

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

March 29, 2017  
Knoxville, Tennessee

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 10:30 a.m. EDT on Wednesday, March 29, 2017, in the Tennessee Room of the University Center on the UT Chattanooga campus.

**I. CALL TO ORDER**

Charles C. Anderson, Committee Chair, called the meeting to order.

**II. ROLL CALL**

David L. Miller, Chief Financial Officer, called the roll, and the following members of the Finance and Administration Committee were present:

Charles C. Anderson, Committee Chair  
Joseph A. DiPietro  
John N. Foy  
Raja J. Jubran, Vice Chair  
John D. Tickle  
Shannon A. Brown

Mr. Miller announced the presence of a quorum of the Committee. Trustee Shannon Brown was unable to attend. Other Trustees, administrative staff, members of the public, and representatives of the media were also present.

**III. CONSENT AGENDA**

Chair Anderson directed the Committee's attention to the Consent Agenda and called for any requests to remove an item. Hearing none, Chair Anderson called for a motion to approve the Consent Agenda, consisting of the following items:

A. Minutes of the Last Meeting (Committee Action Only)

- B. Corporate Authorization to Transfer Securities (Exhibit 1)
- C. Disclosure of Additional Revenue/Institutionally Funded Capital Projects, FY 2016-17 (Exhibit 2)
- D. Treasurer's Report on Endowment Investment Performance (Exhibit 3)

Chair Anderson then called for a motion to approve the Consent Agenda, and a member moved that the Committee approve the minutes of the October 14, 2016 meeting and further moved that the Corporate Authorization to Transfer Securities be recommended for approval by the full Board by unanimous consent. The motion was seconded and carried.

#### **IV. REPORT AND RECOMMENDATIONS OF THE SUBCOMMITTEE ON TUITION, FEES, AND FINANCIAL AID**

Trustee Foy reported that the Subcommittee on Tuition, Fees, and Financial Aid met on March 28, 2017 and considered the following three action items.

##### **A. UTHSC FY 2017-18 Student Tuition and Fees**

The UT Health Science Center presented its FY 2017-18 annual student tuition and fees proposal (Exhibit 4) at the March meeting rather than waiting until June. The Health Science Center's academic year starts early and presents a challenge to providing sufficient notification of tuition rates. All of the proposed increases are modest considering most programs had no increase last year. A PowerPoint (Exhibit 5) was also provided representing trends by college.

Trustee Foy moved that the Finance and Administration Committee recommend adoption of the following Resolution by the Board of Trustees:

**RESOLVED: The FY 2017-18 schedule of student tuition and fees for the Health Science Center is approved.**

The motion was seconded and carried.

##### **B. Expansion of UTHSC Regional Tuition Rate Program for Pharmacy**

The UT Health Science Center is also seeking Board approval to expand the regional tuition rate program for Pharmacy (Exhibit 6). Currently, Pharmacy students residing within a 50-mile radius of Memphis, pay the total in-state

tuition plus 25% of the out-of-state tuition rate. The program has been successful in attracting qualified out-of-state applicants without displacing qualified Tennessee students. UT Health Science Center proposes expanding the geographic area from a 50-mile radius of Memphis to a 200-mile radius of each College of Pharmacy site in Memphis, Nashville, and Knoxville. The expanded radius reaches a number of metropolitan areas, including Atlanta, Birmingham, Lexington and Louisville. The goal is to add 24 highly qualified students, which would grow enrollment to a target level of 720 students, and thus optimize the program's efficiency, and enhance its quality, and improve its ranking.

Trustee Foy moved that the Finance and Administration Committee recommend adoption of the following Resolution by the Board of Trustees:

**RESOLVED: Health Science Center is authorized to expand the current Regional Tuition Rate Program for Pharmacy to out-of-state students residing within a 200-mile radius of each site of the College of Pharmacy in Memphis, Nashville, and Knoxville, effective July 1, 2017.**

The motion was seconded and carried.

#### **C. Expansion of UTC Regional Tuition Rate Program to Freshmen and Sophomores**

UT Chattanooga seeks Board approval to expand its regional tuition rate program to include freshman and sophomore students (Exhibit 7). The plan currently includes juniors, seniors and graduate students in Catoosa, Dade, Fannin, Murray, Walker, and Whitfield Counties in North Georgia and Jackson County in Alabama. Eligible students pay the total in-state rate plus 25% of out-of-state tuition rate. Since the inception of this program, the University has been able to increase enrollment from these border counties. It has generated approximately \$3 million in revenue for the University. To break even under the proposal, an additional 56 undergraduate full-time equivalent students will need to be enrolled for the 2017-2018 academic year. UTC believes it has capacity to enroll these students without displacing qualifying in-state students.

Trustee Foy moved that the Finance and Administration Committee recommend adoption of the following Resolution by the Board of Trustees

**RESOLVED:** The University of Tennessee at Chattanooga is authorized to expand its current Regional Tuition Rate Program to freshman and sophomore students (<60 credit hours) in Catoosa, Dade, Fannin, Murray, Walker, and Whitfield Counties in North Georgia and Jackson County in Alabama, beginning with the 2017-18 academic year.

