

**MINUTES OF THE COMMITTEE ON
EFFECTIVENESS & EFFICIENCY FOR THE FUTURE (EEF)
THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
DECEMBER 3, 2008**

The Committee on Effectiveness & Efficiency for the Future (EEF) of the Board of Trustees met at 10 a.m. CST, Wednesday, December 3, 2008 at the law offices of Boulton, Cummings, Conners & Berry, PLC located at 1600 Division Street, Suite 700, in Nashville, Tennessee.

- I. **Call to Order**—Mr. Douglas Horne, Committee Chair called the meeting to order.
- II. **Roll Call**—Chairman Horne asked Dr. Gary Rogers, Senior Vice President and CFO to call the roll. He did so and advised the Chair that a quorum was present.

Present

Douglas Horne, Committee Chair
Charles Anderson, Committee Member
William Carroll, Committee Member
Crawford Gallimore, Committee Member
Andrea Loughry, Committee Member
Jim Murphy, Vice Chair of Board
John Petersen, President
Charles Wharton, Committee Member (joined at approximately 11:10 a.m.)

Also present was Senior Vice President and CFO Gary Rogers, and other members of staff. The names are listed below:

Chris Cimino, System Staff
Sylvia Davis, System Staff
Anthony Haynes, System Staff
Linda Hendricks, System Staff
Katie High, System Staff
Meredith LeCroy, System Staff
Ron Maples, System Staff
Margie Nichols, UTK Staff
Mark Paganelli, System Staff
Butch Peccolo, System Staff
Gina Stafford, System Staff
Bonnie Yegidis, System Staff

Media present:

Tom Humphrey, Knoxville News Sentinel

- III. **Approval of Minutes**—Chair Horne called for consideration of the minutes of the September 29, 2008 and October 18, 2008 meetings and any corrections or additions to the minutes. Chair Horne made an addition to the October 18 minutes on page four regarding the definition of “Effectiveness.” The first sentence in Item IV on page four should read, “...it means doing the right things.” On a motion made by Trustee Anderson, seconded by Trustee Carroll, the minutes were unanimously approved.

Chair Horne asked Jim Murphy, Vice Chair, if he'd like to open with any remarks. Vice Chair Murphy welcomed the Committee and Staff and echoed the importance of this Committee and the hard work that is ahead. He remarked that he looked forward to working with the Committee on this project given the current budget situation.

- IV. **Update on Governor's Higher Education Budget Hearing Held November 25**—Doug Horne, Committee Chair asked Dr. Petersen to update the Committee on the Governor's Budget Hearing held 11/25/2008. Dr. Petersen informed the group that the Governor was clear that reductions of 10-15% of the University's July 1, 2008 base budget are real, noting that the \$17 million mid-year reduction will be included in the FY 2010 reductions. Dr. Peterson indicated the Governor's message was that when July 1st comes that plans should be in place to meet the cuts, that most reductions are to be permanent up-front and some temporary [phased-in], but the total cut must be in place by July 1, 2009. He continued relaying the Governor's talk saying he acknowledged that tuition increases were a piece of the puzzle and that it was clear that the state cuts should not be put on the backs of students and families. Dr. Petersen said everything is being considered, from turning back thermostats to furloughs. Expounding on the subject of furlough, he discussed the one-time nature of such an action and how more permanent reductions must be found.

Dr. Petersen told the committee that on December 12, 2008 the state's funding board would meet and the University is expected to get final cut figures by December 17, 2008. By mid-January the University will make another presentation and will have in hand a template for how it expects to deal with the cuts; multiple scenarios are being worked on by the campuses and institutes. Dr. Petersen explained this is a three-piece puzzle we are working with; 1) the strategic plan, 2) immediate budget crisis, and 3) the EEF committee which has the long-term objective of studying effectiveness, along with efficiencies and processes.

Strategic planning is emphasizing the University's core mission and determining how budget reductions will align with those specific plans. Dr. Petersen noted that campus specific scorecards will be presented

to the Board at its next meeting with the integrated large-scale plan presented at the June meeting. Dr. Petersen told the committee budget cuts will be made with the core mission in mind – including student access and success. This committee will be looking at efficiencies in the long-term. Dr. Petersen closed by saying he hopes that budget cuts will be temporary and that ultimately appropriations will turn around and that we'll be able to invest back into what's important us.

- V. **Review of Measures/Actions Taken To-Date** – Dr. Petersen shared with the committee immediate actions taken with the campuses and institutes, including selective hiring practices and reduction in operating expenditures. Dr. Petersen also shared some of the items already being addressed in another document. In general the University is looking at administrative and program reviews. The University is looking at things such as elimination of paper for electronic distribution of student invoices and employee paystubs. That alone will save over \$250,000 per year. Trustee Loughry asked if the system administration pays all employees. Dr. Petersen responded affirmatively and explained the University has a single payroll office in the treasury operation. Dr. Petersen further gave examples of how reductions are being made, citing information technology and a restructuring plan that will be looking at deliverables, outsourcing, and campus/system responsibilities.

