

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE FALL MEETING
November 3, 2017
Knoxville, Tennessee

The Fall Meeting of The University of Tennessee Board of Trustees was held at 1:00 p.m. EDT, on Friday, November 3, 2017, in the Hollingsworth Auditorium on the campus of The University of Tennessee Institute of Agriculture of in Knoxville.

I. CALL TO ORDER AND INVOCATION

Raja J. Jubran, Vice Chair of the Board, called the meeting to order. Tim Kobler of the Campus Ministers Council offered the invocation.

II. ROLL CALL

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

Raja J. Jubran, Vice Chair
Charles C. Anderson, Jr.
Terrance G. Cooper
Susan C. Davidson
Joseph A. DiPietro
Spruell Driver, Jr.
William E. Evans
John N. Foy
Vicky B. Gregg
Brad A. Lampley
Andrew P. McBride
Sharon J. Miller Pryse
Rhedona Rose
David A. Shepard
Rachel M. Smith
John D. Tickle
Julia T. Wells
Charles E. Wharton
Tommy G. Whittaker

The Secretary announced the presence of a quorum. Governor Haslam, Commissioner McQueen, Commissioner Templeton, Executive Director of THEC Mike Krause, Trustee Brown, Trustee Cates, and Trustee Gallimore were unable to attend the meeting.

Administrative staff, faculty, members of the public, and media representatives were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. OPENING REMARKS BY VICE CHAIR

The Vice Chair, on behalf of the Board, thanked Charlie and Moll Anderson for hosting a wonderful reception and dinner with outstanding entertainment at their home in Knoxville.

IV. CONSENT AGENDA

The Vice Chair noted that most action items for the meeting were recommended to the Board for approval by committees and are included on the consent agenda. For the benefit of the audience, he explained that most Trustees attended the committee meetings and were able to participate in the discussion. He called for any requests from the Trustees to move an item from the consent agenda to the regular agenda. Hearing none, he called for a motion to approve the Consent Agenda, consisting of the following items:

- A. Minutes of the Last Meeting
- B. Annual Report to the General Assembly (Exhibit 1)
- C. 2018 Fall Meeting Date (Exhibit 2)
- D. Items Recommended by the by the Academic Affairs and Student Success Committee
 1. UT Knoxville Honorary Doctor of Humane Letters (Exhibit 3)
 2. Revisions to UTHSC Faculty Handbook (Exhibit 4)
 3. New Academic Program, UTC Master of Public Health (Exhibit 5)
 4. Grant of Tenure to Three UTHSC Faculty Members under Expedited Procedures (Exhibit 6)
 5. Revised UTC Faculty Handbook (Exhibit 7)
 6. Board Policy Affirming Principals of Free Speech for Students and Faculty (Exhibit 8)
- E. Items Recommended by the Finance and Administration Committee
 1. 2017 Report of Efficiencies and Cost Savings for Inclusion in the Board's Annual Report to the General Assembly (Exhibit 9)
 2. FY 2017 Annual Flight Operations Report (Exhibit 10)
 3. Revised UAPA Parking Rule, UTC (Exhibit 11)
 4. FY 2018-19 Operating Budget Appropriations Improvement Request for Non-Formula Units (Exhibit 12)
 5. Use of Proceeds from Lease and Transfer Agreement with University Health System to Fund Purchase of Equipment for Simulation Center (Exhibit 13)
 6. Use of Proceeds from Lease and Transfer Agreement with University Health System to Fund Clinical Trial Network Infrastructure (Exhibit 14)
 7. FY 2018-19 Capital Outlay and Capital Maintenance Projects (Exhibit 15)

8. FY 2018-19 Revenue/Institutionally Funded Projects (Exhibit 16)
9. Facilities Master Plan for Lone Oaks Farm (UTIA) (Exhibit 17)
10. Board Policy on Smoking (Exhibit 18)
11. Revised Board Investment Policies and Procedures (Exhibit 19)
12. Revised UAPA Rule on Contested Case Procedures (Exhibit 20)

Trustee Wharton moved approval of the Consent Agenda; Trustee Pryse seconded; and the motion carried by a roll-call vote (Exhibit 21).

