

**MINUTES OF THE COMMITTEE ON  
EFFECTIVENESS & EFFICIENCY FOR THE FUTURE (EEF)  
THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES  
SEPTEMBER 29, 2008**

The inaugural meeting of the Committee on Effectiveness & Efficiency for the Future (EEF) of the Board of Trustees (Note: the Committee was originally named "Cost Project") was held at 2:00 p.m. EDT, Monday, September 29, 2008 in Ballroom B of the Visitors' Center in Knoxville, 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  
Andrea Loughry, Committee Member  
Jim Murphy, Vice Chair of Board  
Charles Wharton, Committee Member

**Absent**

Dr. John Petersen, President  
William Carroll, Committee Member  
Crawford Gallimore, Committee Member

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

Denise Barlow, UTK Staff  
Chris Cimino, System Staff  
Ron Maples, System Staff  
Margie Nichols, UTK Staff  
Mark Paganelli, System Staff  
Butch Peccolo, System Staff  
Geoff Harkness, BearingPoint  
Gautam Tulsian, BearingPoint

- III. **Discussion of Committee Organization and Project**—Committee Chair Horne asked Vice Chair Murphy to address the Members regarding the Committee's charge.

Vice Chair Murphy told the group that he and other Trustees had visited the University of Maryland to learn from a similar process which

Maryland has initiated. That effort is ongoing and is instructive regarding UT's efforts and desired outcomes. Maryland's Board members and senior staff were very accommodating and were able to offer guidance, input and some ideas on how to structure UT's efforts.

Maryland has had great success with their initiative that began over five years ago. One of the most shocking realities of their efforts has been no tuition increases over the last four years. Because of the publicized success stories of Maryland's E&E Initiative, a comfort level has been established with the Governor, the Legislature, the parents and community regarding cost management, efficiency and effectiveness. The proven way they now manage their business has helped Maryland secure additional appropriations from the State; thus, no tuition increase has occurred in four years, thereby benefitting parents and students.

One of Maryland's suggestions was to have a Committee name that would not just focus on cost cutting, but would encompass all measures of providing high quality education programs using all available resources to achieve that goal—focus on how business is done and do it better; promote the mission and focus on being as effective, efficient and productive as possible. Mr. Murphy charged that the entire UT community needs to focus efforts on the entire system including all campuses, institutions, etc. and utilize all the resources available. Everyone must think in new ways and find better ways to run the University.

The University of Maryland team solicited ideas from everyone and considered all ideas submitted. Vice Chair Murphy said that it reminded him of the Presidential Search Committee that was in place when John Petersen was hired. The Search Committee went around to all campuses and asked all what they wanted in a new President. The Committee tried to address as many ideas as they could and were told how much it was appreciated that employees were asked to share their ideas and concerns.

Vice Chair Murphy then addressed the Memorandum that he sent out regarding this Committee's charge (Attachment 1).

Maryland's E&E Initiative was not about a one time study – it was about creating a new culture where all are continually thinking and being focused on planning and implementing measures to save the University money and being as efficient as possible. They have changed the culture at Maryland and each year all campuses submit new cost savings and that is what makes the initiative successful.

The objective is to figure out how we UT can use its maximum resources and limit additional costs to parents and students. It will be the Committee's charge to monitor, report, process and distribute

widely the successes and other pertinent information. The Committee must articulate the importance of the effort and have the President's support of the initiative.

Maryland had to create benchmarks since they did not have indicators in place. The University of Tennessee can adapt Maryland's model. Vice Chair Murphy referred to the simplicity of Maryland's Dashboard Indicators. He noted you are either in (green) or you are out (red) – both progress toward a goal and achievement of a goal are measured.

The Committee's charge will be to initiate the process and have periodic reporting and make the initiative move forward with the involvement of Administration. The first goal is to get out and find out what needs to be looked at and find any "low hanging fruit" to gain momentum.

Trustee Anderson said he received insight while attending a Country Music Hall of Fame event. He had the pleasure of speaking with the Governor who applauded the Board for getting ahead of the curve because lower appropriations will likely be forthcoming.

Trustee Anderson also mentioned that he had the opportunity to meet the President of Auburn at a football game and share some of the University's funding challenges. Auburn's President shared that they had a major appropriations reduction. Trustee Anderson stated that the University does not have a choice but to move on this initiative.

