

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

October 14, 2016  
Knoxville, Tennessee

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 9:15 a.m. EDT on Friday, October 14, 2016, in the Hollingsworth Auditorium on the Institute of Agriculture campus in Knoxville, Tennessee.

**I. CALL TO ORDER**

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

**II. ROLL CALL**

James R. Maples, Interim Treasurer and Chief Financial Officer, called the roll, and the following members of the Finance and Administration Committee were present:

Charles C. Anderson  
Shannon Brown  
Joseph A. DiPietro  
John N. Foy  
Raja Jubran, Vice Chair  
James L. Murphy  
John D. Tickle

Mr. Maples announced the presence of a quorum of the Committee. 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. FY 2016 Annual Flight Operations Report (Exhibit 1)
- C. Report on Use of Differential Tuition Funds at UTC (Exhibit 2)

- D. Report on Use of Differential Tuition Funds at UTK (Exhibit 3)
- E. Disclosure of Additional Revenue/Institutionally Funded Capital Projects, 2016-2017 (Exhibit 4)
- F. KUB Easement for UTK West Campus Housing Redevelopment (Exhibit 5)
- G. Acquisition by Gift of 1215 Wisdom Street for Institutional Use and Amendment of UTC Campus Master Plan to Include the Property (Exhibit 6)

Trustee Foy moved approval of the Minutes of the Last Meeting and further moved that all other action items on the October 14, 2016 Consent Agenda of the Finance and Administration Committee be recommended to the Board for approval by unanimous consent. The motion was seconded and carried unanimously.

#### **IV. HISTORY OF STATE CAPITAL OUTLAY AND CAPITAL MAINTENANCE APPROPRIATIONS**

Interim Treasurer and Chief Financial Officer, Ron Maples, presented for information a history of state capital outlay and capital maintenance appropriations (Exhibit 7). He presented detailed information on projects funded each year and documentation of capital outlay and capital maintenance requests compared with appropriations. The data showed that that the University has matched more than \$90 million over a five-year period. Although the University hoped the match program would speed up the building process and provide more funds for capital outlay, that has not been the experience. A listing of completed outlay projects by campus, state-funded and self-funded, was included in the presentation along with a listing of capital projects in progress by campus. Mr. Maples thanked Robbi Stivers, Sybil Brown, and Robert Harrill for preparing the information.

#### **V. FY 2017-18 CAPITAL OUTLAY AND CAPITAL MAINTENANCE PROJECTS**

Mr. Maples presented the FY 2017-18 Capital Outlay and Capital Maintenance Projects (Exhibit 8) for action. The five-year schedule for Capital Outlay reflects \$757,850,000 in recommended state-funded Capital Outlay Projects, which is net of the requisite institutional funding match (25% for UTK, UTC, UTM and 10% for all others). The five-year schedule for Capital Maintenance reflects \$404,200,000 in recommended Capital Maintenance Projects. The University's top- two capital outlay requests are the UT Martin STEM classroom building and the UT Knoxville Engineering Services Facility. The UT Martin building is the top priority because the General Assembly has lowered the match from 25% to 10% if the match is met by a certain date. The plan is to ask the Governor for half the money this year and half next year based on the history presented earlier of capital outlay funding.

The capital maintenance projects are normal requests and the projects listed have worked their way up the priority list. The state typically funds half of the University's request. Most other states do not fund capital maintenance.

The administration seeks approval of these requests and authorization to enter into contracts for design and construction within available funds. Upon approval by the Board of Trustees, the administration will submit these funding requests to state government.

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

**RESOLVED: The Capital Outlay and Capital Maintenance Funding Requests for FY 2017-18 and subsequent years are approved, with authorization to enter into contracts for design and construction for these projects within available funds.**

The motion was seconded and carried unanimously.

#### **VI. FY 2017-18 REVENUE/INSTITUTIONALLY FUNDED PROJECTS**

Mr. Maples presented the list of FY 2017-18 Revenue/Institutionally Funded Projects (Exhibit 9), which was developed by the administration for inclusion in the FY 2017-18 State of Tennessee Budget Document. Identified projects total \$162,070,000. Although no state funds are requested for these projects, legislative approval of the projects is required. The administration seeks Board approval of these projects prior to submitting them to the Tennessee Higher Education Commission to begin the legislative approval process. The administration also seeks authorization to enter into contracts for design and construction for these projects within available funds.

In addition, the administration seeks authorization to enter into contracts for design and construction associated with revenue/institutionally funded projects subsequently identified during the fiscal year. Any subsequently identified projects will be approved by the President and reported to the Board of Trustees at its next regularly scheduled meeting.

A motion was made that the Finance and Administration Committee recommend the following Resolution for adoption by the Board of Trustees.

**RESOLVED: The Revenue/Institutionally Funded Projects for FY 2017-18 are approved, with authorization to enter into contracts for design and construction of these projects, within available funds, and, with the approval of the President, for design and construction of other revenue/institutionally funded projects identified during the fiscal year within available funds.**

The motion was seconded and carried unanimously.