V. REPORT OF THE PRESIDENT

President DiPietro reported on the following (Exhibit 22):

- Freshman enrollment and transfer increases at UT Martin and UT Chattanooga;
- Launch of a national search for a full-time Title IX Coordinator for the UT System and naming of Ashley Blamey as interim Title IX Coordinator;
- Appointment of Dr. Linda Martin as Vice President for Academic Affairs and Student Success and Dr. Stacey Patterson as interim Vice President for Research, Outreach, and Economic Development;
- Top two capital project requires for FY 2018-19, both in the Institute of Agriculture: Energy and Environmental Science Research Building and Veterinary Medicine Teaching and Learning Center;
- Other budget requests for FY 2018-19 including, \$48 million in capital maintenance priorities across the UT System; fully-funded Complete College Tennessee Act (CCTA) formula; \$3 million for the Center for Addiction Science at UTHSC to combat the opioid epidemic across the state;
- \$1 million additional funding for Governor's Chairs, noting that since 2009, Governor's Chairs have secured over \$500 million in extramural funding for the University;
- One-time investment of \$6 million to build UTC capacity to grow the UTC Smart City/Urban Science and Technology effort; and
- The system-wide branding and marketing campaign to aid in telling the story of the UT System.

VI. REPORT OF CHANCELLOR DAVENPORT

Vice Chair Jubran announced that President DiPietro asked Chancellor Davenport, who assumed office on February 15, 2017, to report the on surprises, challenges, and opportunities she had faced during her first nine months in office. Her report (Exhibit 23) included the following:

- UT Knoxville's \$1.6 billion annual impact on the state's economy;
- 7% growth in undergraduate enrollment from 2012 to 2017;
- Building a Title IX national model in policy, education and prevention, support and interim measures, investigation and resolution, and mandatory training;
- Building on strengths, including academic excellence reflected in 27.2 average ACT and 3.9 average g.p.a. for the class of 2021; fundraising; partnerships; top-25 programs; and state support;
- UT Knoxville advantages in recruitment; and
- Building a leadership team, noting appointments made since assuming office and searches in progress.

Vice Chair Jubran thanked Chancellor Davenport for the report and announced that Chancellor Cross and Chancellor Carver, who assumed office in late 2016 and early 2017, respectively, would be asked to report at a future meeting. The Vice Chair emphasized that the Board desires to be a strategic partner to help find solutions for problems facing the campuses and therefore must receive candid information from the Chancellors about any problems they are facing.

VII. REPORT OF THE EXECUTIVE AND COMPENSATION COMMITTEE

A. President's Recommendation for Appointment and Compensation of the Vice President for Research, Outreach, and Economic Development

Vice Chair recognized President DiPietro to present his recommendation (Exhibit 24) for appointment and compensation of the Vice President for Research, Outreach, and Economic Development.

President DiPietro said he had appointed Dr. Stacey Patterson, Associate Vice President, to this position on an interim basis as of July 1, 2017 upon Dr. David Millhorn's transition to the role of Senior Vice President Emeritus and National Laboratory Relations Advisor. He said Dr. Patterson joined the University in 2006 as a licensing associate for the UT

Research Foundation and a research scientist in the Center for Environmental Biotechnology (CEB). At UTRF, she was responsible for managing a broad portfolio of intellectual property for licensing and commercialization to the private sector. Her research at CEB led to significant external funding and the launch of a startup company developing biological cell lines for optical imaging applications.

In 2009, Dr. Patterson joined the system administration as director of research partnerships for the Executive Vice President's office. She was lead author of a proposal for research infrastructure that won a \$24-million grant from the National Science Foundation. Among several statewide initiatives she has led is the \$62.5-million Volunteer State Solar Initiative. In 2012, she was named assistant vice president and director of research partnerships, and in 2015 she was promoted to the dual roles of associate vice president for research and vice president of the UT Research Foundation. In September of this year, she was promoted to president of the UT Research Foundation.

