operating budget (Exhibit 5). Mr. Peccolo first noted the FY 2012 proposed budget is balanced and within available resources. He then outlined challenges and priorities for FY 2012, including the end of \$138.1 million in stimulus funding, \$53.1 million in new money from tuition and fees, and a \$37.7 million plan for faculty and staff compensation.

Mr. Peccolo explained that the first and largest component of the budget is unrestricted education and general (E&G) funds, which support the core functions of the University, and is derived primarily from state appropriations and student fees. Unrestricted E&G funds are almost \$83 million less in FY 2012 than in FY 2011. The second component of the budget, restricted E&G funds, include gifts, endowments, grants, and contracts where the use of funds is restricted to specific purposes by an outside party. The last components of the budget are auxiliaries, which are self-funded revenue-generating operations that provide services, including housing, bookstores, food services and UTK athletics. Combined, the total change in the budget is a reduction of approximately \$52 million for FY 2012.

Mr. Peccolo pointed out that this is the first year student tuition and fees have exceeded state appropriations. State appropriations per student have decreased, and revenue per student has been increased to make up the difference. Without stimulus dollars, student tuition and fees would have exceeded state appropriations at least two years ago, and the University would have been required to address the gap earlier.

Mr. Peccolo explained that the proposed \$488.4 million in tuition in fees consists of in-state and out-of-state tuition and fees supporting specific programs, courses, and student services. The tuition and fees requiring Board approval are presented in detail in the proposed budget document. Mr. Peccolo then deferred to Dr. DiPietro to address student tuition and fees.

Dr. DiPietro noted that the annual tuition increases for in-state undergraduate students is \$774 at UTK, \$486 at UTC, and \$508 at UT Martin. The Hope Scholarship and other scholarships help to make higher education affordable to those most in need. Students in the lowest quartile of family income receive full tuition plus additional funds or approximately \$5,000 at UTK, \$2,200 at UTC, and \$3,200 at UT Martin. The out-of-pocket costs for student in the highest quartile of family income are \$2,500 at UTK,

\$500 at UTC, and \$440.

Dr. DiPietro explained that the student tuition and fee increases will go toward fixed costs such as utilities, contractual services fees, faculty start-up commitments, salary increases, staff positions, academic promotions, academic reinvestment to help students graduate sooner, and to offset reduced state appropriations.

Mr. Peccolo then reviewed the salary plan for faculty and staff, noting that the proposed increase is the first general salary increase since July 1, 2007. He explained that the state funded a 1.6% across-the-board increase, and the University is adding funds to bring the across-the-board increase to 2%. The plan will address compensation needs specific to each campus/unit as follows:

UTIA, UTK, IPS, and UWA:	2% across-the-board, 3% merit/equity pool
UTHSC:	3% across-the-board, 2% merit/equity pool
UTC and UT Martin:	3% across-the-board, 1% non-recurring merit/equity pool

Funding for the salary plan will be provided through student tuition and fees, appropriations, grants, contracts, gifts and endowments, auxiliary revenues, other cost reductions, and revenue enhancements.

Mr. Peccolo then described the University's expenditure of unrestricted and restricted current funds. Total budget expenditures of \$1.86 billion are spent as follows:

Instruction	35.4%
Research	13.2%
Scholarships/Fellowships	13.2% (up from 6% in FY 2002)
Auxiliaries	7.6%
Public Service	7.1%
Academic Support	6.8%
Institutional Support	6.5%
Operation and Maintenance of Plant	6.1%
Student Services	4.1%

Trustee Talbott asked how much plant maintenance is underfunded. Mr. Peccolo responded that total capital maintenance needs are approximately \$700-800 million. Trustee Talbott remarked that because 90% of the University's expenditures are allocated to people, opportunities to cut spending are limited. Dr. DiPietro noted that deferring maintenance causes further problems over time and is not in the University's best interest. Trustee Talbott expressed concern over highly underfunding capital

maintenance needs. Dr. DiPietro agreed that there needs to be a mechanism to deal with capital maintenance in the context of an underfunded formula. In summation, Mr. Peccolo stated that after two years of reallocation, the University is a leaner and more focused institution. The FY 2012 budget puts us in a place to address the resources we have and to deal with continued challenges going forward.

Dr. DiPietro added that for almost half the time since 1996, the University has not been able to provide any across-the-board salary increases for employees, which has been terribly difficult. Although we cannot make up for that this year, we are at least moving in the right direction.