## **VII. UPDATE ON UT MARTIN CAPITAL PROJECTS**

Interim Chancellor Robert Smith addressed the Committee and stated that he had presented a far reaching vision for the transformation of The University of Tennessee at Martin to the Board in October 2015. At that time, there were three components needing the support of the Board.

The first was the request to redefine UTM's approach to serving out-of-state students, which was approved by the Board in March 2016. UTM has already seen results for future enrollments.

The second goal was the "Soar in Four" program modeled after UTK's successful 15/4 program. The goals were to increase graduation rate and improve career and professional skills that enhanced graduates' satisfaction with their careers and life. UTM is in year one of a four-year phase-in and has already implemented the promise made to students.

The third transformational strategy, our capital project plan to meet both the enrollment challenges, as well as contribute to the economic recovery needs of West Tennessee has been presented at this meeting.

The signature capital project is a state-of-the-art 120,000 square feet Engineering and Science academic building. If funded, this will be the first capital outlay project for UTM since 2006. In the last twelve years, UTM has had only \$15.8 million in funded capital projects. The building is projected to add \$56.3 million in income to the region, the equivalent of adding 901 jobs. The expectation is an increase of 25% in STEM students with 85-90% remaining in West Tennessee. The impact of the project ripples across every academic college of UTM and creates opportunities in four other buildings to increase instructional capacity.

UTM is working to self-fund through partnerships across West Tennessee the Innovation and Product Realization Center. It is a \$5.3 million community

workspace to foster innovation and collaboration with industry and the University. It is a laboratory, nicknamed "The Garage," where students and faculty can develop prototype solutions to regional industry, agricultural, and business needs. It will also be the home for the Small Business Development Center and the Northwest Tennessee Entrepreneurial Center. It will be the finishing space for our new B.S. in Manufacturing Engineering and includes the cooperative work of our College of Engineering and Natural Sciences, College of Agriculture and Applied Sciences, and the College of Business and Global Affairs.

Finally, UTM is in collaborating with a new non-profit, the "Northwest Tennessee Rural Convention Group," the City of Martin, and Weakley County, pursuing the NW TN Convention Center. The development is located on 74 acres and will be home to a new nationally branded hotel, livestock handling facilities, and an RV Park for visitors. The centerpiece of the development is a 6,000 seat arena and education/entertainment complex. The Convention Center will host a variety of events including agricultural trade shows, industry product showcases, livestock events, concerts, sporting events, educational conferences, and a new venue for UTM commencement.

Dr. Smith thanked the Committee and Board for their faith and trust over the past 16 months. He deeply appreciates the opportunity to serve UTM as Interim Chancellor and the Board's approval of proposals that are transforming the campus. He thanked President DiPietro and staff and his Chancellor colleagues for being invaluable advisors.

#### **VIII. FY 2017-18 Operating Budget Appropriations Request for Non-Formula Units**

Mr. Maples explained that the administration collected requests from each non-formula unit for FY 2017-18 funding improvements (Exhibit 10). These requests are required to be submitted to the Tennessee Higher Education Commission for vetting. Authorization is requested for the President and Chief Financial Officer, after consultation with the Chancellor and Vice President of each non-formula unit, to determine final priority after the vetting process. The requested authorization includes revising the request in response to developments related to state funding priorities that could arise during the upcoming legislative session.

A motion was made that the Finance and Administration Committee recommend the following Resolution for adoption by the Board of Trustees.

**RESOLVED: The University's FY 2017-18 operating budget appropriations improvement request for the non-formula units is**

approved, with authorization for the President and Chief Financial Officer to revise or add to these requests in response to developments related to state funding priorities that may arise during the upcoming legislative session.

The motion was seconded and carried unanimously.

**IX. HR/COMPENSATION ADVISORY BOARD REPORT**

Linda Hendricks Harig, Vice President for HR, and Dr. Richard Brown, Executive Vice Chancellor of UTC, presented the HR/Compensation Advisory Board Report (Exhibit 11).

**X. TREASURER'S REPORT ON ENDOWMENT INVESTMENT PERFORMANCE**

Rip Mecherle, Chief Investment Officer gave a report on the Endowment Investment Performance (Exhibit 12).

**XI. TEASURER'S FINANCIAL REPORT**

Mr. Maples presented Treasurer's Financial Report (Exhibit 13) for information. Two drafts of the comparative statements for the University were the only documents available. A full presentation will be given at the Spring Meeting when the audited financial statements are available.

**XII. REPORT OF SUBCOMMITTEE ON TUITION, FEES, AND FINANCIAL AID**

Trustee John Foy, Chair of the Subcommittee on Tuition, Fees, and Financial Aid, reported on the inaugural meeting of the subcommittee the day before. No action items were considered by the subcommittee.

**XIII. OTHER BUSINESS**

There was no further business to come before the Committee.

**XIV. ADJOURNMENT**

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

Respectfully Submitted,

A handwritten signature in blue ink that reads "James R. Maples". The signature is written in a cursive style and is positioned above a horizontal line.

James R. Maples  
Interim Treasurer and  
Chief Financial Officer