Jim Murphy, Vice Chair of the Board asked Dr. Petersen if the University is tracking progress on the overall successes, which the committee would like to see as we move forward. Vice Chair Murphy stated that there is a need to know the impact now of what is being done. Dr. Petersen replied that we will cost out everything we do but that our priorities will change depending on the reduction in state appropriations, indicating that while we will be tracking actions taken, our target will change.

Trustee Loughry stated that information was needed in functional units; both revenue and costs and whether they are sustainable. She noted that detailed costs factors need to be looked at. Vice Chair Murphy stated that there is a need to communicate scrutiny of costs and go into the legislative session with a forward looking statement. He added that affirmative information needs to be shared with the public. Dr. Petersen informed the Committee that in early January campuses and institutes will be sharing 10-15% models. At that time, these proposals will be shared with the Board. Chair Horne commented that a review of strategic plans would be good in order to identify those core things we need to continue doing and setting out the goals. Vice Chair Murphy asked Dr. Petersen if the strategic plans will be finished in time to help with these proposals. Dr. Petersen replied that the core of the strategic plan will be ready in the early part of the year. He mentioned

the Health Science Center and how they've had trouble early-on determining how their plan would tie into the overall system plan.

Dr. Petersen noted that administration work with campuses/institutes is in progress to take the plan they have and put into a framework so that it relates to the "System" Plan but yet demonstrates the metrics they need at their level. Most campuses and institutes are far along in this process commented Dr. Petersen. Committee Chair Horne asked Dr. Petersen if the proposals would be completed by January and Dr. Petersen replied yes, the metrics part would be ready and that final plans would be ready by the June Board meeting. Vice Chair Murphy asked Dr. Petersen if he would have enough information to discuss cuts consistently with the strategic plan and Dr. Petersen replied yes.

Committee Chair Horne stated that the Committee needed to look at the System's costs outside the academic core to include overhead and administrative costs. Trustee Carroll added that the system doesn't show much on actions taken to-date like the other units. Dr. Petersen asked Dr. Gary Rogers what amount the System took in budget cuts. Dr. Rogers answered \$1 million+. Dr. Petersen informed the Committee that Information Technology centralization will be a big savings. Committee Chair Horne stated that the Committee needs to review the 2001-02 streamlining study to see what items were never acted upon. Trustee Gallimore also mentioned that organizational charts need to be reviewed to see who was hired, and why, and note the value added over the past several years. Vice Chair Murphy stated that everyone needs to understand that a hard look will be taken at every level. Trustee Loughry noted that there should be no sacred cows. Vice Chair Murphy reiterated that the University must be efficient and all must face the hard facts. This Committee was created to look at the effectiveness and efficiency of the University long and short term. Dr. Petersen stated that the University is focusing on its core mission. He noted that one metric shows success and dollars behind students and currently we are on the low end.

Dr. Petersen stated that one issue looked at for effectiveness is drop/adds (900 UTK and 600 UTC). The high number of drops/adds puts a strain on the resources of the University. He noted the University is looking at removing the tuition cap and reviewing various models as has the Board of Regents (TBR). Vice Chair Murphy asked why a drop fee could not be added. Dr. Petersen replied that a drop fee could be looked at. Vice Chair Murphy stated that what TBR is doing could be problematic and retention would be a concern. Committee Chair Horne asked if UT had a cap on the hours to graduate. Dr. Petersen replied that it doesn't impact our bottom line. Vice Chair Murphy stated he thought there are additional costs for keeping students longer. Chair Horne asked about the online program and Dr. Petersen stated that it will probably be protected during cuts

and explained that Dr. Bonnie Yegidis is working on this issue. Trustee Gallimore asked if fees differ for majors. Dr. Petersen replied UT only charges differential tuition for Engineering and professional schools. Trustee Loughry stated that students drop classes due to loads and asked if there were course descriptions and previews online. Dr. Petersen and Dr. Yegidis replied yes, that most all courses have syllabi posted online. Dr. Petersen informed the Committee that the University has always allowed students to take more classes.

In another area being reviewed, Dr. Petersen said the number of retirees still working are 396 and the salary amount totals \$2 million. Vice Chair Murphy asked how many hours the retirees were working and Linda Hendricks, CHRO replied that they are studying retiree rehires and she was unsure of the details. Mark Paganelli, Executive Director of Audit and Consulting Services said that retirees are scheduled to work less than half-time and that sometimes it is a good idea to rehire retirees, citing an example of one of his own staff. Dr. Petersen informed the group that compensation time (in lieu of overtime) is being encouraged and Linda Hendricks stated that they are looking at usage. She also told the Committee that reductions in force guidelines (RIF) are being reviewed. A handout was presented that includes training, support, etc. offered to the employees and supervisors. Vice Chair Murphy noted that faculty RIF procedures need to be looked at. Trustee Carroll asked what the difference was in faculty versus other employees regarding RIF. Dr. Petersen said tenure was the biggest difference since additional notice is required. Vice Chair Murphy stated that a structure needs to be created for faculty job loss. Dr. Bonnie Yegidis informed the Committee that the policies have been reviewed and she will be working with the campuses. Yegidis and Hendricks will work on similar packages (guidelines) for faculty as were prepared for staff. Trustee Gallimore asked if there was internal talent and Linda Hendricks replied yes through "Train the Trainers." This is a good System function and the design should be at the System level and implemented at the campus level. She noted that Retirement and Benefits is centralized and Trustee Loughry asked if Retirement and Benefits at the State level was centralized. Chair Horne told the Committee that there needed to be a faculty information session planned that would include Dr. Yegidis. Vice Chair Murphy stated that more publicity is needed to show the work and planning that is going on.