Mr. Peccolo presented the Resolution on the FY 2012 Operating Budget, Student Fees and Tuition, and Compensation Guidelines for approval (Exhibit 6). Vice Chair Murphy requested a motion to approve the Resolution. Trustee Wharton moved, and Trustee Talbott seconded. Vice Chair Murphy then called for discussion.

Governor Haslam said two things are drastically impacting what funding the state can provide for higher education. The first is stimulus plan money going away, and the longer term issue is the declining percentage of state appropriations over 30-40 years. Healthcare costs have expanded, so the state has had less to give to higher education. The FY 2011 total state budget was \$32 billion, and this year's state budget is \$30.5 billion, mostly as a result of stimulus plan money going away. The FY 2012 budget still has approximately \$160 million in one-time money which will not be available next year. Revenue to date has been encouraging, meeting the state's forecast for growth so far this year. The era of large cuts to higher education is likely over. The base appropriation for higher education, minus stimulus funds, actually went up for the first time since 2008, but the pressure on the state's budget is coming from increasing healthcare costs. State government is working on controlling healthcare costs to minimize reverberations throughout the budget.

Trustee Horne expressed his view that it is incumbent upon Trustees to work with the Legislature on the importance of funding higher education. He also noted that the Committee on Effectiveness and Efficiency for the Future will work harder to do more things the right way and make more improvements. He also mentioned his interest in encouraging more students to give back to the University after they graduate.

Vice Chair Murphy pointed out that the increase in tuition and fees does not generate new revenue but only recovers part of the funding the University has lost. The University is still cutting expenses but trying to cut less to help students graduate in four years because statistics show it is much less expensive to graduate in four year than in five or six years. For that to happen, classes and faculty need to be available. Faculty salaries have historically been below market, and the University will not be

able to recruit and retain top faculty for a Top-25 institution if we cannot correct this.

The Vice Chair called for a vote on the motion, and the Resolution on the FY 2012 Operating Budget, Student Fees and Tuition, and Compensation Guidelines was adopted unanimously. Mr. Peccolo took a moment to thank Ron Maples, Ron Loewen, and John Bodin-Henderson for their work on the budget documents. Vice Chair Murphy also thanked President DiPietro and the Chancellors for keeping the Trustees informed and apprised of funding issues over the past year.

IX. REPORT ON IMPLEMENTATION OF UTK TOP-25 GOALS

Chancellor Cheek reminded the Board that last year he provided them with a gap analysis regarding moving to Top-25 status. He then reviewed one year of progress toward reducing the gap, including the addition of faculty, advisors, students, and graduate teaching assistants. UTK has also hired Governor's Chairs, recruited high quality graduate students and faculty in the CIRE program, and increased diversity hires (Exhibit 7). A memorandum of understanding has been signed, establishing a partnership with Y-12 National Security Complex, research support services have been expanded, and the drop policy has been revised.

Chancellor Cheek next presented progress in the twelve metrics against which the campus is judging itself. The quality of entering students remained constant; ACT scores range from 24-29. The retention rate increased by two points, up to 86%. The six-year graduation rate increased one point, up to 61%. The number of graduate degrees granted, including Ph.D. degrees, master's and professional degrees, has decreased because graduate student enrollment has declined. Federal research expenditures increased by \$39 million, and total research expenditures by \$32 million. The average tenure line salary range increased due to promotions and new hires. The undergraduate student ratio to tenure-line faculty remained at 20, and faculty awards increased by one. Teaching and support expenditures and endowment per student have both increased some. Peer institutions have increased in Ph.D. degrees, master's degrees, faculty awards, and endowment per student, which causes the gaps to increase.

In closing, Chancellor Cheek emphasized that UTK's journey to the Top 25 requires commitment. Additional undergraduate course sections, more competitive salaries, graduate student financial support, endowed chairs and professorships, research facilities, instructional space, deferred maintenance, and advanced information systems are needed. The journey also requires commitments from the Board of Trustees, administrators, students and families, faculty and staff, the State of Tennessee, donors, and partnerships. The commitments equal benefit for all

Tennesseans, as presented in the Vol Vision strategic plan. This year's approved budget will improve the quality of the institution. The campus is working on 64 major areas for improvement, details of which can be provided by the Chancellor's office upon request.

Trustee Horne asked how much more money per student would be needed to reach the Top-25 goal. Chancellor Cheek pointed out the UTK is currently \$8,000 per FTE less than the average Top-25 student. Although he does not think that exact amount would be required, major buildings and facilities are certainly needed to close the gap.

X. ACTION ITEMS FROM THE TRUSTEESHIP COMMITTEE

The Vice Chair recognized Trustee Andrea Loughry, Chair of the Trusteeship Committee.