Trustee Loughry commented that it was good to have a perspective from other SEC schools. She also stated that we need to get our affairs in order to prevent the Federal Government from coming in and telling us how to be accountable. We need a State perspective before the Federal Government gets involved. The University needs to be transparent and accountable so that we will be in a position to prevent Washington telling us how to run the University.

Trustee Wharton advised the group that he felt the new Chief Human Resource Officer, Linda Hendricks should be a resource to the Committee. A need was expressed for a census per campus of the costs, people, and ratios of support staff, students and temporary positions.

Trustee Wharton also noted the need to understand how things are purchased. He suggested that the purchasing process be reviewed for potential savings. Butch Peccolo, VP & Treasurer stated that the Procurement Department has been meeting with the BearingPoint Consultants and are working through some process improvements now.

Trustee Murphy informed the group that the University of Maryland had many professors in the lower portion of the pay range but due to E & E Initiative efforts the Legislature provided funding for improvement after their proven success in efficiency and effectiveness. Vice Chair Murphy stated that Trustee Wharton was correct that we need to look at the numbers, the ranges, the headcount, etc. and put it all on the table. Maryland's Chief Financial Officer was responsible for collecting the ideas and coming back to the Committee with all ideas received. Vice Chair Murphy stated that Dr. Gary Rogers, Senior Vice President and Chief Financial Officer would be given that same charge for the University of Tennessee.

Trustee Wharton stated that the Committee and Board should have an understanding of how the University works. He shared an experience regarding production issues. Engineers were called in to review the problems and find solutions. The issues were corrected when the plant employees were shown that they were being paid attention to. Moral of the story is that employees will do more and show more accountability when they know their opinion matters and they are being paid attention to and are an important asset to the business.

Trustee Horne introduced the Consultants from BearingPoint; Trustee Anderson commented that it would be helpful to have Consultants to do the legwork, research and complete a summary for the Committee.

Trustee Anderson stated that Maryland had extended an invitation to visit their University again and he stated that he thought the Board and Committee should do it.

Trustee Murphy stated that it is the Committee's task to create the list of things to be reviewed. The Committee can be assisted by staff members and BearingPoint Consultants. If the information does not meet the Committee's needs, then they will be asked to gather more information. The Committee needs to understand the University's operations and what the issues are in order to go to the Legislature, parents, etc. and say here is the issue and this is the solution that we are working on.

Trustee Loughry reported that the University of Maryland's E & E initiative is now endorsed and supported by faculty and staff in the various functional areas, including the academic area instead of being limited to the financial area. That shows encouragement that the University has embraced the initiative as a whole academic issue of quality driven by efficiency and effectiveness, not just dollars and cents. Ms. Loughry also requested research to find any other systems similar to the University of Tennessee that have initiated long-term programs to improve effectiveness and efficiency, like the University of Maryland, which is the recognized leader in such efforts.

Dr. Gary Rogers, Sr. VP & CFO stated that the University of Maryland changed the culture of the way they do business. He also noted that we must define what areas to examine and how to measure outcomes.

Trustee Murphy said the two areas of concentration are administration and academics. The consultants that assisted the University of Maryland were more helpful in the area of administration and focused on that area. They showed savings in the area of administration to get them over the hump with the academic side.

Trustee Murphy encouraged the Committee that they needed to focus on "low hanging fruit" in order to achieve some success quickly to build momentum and to be strategic in the process.

Trustee Wharton stated that a timetable needed to be done at three (3), nine (9) and twelve (12) months with an expectation level of what we hope to achieve in three (3) and five (5) years. The Committee needs to be able to show milestones and accomplishments to the people of Tennessee on a continual basis.

Trustee Anderson related his experience in assisting one of his companies that needed to decrease their costs significantly. He worked with them on ideas of how to run the business differently. One suggestion of visiting customers once a week instead of twice a week resulted in reducing a major cost and increasing employee efficiency.

Trustee Anderson mentioned that the University of Maryland initiated two programs that showed critical success in their efforts. One was limiting degrees to 120 credit hours and the other was requiring 12 hours of credit outside the classroom.

Vice Chair Murphy commented that ideas should be solicited from all and considered by the Committee. The Committee will have more questions than answers and that is where the Consultants can help because they know what other Universities have done. Trustee Murphy advised that implementations need to be sold and not mandated. He gave the example of the Audiology program closure that was mandated by the administration at UTK. The decision to shutdown a program turned out to be difficult to accomplish. The Committee must be cognizant of process and input from others involved in order to keep that sort of thing from happening.