- VI. **Review of Website Comments**—Dr. Gary Rogers presented a review of comments from the Website. Vice Chair Murphy mentioned Comment 44-1 (Cut sports – Education should be taken care of first) UTC and UTM sports and how we justify when budgets are tight. Committee Chair Horned asked why ETSU cut their program and Dr. Rogers replied it was due to budgets. Trustee Carroll asked how much money is spent at UTC and UTM. Dr. Rogers noted \$4.3 million at

UTC and \$3.9 million at UTM is spent on athletics from educational and general funds.

VII. Review of Vacant Positions and Historical FTE Summaries—

Trustee Loughry asked how much of the vacant position money is used for operations and Chris Cimino, Assistant VP, Budgeting replied \$1.3 million. Vice Chair Murphy asked what was being done to review current vacancies. Dr. Petersen explained vacancies are being held in most cases under a selective hiring freeze and campuses are reducing vacancies where appropriate to meet budget reductions. Trustee Anderson asked how many of the vacant positions were more than 1 year old. Trustee Carroll asked how \$43 million in vacancies was being spent. Vice Chair Murphy questioned if it was a higher education mentality and does the administration plan to reverse the culture. Dr. Petersen answered yes and explained that the campuses are given flexibility. Vice Chair Murphy stated that it creates false impression and makes funds hard to control. Dr. Petersen said the other option is to have a central position control. Committee Chair Horne asked if the administration knew what hires are being made and Dr. Petersen informed him that they do know. Vice Chair Murphy asked if the hires being made are identified by departments and Dr. Gary Rogers replied yes.

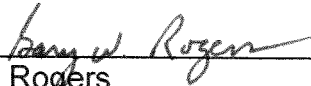
Dr. Rogers informed the Committee that a review is being conducted of student/faculty ratios. Trustee Gallimore asked if there are national benchmarks for student/faculty ratios and Dr. Rogers answered yes. Trustee Wharton stated that colleges and departments needed to be reviewed and narrow down the differences in order to be consistent with ratios. Dr. Petersen informed the Committee that there are national benchmarks for the ratios. Committee Chair Horne made the comment that UTC, UTM and UTK will all be different and President Petersen said yes they would because of the number of students. Trustee Gallimore requested an explanation of UTC and UTM comparisons. Dr. Petersen discussed right-sizing and variations of data. Dr. Rogers pointed out that UTHSC has low ratios due to its professional school makeup. Trustee Wharton questioned UTM student/faculty ratios. Committee Chair Horne questioned system cuts and possible drop fee. Dr. Petersen explained the system numbers and Dr. Rogers said that a list of the total cuts would be sent to Board members.

VIII. Discussion of Draft Indicators and Measures—Vice Chair Murphy asked if the budget appropriation cuts in the amount of \$21 million and \$17 million were temporary or permanent cuts. Dr. Rogers replied that the cuts for the \$17 million are mostly temporary and Dr. Petersen commented some are permanent. The \$21 million reductions for FY 2009 were built into the budget as recurring and the mid-year \$17 million reductions are mostly being handled with temporary cuts. Vice

Chair Murphy asked for a breakdown between permanent and temporary cuts in the total \$38 million. Dr. Rogers explained that capital maintenance deferral will cost down the road and noted that there is a need to start looking at current capital projects. Vice Chair Murphy commented that the University has been deferring maintenance for years and asked if there was a process in place for critical repairs. Dr. Rogers informed him that there was. Trustee Gallimore asked if the capital expense comes out of the operating budget line and Dr. Rogers stated yes for small maintenance projects – larger projects are funded from the “Capital Maintenance Budget” which is a separate state appropriation.

Trustee Loughry noted that Trustee Hall, Committee Chair of the Audit Committee wants to see a System Administration Organization Chart. Dr. Rogers told Trustee Loughry that Trustee Hall was sent a copy and that a copy can be sent to all Board members.

- IX. **Schedule Next Meeting**—Committee Chair Horne led the discussion of possible meeting date options. The Committee agreed on a date and the Committee on Effectiveness and Efficiency for the Future will meet on January 5, 2009 at 1:00 p.m. CST at UT Martin.
- X. **Other Business**—Committee Chair Horne asked if there was any other business to discuss and there was not.
- XI. **Adjournment**—Committee Chair Horne adjourned the meeting at 12:30 p.m. CST.



Gary W. Rogers,
Senior Vice President and
Chief Financial Officer