Based on the market analysis included in the materials, President DiPietro recommended the following initial compensation for Dr. Patterson as Vice President: (1) a base salary of \$20,833.33 per month (\$250,000.00 annualized); and (2) a non-accountable expense allowance of \$416.67 per month (\$5,000.00 annualized). While serving as President of the UT Research Foundation, Dr. Patterson will continue to receive additional annualized compensation of \$50,000.00, bringing her total annualized compensation to \$305,000.

On the recommendation of the Executive and Compensation Committee at its meeting on October 5, 2017, Vice Chair and Committee Chair Jubran moved adoption of the following Resolution:

RESOLVED: The President's recommendation for the appointment and initial compensation of Dr. Stacey Patterson as Vice President for Research, Outreach, and Economic Development pursuant to the reorganization of the Office of Research is approved.

As the recommendation of a committee, no second was required. Vice Chair Jubran called for any questions or discussion. Hearing none, the vote was taken, and the motion carried.

VIII. REPORT OF THE ATHLETICS COMMITTEE

A. Neyland Stadium South Renovations (Phase I) Project Scope and Neyland Stadium Master Plan

Vice Chair Jubran recognized Trustee Anderson, Chair of the Athletics Committee, for the report. Trustee Anderson reported that the Committee received a detailed presentation (Exhibit 25) on the Neyland Stadium South Renovations (Phase I) Project Scope and the Neyland Stadium Master Plan at the meeting on November 2, 2017. On

the recommendation of the Committee, Trustee Anderson moved adoption of the following Resolution:

RESOLVED:

- 1. The University administration is authorized to increase the budget of the previously approved Neyland Stadium South Renovations (Phase I) project from \$106,000,000 to \$180,000,000 and expand the scope of the previously approved Neyland Stadium South Renovations (Phase I) project as described in the meeting materials, subject to all required state government approvals. The expanded project shall be referred to as Phase I of the updated Neyland Stadium Master Plan.**
- 2. The Board recognizes that at this time the total project budget for the Neyland Stadium Master Plan is estimated to be \$340,000,000 with the understanding that the University administration must request authorization from the Board to begin Phase II of the Neyland Stadium Master Plan after presenting a detailed description of the scope, funding model, and timeline for Phase II. The University administration should engage an architect and a construction manager who have the qualifications and experience necessary to complete a single and unified project that includes Phase I and Phase II of the Master Plan.**

As the recommendation of a committee, no second was required. The proposed project was discussed in detail at the Athletics Committee, which most Trustees attended. There being no further discussion, a roll-call vote on this capital project was taken as required by the Bylaws, and the motion carried (Exhibit 26).

IX. NAMING OF FACILITIES

Vice Chair Jubran recognized President DiPietro to present recommendations on the following naming of facilities.

A. Haslam College of Business Global Leadership Scholars Program

President DiPietro concurred in Chancellor Davenport's recommendation to name the Global Leadership Scholars Program in the Haslam College of Business the "Greg and Lisa Smith Global Leadership Scholars Program" in recognition of their generous philanthropy benefitting the Haslam College of Business (Exhibit 27).

President DiPietro moved adoption of the following Resolution:

RESOLVED: The Haslam College of Business Global Leadership Scholars Program at The University of Tennessee, Knoxville is hereby named the “Greg and Lisa Smith Global Leadership Scholars Program” in honor of Greg and Lisa Smith in recognition of their support for the Haslam College of Business.

Trustee Pryse seconded, and the motion carried.

B. Entryway Garden of the Sociology Building at UT Martin

President DiPietro concurred in Chancellor Carver’s recommendation that an exception to the naming policy be granted to name the entryway garden of the Sociology Building the “Michelle Horton Tribute Garden” in memory of Barret Michelle Horton, an alumnus and retired Professor of Social Work at UT Martin, in recognition of her service and leadership to the College and UT Martin (Exhibit 28). The President explained that the naming requires approval of an exception to the provision against naming in honor of a person who has been an employee of the University within the previous three years. He said the policy allows for the Board to make an exception, and he enthusiastically recommended the exception in this case.

President DiPietro moved adoption of the following Resolution:

RESOLVED: The Board of Trustees grants an exception to the Board Policy on the Naming of Facilities and other Assets of The University of Tennessee and approves naming the entryway garden of the Sociology Building at The University of Tennessee at Martin the “Michelle Horton Tribute Garden” in honor of the service and leadership of Professor Barrett Michelle Horton to the College of Social Work.