A. Resolution on Emeriti Trustees

On behalf of the Trusteeship Committee, Trustee Loughry presented the Emeriti Trustees Resolution (Exhibit 8), formalizing the University's relationship with former Trustees and moved its adoption. Trustee Stansberry seconded the motion, and the Resolution was unanimously adopted.

B. Trustee Professional Development

Trustee Loughry presented a formalized plan for professional development of Trustees. She moved approval of the recommendation of the Trusteeship Committee that Trustees be required to engage in at least one professional development activity every two years, and that compliance with this requirement be included in the periodic individual Trustee self-assessment (Exhibit 9). Trustee Blackburn seconded the motion, and it carried unanimously.

C. Committee and Committee Chair Appointments

Trustee Loughry deferred to Vice Chair Murphy to present his recommendations for committee and committee chair appointments (Exhibit 10). Vice Chair Murphy presented his recommendations for the term July 1, 2011 through June 30, 2013. Trustee Carroll moved approval, Trustee Stansberry seconded, and the motion carried unanimously.

XI. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE

A. President's Annual Performance Goals for 2011-2012

Vice Chair Murphy called the Board's attention to the proposed 2011-2012 performance goals for Dr. DiPietro in the meeting materials. He stated the performance goals will provide measures for the President's annual performance review for 2011-2012. The President's long-term goals will be determined during the strategic planning process. Vice Chair Murphy called for a motion to approve the President's Annual Performance Goals for 2011-2012 (Exhibit 11). Trustee Wharton moved approval, Trustee Stansberry seconded, and the motion carried unanimously

B. President's Recommendation for Election and Compensation of the Chancellor of the Institute of Agriculture and Grant of Tenure in a Faculty Appointment in the Institute of Agriculture.

Vice Chair Murphy asked for a motion to approval the President's recommendation for the election and compensation of Dr. Larry R. Arrington as the next Chancellor of The University of Tennessee Institute of Agriculture, effective September 12, 2011, and approval of the President's recommendation that Dr. Arrington be granted tenure in a faculty appointment with the rank of Professor in the Department of Agricultural and Resource Economics in the Institute of Agriculture (Exhibit 12). Trustee Gallimore moved approval, Trustee Wharton seconded, and the motion carried unanimously.

C. Election and Compensation of University Officers

Vice Chair Murphy presented the Resolution for Election and Compensation of University Officers (Exhibit 13). He reported that Dr. DiPietro provided the Executive Committee with a rationale for the compensation for each position and clearly identified performance evaluation process, including goals and objectives he has set for these officers. Some officers are receiving equity increases because they are below market, some are receiving merit increases, and others are receiving no increase beyond across-the-board increase. Vice Chair Murphy also reported that Chancellor Schwab has elected to take no salary increase, but to put the amount he would have received into the Health Science Center salary pool. Trustee Talbott moved approval of the Resolution on Election and Compensation of University Officers. Trustee Loughry seconded, and the motion carried unanimously.

XII. ACTION ITEM FROM THE ACADEMIC AFFAIRS AND STUDENT

SUCCESS COMMITTEE

A. Revision of Campus Rules Under the Tennessee Uniform Administrative Procedures Act

The Vice Chair recognized Trustee Spruell Driver, Chair of the Academic Affairs and Student Success Committee, to present the next agenda item, noting that each campus rule will require a separate roll call vote under the rulemaking provisions of the Tennessee Uniform Administrative Procedures Act.

Trustee Driver stated the Academic Affairs and Student Success Committee recommends adoption of the revised student conduct rules for all campuses. Dr. Katie High coordinated collaborative meetings with all campuses and the Office of the General Counsel. In addition to reviewing the standards of conduct, each campus reviewed its Honor Code to ensure clarity regarding expectations and consequences of violation. Revisions to the Honor Code at UTC and UTHSC are also included. All the proposed rules have been approved by each Chancellor, following consultation with Student Affairs officers, student and faculty on each campus, the Office of Vice President for Academic Affairs and Student Success, and the Office of the General Counsel (Exhibits 14-20).

Trustee Driver moved approval of the proposed revisions to the UTC student conduct rules (Exhibit 15), Trustee Stansberry seconded the motion, and Vice Chair Murphy called on Secretary Mizell to call the roll for the vote. The motion carried unanimously.

Trustee Driver moved approval of the proposed revisions to the UTHSC student conduct rules (Exhibit 16), Trustee Hagler seconded the motion, and Vice Chair Murphy called on Secretary Mizell to call the roll for the vote. The motion carried unanimously.