The motion was seconded and carried.

**V. FY 2017 REVISED OPERATING BUDGET**

Chief Financial Officer David Miller presented the Revised FY 2017 Operating Budget (Exhibit 8). The budget requires revision each year to update revenue and expenditure projections, taking into consideration final fall enrollments (estimated at the time the original budget is prepared), the effect of any prior year's activities carried forward into the current year, and adjustments in state appropriations occurring since the FY 2017 budget was prepared and approved in June 2016. It also includes adjustments to allocate significant carry-overs from FY 2016 and minor revisions to budgeted revenues.

Stating that the revised budget is balanced and within available resources, CFO Miller recommended its approval and requested authorization for the administration respond, as needed, to unforeseen developments.

A member moved that the Finance and Administration Committee recommend adoption of the following Resolution by the Board of Trustees:

**RESOLUTION**

**THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES  
March 29, 2017**

**REVISED FY 2017 Operating Budget**

**WHEREAS, the Bylaws require the Board of Trustees to approve an annual operating budget for the University; and**

**WHEREAS, the Board approved the FY 2017 operating budget in June, 2016; and**

**WHEREAS, the operating budget must be revised during the year to update revenue and expenditure projections for the remainder of the fiscal year, taking into consideration final fall enrollments (which are estimated when the original budget is prepared), the impact of the prior year's activities carried forward into the current year, and adjustments in state appropriations occurring since the budget was approved in June, 2016; and**

**WHEREAS, the 2017 Revised Operating Budget includes adjustments allocating revisions to budgeted revenues and carry forward of unexpended non-recurring funds from 2016; and**

**WHEREAS, mandatory furloughs without pay, reduction of time worked, across-the-board salary reductions or a budgetary shortfall;**

**WHEREAS, the FY 2017 Revised Budgets for Education and General (E&G) and Auxiliary Enterprises are balanced and within available resources and comply with all applicable policies and guidelines;**

**NOW THEREFORE BE IT RESOLVED that:**

- 1. The FY 2017 revised operating budget is approved with the understanding that if the General Assembly or the Department of Finance and Administration further alter the FY 2017 appropriations, or if changes in estimated resources require, the budget shall be modified accordingly so expenditures will not exceed available resources.**
- 2. The Board of Trustees expressly authorizes the campus, institute and unit administrations, in response to budget reductions or a budgetary shortfall, to implement mandatory furloughs without pay, reduction of time worked, across-the-board salary reductions, and similar salary-related measures during the remainder of FY 2017, subject to approval by the Executive and Compensation Committee, the President, and the Chief Financial Officer, in consultation with the General Counsel and Human Resources.**

3. Any remaining balance of Unrestricted Net Assets may be considered as a reserve for contingencies to be used for:
  - a. Employing additional staff where enrollments and reorganization requirements warrant;
  - b. Modifying departmental operating budgets where changing conditions during the year require funding adjustments;
  - c. Funding to make salary adjustments for personnel as may be necessary during the year in keeping with state and university salary guidelines;
  - d. Improving physical facilities for academic and research departments as opportunities arise;
  - e. Mandated cost increases; and State impoundment of funds or appropriations rescission during the budget year.

The motion was seconded and carried.

#### VI. TREASURER'S FINANCIAL REPORT, 2016 (FINAL)

Treasurer Ron Maples presented information on the University's FY 2016 financial statements included in the Treasurer's Financial Report (Exhibit 9). The University's Total Assets increased by \$366 million and Net Position increased by \$195.4 million. The increases were in capital assets, restricted nonexpendable and unrestricted. Restricted expendable decreased as a whole due to the UT Foundation, Inc. holding more of this money.

The Composition of Assets shows that cash, investments and receivables collectively increased \$137.7 million. Capital Assets increased by \$211 million and Net Pension Assets and Deferred Outflows increased by \$16.6 million mainly due to increases related to pensions.

The Composition of Liabilities shows the Bonds Payable increased \$115.7 million. The amount due to component units increased \$70 million due to the University investing UT Foundation, Inc. funds. Net pension obligation increased \$78.6 million while deferred inflows decreased \$90.9 million due to differences in actuarial experience and investment return estimates and experience.

Sources of Revenues increased: Grants and Contracts \$55.8 million; State Appropriations \$18.99 million; and Student Fees \$31 million. Lastly, Non-

Operating Revenue increased over \$60 million, mostly due to a \$49 million increase in capital appropriations.

The largest expense in the major expense categories is salaries and benefits and represents 66% of total expenses. Salaries increased 3% or \$29.6 million in FY 2016. Total Operating Expenses increased \$73.4 million due to increases in salaries and wages, fringe benefits and other expenditures.

**VII. OTHER BUSINESS**

There was no further business to come before the Committee.

**VIII. ADJOURNMENT**

There being no further business to come before the Committee, the meeting was adjourned.

Respectfully Submitted,



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David L. Miller  
Chief Financial Officer