Trustee Shepard seconded, and the motion carried.

C. Recreation Hall at the Clyde M. York 4-H Center

President DiPietro concurred in the recommendation of Chancellor Cross to name the Recreation Hall at the Clyde M. York 4-H Center in honor of A.C. Clark in recognition of his service and leadership to the University and the State of Tennessee (Exhibit 29).

President DiPietro moved adoption of the following Resolution:

RESOLVED: The Recreation Hall at Clyde M. York 4-H Center near Crossville is hereby named the “A. C. Clark Recreation Hall at Clyde M. York 4-H Center” in honor of A. C. Clark in recognition of his service and leadership to The University of Tennessee and the State of Tennessee.

Trustee Whittaker seconded, and the motion carried.

X. CAMPUS PRESENTATIONS ON FACILITIES SERVICES OUTSOURCING DECISIONS

Vice Chair Jubran asked each Chancellor and the campus Chief Business Officer to present the justification for the campus decision to opt out of the Jones Lang LaSalle (JLL) proposal for outsourcing of facilities management services (Exhibit 30).

UTC

Chancellor Angle said the decision for UTC was straightforward, given that the JLL proposal did not project any savings for UTC. He then asked Executive Vice Chancellor Richard Brown to provide details through a slide presentation. Dr. Brown explained that the JLL proposal budget projected expenditures of \$305,355 more than the UTC baseline budget.

UTHSC

Chancellor Schwab's presentation indicated that the \$1.7 million projected savings in JLL's proposal for UTHSC included approximately \$1.2 million in savings through sourcing and leveraged procurement across all services. He said he believes the campus effectively and efficiently manages its custodial and landscaping services and did not want to relinquish control of the day-to-day management of those services to achieve only modest gains. He noted, however, that the Health Science Center's most costly procured services are technical services (such as mechanical and plumbing services), and substantial savings likely could be realized through JLL's leveraged procurement sourcing for those services. Accordingly, the campus, through a consortium with the University of Memphis and Southwest Tennessee Community College, will offer JLL the opportunity to bid on providing those services, which the Health Science Center already outsources. President DiPietro asked if the total \$1.7 million in projected annual savings could be captured by the campus in other ways. In response, Executive Vice Chancellor Ken Brown said he would like to think so but added that the \$500,000 savings are in custodial services, and most of JLL's savings in those services would be achieved through attrition of employees. For clarification, Vice Chair Jubran asked if he was speaking of immediate employee lay-offs, and Dr. Brown responded that he was only referring to normal attrition over time (employee turnover and retirements).

UT Knoxville

Chancellor Davenport said the goal of the outsourcing initiative was to determine whether efficiencies could be achieved and to determine what was in the best interest of the campus. Her presentation emphasized that the decision to opt out was based on extensive analyses of the financial considerations, the complexity of the work done on a research-intensive campus, and commitment to the East Tennessee economy and the campus workforce. Dr. Davenport called attention to a chart showing that costs per square foot have declined while the campus footprint and number of facilities has continued to increase. Speaking of the complexity of facilities, she said highly specialized employees work side-by-side with faculty in maintaining complex equipment and other facilities. Dr. Davenport ended her

presentation by referring again to the campus commitment to the nearly 33,000 jobs the University provides in East Tennessee.