Trustee Driver moved approval of the proposed revisions to the UTK student conduct rules (Exhibit 17), Trustee Schledwitz seconded the motion, and Vice Chair Murphy called on Secretary Mizell to call the roll for the vote. The motion carried unanimously.

Trustee Driver moved approval of the proposed revisions to the UTM student conduct rules (Exhibit 18), Trustee Wharton seconded the motion, and Vice Chair Murphy called on Secretary Mizell to call the roll for the vote. The motion carried unanimously.

Trustee Driver moved approval of the proposed revisions to the UTC honor code (Exhibit 19), Trustee Hall seconded the motion, and Vice Chair Murphy called on Secretary Mizell to call the roll for the vote. The motion carried unanimously.

Trustee Driver moved approval of the proposed revisions to the UTHSC honor code (Exhibit 20), Trustee Blackburn seconded the motion, and Vice Chair Murphy called on Secretary Mizell to call the roll for the vote. The motion carried unanimously.

XIII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE

Vice Chair Murphy called on Trustee Talbot to present the action items from the Finance and Administration Committee.

A. UT-Erlanger Faculty Practice Plan

Trustee Talbott explained that UTHSC is proposing to establish a faculty practice plan in conjunction with Erlanger Hospital, similar to the faculty practice plan for Pediatrics at UTHSC in Memphis, but with no liability on the University's part (Exhibit 21). The agreement will provide a comprehensive way for UT and Erlanger physicians to work together and will potentially provide a source of revenue to the University.

Trustee Talbot moved that UT-Erlanger Medical Group, Inc., which Erlanger Health System will create as its wholly-owned affiliate, be designated as the faculty practice plan for the UTHSC campus in Chattanooga; and that the administration be authorized to execute a revised and restated master affiliation agreement with Erlanger Health System and an affiliation agreement with UT-Erlanger Medical Group, Inc., after review and approval by the University's Chief Financial Officer and the University's General Counsel, and after all required or appropriate state government reviews and approvals. Mr. Cates seconded the motion. Vice Chair Murphy called for further discussion. Trustee Schledwitz requested that Chancellor Schwab inform the Board of Trustees what the division of revenues will be between Erlanger and the University when the formula has been determined. Hearing no further discussion, the Vice Chair called for a vote on the motion, and the motion carried unanimously.

B. Long Range Master Plan for UT Knoxville

Trustee Talbott noted that the comprehensive Long Range Master Plan was presented in detail at the Finance and Administration Committee meeting earlier in the day. He noted that green space and mall features will make substantial improvements in the appearance of the campus. He then moved approval of the Long Range Master Plan for UTK (Exhibit 22). Mr. Carroll seconded the motion and it carried unanimously.

XIV. REPORT OF THE AUDIT COMMITTEE

Trustee Hall stated that the Audit Committee held its first meeting of the year on April 7, 2011, and he acknowledged and thanked Dr. DiPietro for attending. He highlighted the following significant matters:

- The Committee received a report from Mr. Bob Hunter, the state audit manager, about the FY 2010 state audit of the University. For the first time in over 30 years, the University received no audit findings. Trustee Hall acknowledged Butch Peccolo and the financial management staff for their efforts and thanked them on behalf of the Trustees.
- The Audit Committee has been reviewing the FY 2010 financial statements of the three athletics departments. UTK Athletics had a \$4 million surplus, most of which went to a tennis facility and the remainder to a reserve. UTC and UT Martin are not self-supporting; UTC receives approximately \$4.5 million in campus support annually, and UT Martin receives approximately \$3.5 million. Both UTC and UT Martin plan to reduce the amount of support, or at least avoid any increases. The long-term debt of all three athletics departments is being reported annually.
- After reviewing the University's emergency preparedness plans, the Audit Committee reports that full-time emergency managers are now in place at UTK, UTC, and UT Martin; all emergency plans have been updated in accordance with TEMA's review; and training exercises and drills have occurred on each campus. The Audit Committee is pleased this critical method of preparedness has been addressed. Trustee Hall thanked the Board for continuing to support emergency preparedness.
- The Audit Committee also received a report on the annual audit function from Judy Burns, Interim Executive Director of Audit and Consulting Services. Among the significant audits for 2010 were: \$70 million in funds for the University Biofuels Initiative; \$16 million in travel funds processed by the Treasurer's Office; and the \$256 million equipment oversight audit.
- The Audit Committee is concerned whether sufficient resources are being devoted to the audit function, given budget reductions over the past ten years. UTC, UT Martin, and UTIA have asked for increased audit coverage, President DiPietro gave the Committee an overview of what is being done to address the concern, and he asked Mrs. Burns to discuss this issue with the Chancellors and other members of the President's staff. Those discussions have taken place, and

Dr. DiPietro and Mr. Peccolo are determining whether funds are available to increase audit resources.

The next Audit Committee meeting is scheduled for August 30, and Trustee Hall invited all Board members to attend.

XV. CONSENT ITEMS

The Vice Chair asked for any requests to remove items from the consent agenda. There being none, he presented the following items for approval:

- A. President's Recommendation of Appointments to the Board of Directors of University Health System, Inc. (Exhibit 23)
- B. Resolution Appointing a Managerial Group for U. S. Government Contracts (Exhibit 24)
- C. Regular Meeting Dates for 2012 (Exhibit 25)
- D. Naming of the UT Martin Golf Center (Exhibit 26)
- E. Affiliation and Services Agreement between UT and UT Foundation, Inc. (Exhibit 27)
- F. Employee Services Agreement between UT and UT Foundation, Inc. (Exhibit 28)
- G. Tenure Recommendations (Exhibit 29)
- H. New Admission Requirements for All Campuses (Exhibit 30)
- I. New Admission Requirements for UTC (Exhibit 31)
- J. UTK Strategic Plan "Vol Vision 2015: The Pursuit of Top 25" (Exhibit 32)
- K. Proposal for a Program of Study Leading to the Doctor of Social Work (Exhibit 33)
- L. Merger of Two Departments, College of Veterinary Medicine (Exhibit 34)
- M. UTK Faculty Handbook Revisions Regarding Non-tenure-track Faculty

Appointments (Exhibit 35)

- N. Diploma to Commemorate 125th Anniversary of UTC (Exhibit 36)
- O. Comprehensive Listing of Academic Programs (Exhibit 37)
- P. Authorization to Confer Degrees (Exhibit 38)
- Q. Investment Policies and Procedures (Exhibit 39)
- R. Resolution Authorizing Establishment of Bank and Security Trading Accounts (Exhibit 40)
- S. FY 2011 Quasi-Endowments (Exhibit 41)
- T. Use of Knoxville Campus Quasi-Endowment Fund for Debt Service and Other Operational Costs of Volunteer Hall (Exhibit 42)
- U. FY 2012 Distribution of UC Foundation Funds (Exhibit 43)
- V. FY 2012 President Emeritus Agreements (Exhibit 44)
- W. Extension of UTC Regional Tuition Rate Program for Undergraduates for 2011-12 Academic Year (Exhibit 45)
- X. Extension of UTC Regional Tuition Rate Program for Graduate Students for 2011-12 Academic Year (Exhibit 46)
- Y. FY 2012 Operating/Capital Plans for University Owned or Leased Residences for Senior Administrators (Exhibit 47)
- Z. Real Property Transactions (Exhibit 48)
- AA. Annual Report of Sale of Gift Property (Exhibit 49)

Mr. Wharton moved to approve all items on the consent agenda, and Mr. Hall seconded the motion. The motion carried unanimously.

XVI. OTHER BUSINESS

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

XVII. ANNOUNCEMENTS

Vice Chair Murphy noted that this is the final meeting during the terms of Trustees Andrea Loughry and Bill Carroll. On behalf of the Board, the Vice Chair expressed appreciation for their service and explained that the Board will recognize them with a resolution at the meeting in October. Trustee Loughry thanked Vice Chair Jim Murphy on behalf of the Board for his leadership. Trustee Carroll stated it has been an honor representing the University and working with Dr. DiPietro and the Chancellors.

The Vice Chair then thanked the Trustees for their hard work, and Dr. DiPietro thanked Trustee Murphy for his service and availability for consultation.

Vice Chair Murphy reminded Trustees of upcoming meetings:

August 24, 2011: Summer Workshop, Murfreesboro Embassy Suites

October 27-28, 2011: Fall Meeting, Knoxville

Secretary Mizell thanked the IT staff for their support with the use of Diligent Boardbooks™ for the first time during a meeting. She also expressed appreciation to Assistant Secretary Rachael LeBlanc for a great job her first time planning the logistics, Lisa Hertz for continuing to help, and Mike Gregory for his help with logistics. She also thanked Chancellor Cheek and his facilities staff for wonderful job getting the campus cleaned up following the previous day's storms.

Secretary Mizell also thanked the Trustees for embracing Diligent Boardbooks™, and Trustee Hall thanked Trustee Loughry for pushing to eliminate all the paper and heavy books.

XVIII. ADJOURNMENT

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

Respectfully Submitted,

Catherine S. Mizell, Secretary