Dr. Gary Rogers noted that two distinct matters are part of the initiative. First, the overall goal of effectiveness and efficiency is a focus and second, the steps necessary to deal with more immediate anticipated appropriation reductions requires attention. A time may come when Tennessee is in a position like Auburn with a sizeable appropriation shortage. The University must deal with the immediate shortfalls while also keeping a focus on long-term improvement.

Trustee Wharton stressed to the Committee that there must be a sense of urgency.

Committee Chair Horne advised the group that the University of Maryland suggested a Committee name to reflect the overall mission of the Committee. Following discussion, the final selection for the Committee's name was **COMMITTEE ON EFFECTIVENESS & EFFICIENCY FOR THE FUTURE (EE&F)**.

Trustee Loughry noted that this must be a partnership not just a Board driven initiative. The implementations must be the best for every campus, the System, indeed the entire University.

Vice Chair Murphy asked Denise Barlow, Vice Chancellor for Finance and Administration, UTK if the course load would be true for all campuses. Vice Chancellor Barlow said that the University of Delaware Study is used as a basis for information collection and guidance.

Trustee Murphy said that the Committee needed to put forth an effort to compare the University of Tennessee's information with the University of Maryland's study and that similar appropriate information for Tennessee should be reported to the Committee. Vice Chair Murphy stated we need to determine what information is available.

Trustee Horne told the Committee members that the benchmark and measurement factors needed to be considered carefully and the topic of discussion at the next meeting.

Geoff Harkness, BearingPoint Consultant stated that the Committee should leverage people in house by going to the ones with the knowledge of the processes. Trustee Wharton cautioned that care must be taken to make sure that information is complete.

Trustee Anderson suggested that a Web site be opened to get faculty excited and involved. It is critical that the Faculty be engaged with the initiatives. He also stated that the President must be willing to endorse the Committee's effort 100%.

Vice Chair Murphy stated that the Maryland Chancellor's involvement and support was what made their E&E initiative successful. He was and is still engaged in the process and is a strong supporter of the efforts. The same holds true for UT – the President must champion the Board's efforts. The Maryland Chancellor advised that you must have partnering involvement with Presidents, Faculty, Staff, etc. and all have to understand the process. Maryland found that some campuses were more excited than others, but they all have participated in the efforts.

- IV. **Schedule of Meetings**—Trustee Horne informed the Committee that he felt they needed to meet at least 10-12 times the first year of this effort. Vice Chair Murphy stated that there are two layers (1) long term (2) budget for the upcoming year. The Committee will have to meet a lot, but the staff needs time to get the information put together. A list must be prepared for the Board's review and hopefully be ready to present to them at the February 2009 Board Meeting.

Trustee Loughry and the rest of the Committee agreed that the Committee should meet one more time before the October board meeting. After much discussion the date of Saturday, October 18, four hours prior to the football game was selected.

Trustee Murphy stated that the Senior Vice President and Chief Financial Officer would be responsible for sending out actual information regarding ideas that are accepted and implemented as the Committee's effort progresses. He also mentioned some areas to look at immediately:

- Maryland's list of issues that are pertinent to Tennessee;
- Personnel information for all campuses;
- High Level Positions;
- Vacant Positions;
- Deferral of Expenses (equipment, travel – any area that would represent quick dollars);

Dr. Gary Rogers informed the group that the University of Maryland used all of their counsels (Information Technology, Human Resources, Academic, etc.) due to the fact that they are standing working groups. The staff and consultants can work with these groups and then report back to the Committee and from there the implementation decisions can be made.

Trustee Loughry informed the Committee that they need to give Dr. Rogers, his staff and the consultant's direction regarding what needs to be defined for the presentation to the Board at the October 2008 meeting. It was agreed that Public Relations and Human Resources needs to be aware of the Committee's actions in order to know how to react and publicize communications regarding this project. Trustee Anderson commented that we do not have the luxury of taking time on this project – it must move quickly.

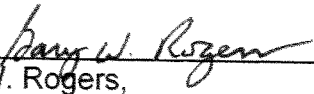
Trustee Wharton reiterated using a reporting timeline of: 6 months; 12 months; 3 years; and 5 years.

Trustee Murphy stated the facility usage inventory needs works. Dr. Rogers informed the group that there was a study taking place with THEC has engaged consultants to update and prepare space standards. Trusty Murphy voiced concern of the timely manner the results of the study would be shared and stated that the guidelines would need to be looked at one year from now.

Trustees Horne and Murphy discussed the fact that the Tennessee Lottery has provided students with incentive to increase SAT and ACT scores. Considering that fact, the University needs to provide these qualified students with quality education and maintain enrollment.

Trustee Wharton told the group that he felt the Committee needed one spokesperson and that was Committee Chair Horne. Margie Nichols advised the Committee that as this Committee and its efforts become more high profile, the work will receive more attention. Trustee Murphy advised the group that the Committee would not succumb to pressure to embrace an idea and implement it. Good ideas are welcomed from any source, but decisions will be made on the overall benefit and big picture of the University and not under pressure.

- V. **Adjournment**—with no other business Committee Chair Horne adjourned the meeting.

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



MEMORANDUM

TO: Doug Horne, Chair of the Committee  
Charlie Anderson  
Bill Carroll  
Crawford Gallimore  
Andrea Loughry  
John Petersen  
Charles Wharton

FROM: Jim Murphy, Vice Chair of the Board

DATE: September 26, 2008

SUBJECT: Charge to the Special Committee Appointed to Oversee the Cost Project

In advance of the first committee meeting on Monday, September 29, I offer these thoughts about the charge of this special committee of the Board.

The Board of Trustees, as stewards of the public trust, must and does take very seriously its fiduciary responsibility to ensure prudent management of University resources. The system-wide Strategic Plan adopted by the Board in 2006 includes the following statement:

*The University must be effective in acquiring resources and use those resources efficiently to accomplish its mission. The University's most important resource is its employees and through an empowered organization, these employees have an opportunity to excel in their various roles. The University's administrators must ensure that its units have the needed fiscal and physical resources to accomplish their specific missions and the needs and accomplishments of its units and programs must be communicated effectively and consistently within the University and to the public.*

This call for efficient and effective use of resources comes in the face of national, state, and institutional demands for greater access, affordability, and accountability, coupled with uncertain prospects for future state financial support for higher education.

In keeping with its fiduciary responsibility, the Board must be engaged with the administration in addressing this dilemma. To that end, the Executive and Compensation Committee originally charged the Senior Vice President and Chief Financial Officer to conduct a system-wide study of the cost structure of all components of the University system, with the Executive Director of Audit and Consulting to review any regulatory and compliance matters affecting costs. Additionally, the Board authorized engagement of an independent advisor to support the initiative, provide an objective assessment of performance improvement opportunities, and ensure that best practices from the education and commercial marketplace are considered.

In order to further enhance the academic quality and affordability of all its institutions that cost project needs to be expanded to include a review of productivity, effectiveness and efficiency of the University. Accordingly, I have appointed this special committee of the Board to oversee and support the work of the expanded system-wide study.

The President and the Senior Vice President and CFO, working as appropriate with the assistance of the independent advisor, the Chancellors and other system and campus administrators, are responsible for the operational aspects of the ongoing study and for implementation of any initiatives necessary to achieve the committee's objective.

In order to provide framework, the oversight and support of the study, the committee should:

- Identify any possible cost-saving and effectiveness initiatives and evaluate whether they would be appropriate for implementation anywhere within the University system.
- Identify strategies to promote a culture committed to continuous improvement, reengineering, and application of best practices within the University system.
- Examine the economic and operating models now in place in public higher education for the purpose of evaluating alternative models of service delivery
- Identify opportunities to reduce and avoid costs, increase entrepreneurial resources, and redirect resources to maximize quality and capacity
- Monitor and report on the financial and qualitative impact of measures that are implemented to improve the productivity, effectiveness and efficiency of the University system.
- Articulate the importance of this initiative, including its goals, expectations, and benchmarks.
- Seek the widest possible input from both within and without the University system.
- Provide policy guidance and oversight in the productivity, effectiveness and efficiency improvement process on a system-wide basis, operate as a clearinghouse for initiatives, monitor activities, and review results based on pre-established benchmarks.
- Submit reports at least annually to the Finance and Administration Committee and the full Board on the progress made by the committee.

The committee should select a name for this initiative that will convey to all the University's constituencies the important objectives that are being undertaken by the committee. In light of the importance of this undertaking to the citizens, students, faculty, staff, oversight agencies, elected officials and the media, the committee should utilize a transparent and open process to achieve its objectives. The work of this committee may change over time with expanded information and experience, and thus I intend for its charge to be dynamic in nature. In my role as an ex officio member of the committee, I will be in a position to give my approval to any needed expansion of the committee's responsibilities suggested by the committee.

I look forward to receiving your comments and suggestions about the committee's charge at our meeting on Monday.