Trustee Pryse commented that the campus decision is politically expedient, but that the University has a fiduciary responsibility to be sure dollars are being spent as efficiently as possible. Trustee Lampley asked that the slide showing the JLL projected savings be displayed on the screen. Noting the projection of a \$5.2 million savings, he expressed concern about the potential legislative consequences of not taking advantage of the savings opportunity when it was made clear that employees would not lose their jobs. He suggested that the campus needs to look at other areas where it could save the same amount of money. Trustee Wharton added that Governor Haslam has been fantastic in his support of higher education and UT in particular, and this was a bona fide effort to help UT again by offering an opportunity to achieve greater efficiencies. He agreed with Trustee Lampley that the University should commit to finding these savings in another way and suggested the need to look at areas where there is entrenched bureaucracy and multiple layers of administration. Trustee Tickle said the Board has a responsibility to try to lower cost of education and noted that outsourcing is working well in some areas on the campuses, such as food services. Trustee Whittaker commented that the President will very likely have to explain to legislators why the campus did not take advantage of this savings opportunity. Trustee Anderson said \$5.2 million is a substantial amount of money, and he is disappointed with the outcome, given the fiduciary responsibility to tuition-paying students, their parents, and the legislature. Vice Chair Jubran pointed out that the justification for not opting in is based on the campus calculation of the savings as only \$906,000. Senior Vice Chancellor Cimino said the savings would be only \$906,000 in the first year of the contract because of the additional costs the campus would take on, including management of the JLL contract. Vice Chair Jubran asked what is included in the contract management cost, and Mr. Cimino responded that it includes six employee positions to manage the contract. Vice Chair Jubran commented that six employees to manage one contract is an example of inefficiency. Trustee Gregg said if this proposal were presented to her when she was CEO of a large company, the prospect of disruption alone would not have deterred the company from looking closely at pursuing the savings opportunity. She said she is somewhat skeptical about the off-setting transitions costs used to reduce the savings in the first year and would want to know what the savings are over time. Vice Chair Jubran again cautioned that the calculation of only \$906,000 in savings for the first year includes a one-time \$2.4 million cost for accrued annual leave. President DiPietro said the campus should capture the savings in another way after the real amount has been determined.

UT Martin

Chancellor Carver's presentation referred to a benchmarking process conducted by the Association of Physical Plant Administrators (APPA) comparing UT Martin's facilities management costs with peers assigned by APPA. He noted that UT Martin's costs are significantly lower than the peers selected by APPA. Chancellor Carver then said the JLL projected savings for UT Martin was only \$13,667 annually, and thus UT Martin decided not

to opt in. Chancellor Carver added, however, that the process had been very instructive for the campus, and much had been learned about ways the campus could improve in facilities management practices, including deferred maintenance. He said the campus is committed to putting into practice what it learned in the process. Trustee Gregg asked Chancellor Carver to track those improvements over time and report to the Board on how the campus has used what it learned in the process. Vice Chair Jubran added that it had been reported to him that under Chancellor Carver's leadership, UT Martin is working very hard to improve even though the campus lacks funds to do all that needs to be done.

Vice Chair Jubran recognized President DiPietro, who made the following statement:

I am grateful for the efforts of the Governor, Commissioner Martin, and others in State Government who worked with us and cooperated with numerous requests and negotiations on our part. They did everything we asked, especially the accommodations they made for the protection of the jobs and total equitable compensation of our employees. I appreciate their patience with us.

The University began considering the possibility of outsourcing many of our system's maintenance and facilities management operations two years ago through the state's *Strategies for Efficiency in Real Estate Management* (SEREM). We committed early in the process to receive proposals, allow our campuses to review them, then to give our campuses the discretion to opt in or opt out. That process has concluded, and our campuses have reached their decisions.

I would like to say a few words about the process, but first let me be very clear that Chancellors do not bear responsibility for what I am about to say. It is disappointing that from the outset, the process was beset by unfounded allegations of conflict of interest and other false information from both external and internal sources, causing unnecessary fear and disruption among facilities operations employees. And some concluded long before the facts were in, that a campus should opt out. Great universities like UT are underpinned by the fundamental premise that conclusions should be based on a careful study of all the facts, but some within the University community constructed arguments against outsourcing long before being presented its final proposals or terms.

The possibility of outsourcing presented two campuses with the potential for significant savings, which could have provided them with additional financial resources to keep tuition increases low and to address other campus priorities. Given the campus decisions, they will have to achieve those proposed savings in other ways.

I respect the campus decisions, and I re-emphasize that they now must be accountable for identifying and achieving the desired savings by other means.

Again, I thank Governor Haslam and Commissioner Martin for working diligently to accommodate all of our requests in this process.

Vice Chair Jubran said he echoed the President's comments and expressed disappointment that the justifications offered by the Health Science Center and UT Knoxville for not opting in did not rise to the level expected of a great university. He continued with remarks he said were directed to the rank and file employees who do the work of facilities services day in and day out. These employees were scared into believing their livelihood was at stake, with rumors of mass lay-offs, loss of benefits, loss of pay, and they had every right to be concerned. However, the campus justifications for not opting in did not address any of those legitimate concerns because in fact Dr. DiPietro had solved those problems at the outset two years ago. He negotiated contractual language prohibiting mass layoffs and providing equivalent if not greater compensation so that the current employees doing the complex work referred to by Chancellor Davenport would continue to do that work for the campus. Commissioner Martin agreed to all of these protections because he and the Governor care about the employees just as the Board does.

For the record, the Vice Chair then asked President DiPietro if he had received a call from the Governor telling him that UT must contract with JLL, and the President responded "no." He then asked the Chancellors if they had received a call from the Governor telling them their decision was not final and that they must opt it. Each Chancellor said "no." The Vice Chair asked the Trustees if they had been instructed by the Governor that UT must opt it. No one said "yes."

The Vice Chair said the decision was sabotaged from the beginning by rumors, including the allegation by a member of the UT Knoxville faculty senate that the Governor has a conflict of interest by virtue of stock ownership in JLL. The Governor does not own JLL stock, nor does his blind trust. The allegation was totally false and made without any checking of the facts. Another UT Knoxville employee said the JLL initiative was "borderline criminal intent." Nevertheless, the Vice Chair said he does not fear any retribution against UT from Commissioner Martin or the Governor because they are committed to helping this institution despite the false allegations and despite the rejection of this effort to help.

Trustee Tickle said JLL is a large, successful company, and he believes their projected savings are correct. The consensus of the Board was to recommend that President direct the campuses to find the savings. Trustee Wharton urged again that the campuses commit to finding the savings not at the bottom but at higher levels of administrative bureaucracy.

XI. REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

Committee Chair Gallimore made the following report of the work of the Audit and Compliance Committee since the last Board meeting.

The Audit and Compliance Committee held its last meeting on May 3, 2017. The following were a few of the key items reviewed at that meeting:

State Audit Report

The Committee heard from the State Auditors on the results of the 2016 annual financial and compliance audit. As part of their work this year, the auditors followed up on information technology findings from the 2015 audit. There were five repeat information technology control weaknesses identified. The details of the findings were discussed with the Committee, and management has indicated that all findings have been addressed and that recommendations have been implemented.

Athletics Financials and Agreed-Upon Procedures

The Committee reviewed the agreed-upon procedures report issued by State Audit. Each year, the State Auditors perform agreed-upon procedures for Athletics to comply with NCAA Bylaws. This work is not a financial statement audit and the State Auditors do not issue an opinion on statements. Instead, this work involves a series of procedures to meet the requirements of the NCAA. A copy of the report is included in the materials.

Compliance

The Committee reviewed institutional compliance reports and heard from Dr. Robert Nobles, chair of the Knoxville campus compliance committee. We heard of and support plans the committee has to continue to mature the campus compliance efforts.

Upcoming

Below are comments on a few of the upcoming audits and agenda items for Committee meetings.

A state statute requires internal audits of the Chancellors and President. While the statute only requires 30 percent of Chancellors and the President to be audited each year, because of the number of individuals new to the Chancellor positions this year, the Committee approved audits of all of the CEOs in 2017. These results of the audits will be forwarded to all Trustees in December.

For the remainder of the year, the Committee will continue to receive monthly updates on the audit plan and results of audits. The Committee meetings have not been scheduled; however, agenda items for those meetings will include IT

security, institutional compliance, ongoing investigations, the annual risk assessment, as well as approval of the 2018 audit plan and institutional compliance work plan.

Annual Report

As required by the Committee charter, the Executive Director of Audit and Compliance has provided two reports in the meeting materials.

- First is the 2016 annual report, which provides a summary of the 2016 accomplishments and 2017 plans. The Audit and Compliance Committee reviewed this report at the May 3 meeting.
- Next is a copy of the 2017 Audit Plan, which was reviewed and approved by the Audit and Compliance Committee at the December meeting.

XII. OTHER BUSINESS

There was no other business.

XIII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary