



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## FINANCE AND ADMINISTRATION COMMITTEE

10:15 a.m. EDT	Hollingsworth Auditorium
Friday	2421 Joe Johnson Drive
November 2, 2018	Knoxville, Tennessee

### AGENDA

- I. Call to Order and Opening Remarks
- II. Roll Call
- III. Requests to Address the Board (if appropriate for this Committee)
- IV. [Committee Consent Agenda](#) – Action (unless otherwise indicated)..... Tab 1
  - A. [FY 2018 Annual Flight Operations Report](#)..... Tab 1.1
  - B. [Authorization for Check Signatures](#)..... Tab 1.2
  - C. [UAPA Public Records Rule](#) ..... Tab 1.3
  - D. [Disposal by Easement of Property on Phillip Fulmer Way to KUB \(UTK\)](#)..... Tab 1.4
  - E. [Disposal by Easement of Property on Cherokee Farm to City of Knoxville for Water Quality \(UTK\)](#) ..... Tab 1.5
  - F. [Disposal by Easement of Property along Alcoa Highway and Cherokee Trail Interchange to KUB \(UTK/UTIA/UHS\)](#)..... Tab 1.6
  - G. [Transfer of Jurisdiction of Property along Alcoa Highway/Singleton Station Road to TDOT \(UTIA\)](#)..... Tab 1.7
  - H. [Transfer of Jurisdiction of Property at Maloney Road to TDOT \(UTIA\)](#)..... Tab 1.8
  - I. [Disclosure of Additional Revenue/Institutionally Funded Capital Projects, FY 2018-19 – Information](#)..... Tab 1.9
  - J. [Report on Use of Differential Tuition Funds at UTC – Information](#) ..... Tab 1.10
  - K. [Report on Use of Differential Tuition Funds at UTK – Information](#)..... Tab 1.11
- V. [Finance and Administration Committee Charter](#) – Action..... Tab 2
- VI. [FY 2019-20 Operating Budget Appropriations Request for Non-Formula Units](#) – Action..... Tab 3
- VII. [Fiscal Year 2018 Report on Year-End Fund Balances](#) – Information ..... Tab 4
- VIII. [New Policy on Expenditure of Year-End Carry Forward Unrestricted Funds](#) – Action..... Tab 5



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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- IX. Revised Policy on Approval of Student Fees to Include Factors to be Considered when Developing Recommendations to Increase Tuition and Mandatory Fees – Action..... Tab 6
- X. Revised Investment Policies and Procedures – Action ..... Tab 7
- XI. Second Amendment of Lease and Transfer Agreement with University Health System, Inc. – Action ..... Tab 8
- XII. Authorization for the President to Approve an Affiliation Agreement with West Tennessee Medical Group, Inc., Related to the Physician Practice Plan for Family Medicine in Jackson, Tennessee – Action ..... Tab 9
- XIII. FY 2018 Report on Endowment Investment Performance – Information ..... Tab 10
- XIV. Board-Approved Peer and Aspirational Institutions/Comprehensive Salary Study – Information ..... Tab 11
- XV. Other Business [*Note: Under the Bylaws of the Board, items not appearing on the agenda may be considered only upon an affirmative vote representing a majority of the total voting membership of the committee. Other business necessary to come before the committee at this meeting should be brought to the committee chair’s attention before the meeting.*]
- XVI. Adjournment



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Committee Consent Agenda**

Type: Action

Presenter(s): William C. Rhodes III, Committee Chair

Certain action items and information items have been placed on the Committee Consent Agenda. These items will not be presented or discussed in the Committee unless a Committee member requests removal of an item from the Consent Agenda. In accordance with the Bylaws, before calling for a motion to approve the Consent Agenda, the Committee Chair will ask if any member of the Committee requests that an item be removed from the Consent Agenda. The Bylaws provide that an item will not be removed from the Consent Agenda solely for the purpose of asking questions for clarification. Those questions should be presented to the Secretary before the meeting.

### Committee Action

If there are no requests to remove an item from the Consent Agenda, the Committee Chair will call for the prepared motion below, a second, and a voice vote. If the motion passes, the action items will go forward to the Consent Agenda of the full Board meeting.

**Motion: I move that the Committee recommend the Resolutions presented in the meeting materials relating to items on the Committee Consent Agenda for adoption by the Board of Trustees by unanimous consent.**



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **FY 2018 Annual Flight Operations Report**

Type: Action

In accordance with the Board Policy on University Aircraft, the following FY 2018 Annual Flight Operations Report is presented for review and approval.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Approval of FY 2018 Annual Flight Operations Report

Resolved: The Board of Trustees approves the FY 2018 Annual Flight Operations Report for filing as presented in the meeting materials, which shall be attached to this Resolution after adoption.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.



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## THE UNIVERSITY OF TENNESSEE FY 2018 UT FLIGHT OPERATIONS REPORT

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This FY 2018 University of Tennessee Flight Operations report is presented annually to the UT Board of Trustees in accordance with the Board Policy on University Aircraft (Policy BT0019).

The UT Flight Operations Department provides University personnel and guests with safe, reliable and efficient flight services using the UT airplane and various charter flight operators as appropriate. In FY 2018, the UT airplane was flown 315 flight hours, 19% decrease from FY 2017.

The airplane was flown 319 separate legs, a 34.5% decrease over FY 2017. A total of 201 flights or 63% were flown between Knoxville and Nashville or UT entities. A total of 525 passengers were transported, a 28% decrease compared to FY 2016. All of the decreased usage was due to extraordinary, scheduled maintenance to overhaul the engines and propellers. We also took this opportunity to repaint the exterior and refurbish the interior of the airplane. The total cost of the extraordinary maintenance was \$1,275,047.00.

In FY 2018, the total UT Flight Operations Department expenditure was \$746,381, a 3.8% decrease over FY 2017. Expenditures for pilot salaries and benefits were \$357,897. The fuel expense was \$128,936. On a cost per flight hour basis, the FY 2018 fuel cost of \$409.32/hour was 7.8% higher than the \$380/hour in FY 2017. The cost of Routine Maintenance & Inspections was \$63,498.

Since its acquisition in March 2008, the UT airplane, a Beechcraft King Air 250 has given exceptional and reliable service. Prompt attention was given to maintenance issues as they arose in order to ensure the plane was available for subsequent departures.

The flyUT aircraft scheduling program has been more fully utilized during the year. It is providing effective and timely flight schedule information sharing as it was intended.

The operating cost of the UT airplane is funded from departmental recoveries and support from the system. University departments paid \$950 per flight hour during FY 2018 and athletics paid \$2,000 per flight hour in lieu of the \$950 per flight hour charge and a \$160,000 annual subsidy they had previously paid. These charges fund the variable operating and routine maintenance costs of the airplane. The system funds pilots salaries, benefits, insurance and extraordinary maintenance.

In utilizing the UT airplane, passengers make much more efficient and productive use of their time, especially while traveling within Tennessee as most destinations within the state



are not served by commercial airlines. On other trips, the flight schedules of the airlines cannot accommodate the needs of the travelers.

We continue to make every effort to use the UT airplane before making use of charter flight services. However, those charter flight services are essential to meeting travel needs of the University, especially for athletics during their recruiting periods. Charter flights were significantly reduced as the university was able to utilize a dry lease of a locally owned airplane. We flew 43 trips, 126 legs and 175 passengers, mostly for athletics.

For the UT Flight Operations Department, FY 2018 was a year of continued excellent service provided to University personnel and guests. In addition to maintaining the highest safety standards, we continue to emphasize strong customer service and promote the most efficient use of the UT airplane.

## UT Flight Operations (UT Plane) Operating Costs per Operational Hour FY 2018-2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Recoveries/Support					
Departmental Recoveries	\$ 389,041	\$ 436,081	\$ 374,341	\$ 359,608	\$ 367,485
System Support <sup>(1)</sup>	357,340	339,665	171,840	195,807	238,076
Athletic Support <sup>(2)</sup>	-	-	160,000	160,000	160,000
Total Recoveries/Support	<u>746,381</u>	<u>775,746</u>	<u>706,181</u>	<u>715,414</u>	<u>765,561</u>
Expenditures					
Salaries & Benefits	\$ 357,897	\$ 327,558	\$ 311,416	\$ 291,870	\$ 300,210
Contract Pilots/Extra Service	21,350	32,300	7,825	10,400	6,825
Fuel	128,936	148,543	144,366	170,063	217,063
Routine Maintenance/Inspections	63,498	133,024	151,643	99,312	150,041
Travel	31,399	34,649	30,817	25,868	20,718
Printing					
Phone & Postage	3,861	3,449	3,580	3,009	3,208
Pilot Training	68,026	32,900	15,060	42,900	26,600
Supplies	8,398	5,756	1,498	1,562	1,960
Computer Services	1,989		1,838	1,683	2,774
Office and Hangar Rent	23,702	27,332	25,236	25,236	24,916
Liability Insurance	16,876	19,117	1,522	32,157	1,522
Subscriptions	19,194	9,902	10,099	10,076	8,380
Misc Operational Exp	1,255	1,216	1,281	1,281	1,343
Total Expenditures	<u>\$ 746,381</u>	<u>\$ 775,746</u>	<u>\$ 706,181</u>	<u>\$ 715,414</u>	<u>\$ 765,560</u>
Net Gain/(Loss)	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Total Flight Hours	315.00	390.90	387.90	373.60	391.60
Capital Maintenance	\$ 1,275,047				
Cost per hour to operate <sup>(3)</sup> (without capital maintenance)	2,369.46	1,984.51	1,820.52	1,914.92	1,954.96

(1) System Support covers salaries, benefits, and capital maintenance/enhancements.

(2) Direct support from Knoxville athletic department.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Authorization for Check Signatures**

Type: Action

By resolutions adopted from time to time, the Board of Trustees authorizes the University's bank depositories to honor checks, drafts, and other orders in the University's name when bearing the proper signatures of the President and the Treasurer. The current resolution bears the name and signature of Dr. DiPietro as President.

Dr. DiPietro will cease active service on November 21, 2018, and Randy Boyd will assume the duties of the office of President on an interim basis on November 22, 2018. Therefore, the Board must adopt a new resolution authorizing the University's bank depositories to honor the signature of Randy Boyd on and after November 22, 2018.

[Resolution to authorize follows]



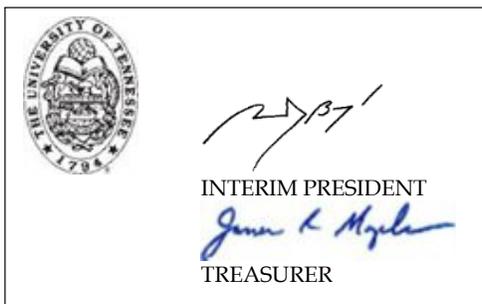
The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Authorization for Check Signatures

WHEREAS, the Board of Trustees of The University of Tennessee, by appropriate resolutions previously duly adopted from time to time, has designated certain banks as depositories of the University and has authorized each bank depository to honor certain checks, drafts, or other orders in the University’s name when payable in accordance with the respective resolutions, and when bearing the proper signatures of the President and the Treasurer: and

WHEREAS, the Board of Trustees at their meeting on September 25, 2018 in Knoxville, Tennessee, appointed Randy Boyd as President of The University of Tennessee on an interim basis, succeeding Dr. Joseph A. DiPietro effective November 22, 2018.

NOW, THEREFORE, BE IT RESOLVED, that each of The University of Tennessee’s depository banks is hereby requested, authorized, and directed to honor checks, drafts, or other orders in the University’s name and payable in accordance with the Board’s resolution which previously designated the bank a depository of the University, when bearing the following signatures, per specimen below:



BE IT FURTHER RESOLVED, that this authorization shall relate to all such checks and instruments issued on or after November 22, 2018. The Secretary shall deliver to each depository notice of this authorization bearing the digitized signatures of Randy Boyd, President, and James R. Maples, Treasurer.

Adopted this 2<sup>nd</sup> day of November, 2018

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\* Number will be inserted after adoption.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **UAPA Public Records Rule**

Type: Action

At the Annual Meeting in 2017, the Board adopted a Policy on Public Records in compliance with a change in state law that required every governmental entity in Tennessee to establish a written public records policy. As a result of another new state law, Public Chapter 712 (2018), the administration requests that the Board act to convert the public records policy to a rule in accordance with the rulemaking procedures of the Uniform Administrative Procedures Act (UAPA).

The UAPA rulemaking procedures require the Board to adopt the rule in a certain format and by a roll-call vote. The policy in rule format is presented in the meeting materials; there are no substantive changes to the policy approved in 2017. The rule is on the consent agenda of the Finance and Administration Committee and, if approved by the Committee, will go forward to the consent agenda of the full Board, which will be acted on by the roll-call vote to comply with the UAPA requirement.

Upon adoption by the Board, the rule will be submitted to the Tennessee Attorney General for approval and, if approved, filed with the Tennessee Secretary of State under the rulemaking procedures of the UAPA.

[Resolution to adopt follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Adoption of UAPA Public Records Rule

Resolved: The Board of Trustees adopts the Public Records Rule for The University of Tennessee, Chapter 1720-01-11 of the Rules of The University of Tennessee, as presented in the meeting materials, which shall be attached to this Resolution after adoption, to become effective after completion of the rulemaking procedures under the Uniform Administrative Procedures Act; and the Policy on Public Records is repealed as of the effective date of Chapter 1720-01-11 of the Rules of The University of Tennessee.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.

Rules of  
The University of Tennessee  
(All Campuses)

Chapter 1720-01-11  
Public Records

1720-01-11-.01 Introduction

- (1) This rule is adopted for The University of Tennessee by The University of Tennessee Board of Trustees to provide economical and efficient access to public records as provided under the Tennessee Public Records Act. The Tennessee Public Records Act provides that all public records must, at all times during business hours, be open for personal inspection by any citizen of the state of Tennessee, and those in charge of the public records must not refuse such right of inspection to any citizen of the state of Tennessee, unless otherwise provided by law. Accordingly, the public records of The University of Tennessee are presumed to be open for inspection unless otherwise provided by law.
- (2) University employees must timely and efficiently provide access and assistance to persons requesting to inspect or receive copies of public records. The provisions of this rule must not be used to hinder access to non-confidential public records. However, the integrity, confidentiality, and organization of public records, as well as the efficient and safe operation of the University, must be protected as provided by law.
- (3) Concerns about this rule should be addressed to the appropriate Public Records Request Coordinator or to the Tennessee Office of Open Records Counsel.
- (4) This rule is based on policies and guidelines published by the state of Tennessee's Office of Open Records Counsel as of November 2, 2018, including the Model Public Records Policy, the Best Practices & Guidelines document, the Safe Harbor Policy, the Schedule of Reasonable Charges, and the Reasonable Charges for Frequent and Multiple Requests Policy.
- (5) This rule must be applied consistently throughout the various units of the University.

Authority: T.C.A. § 10-7-503 et seq.; T.C.A. § 49-9-209(e); Public Acts of Tennessee, 1839-1840, Chapter 98, Section 5, and Public Acts of Tennessee, 1807, Chapter 64.

1720-01-11-.02 Definitions

- (1) "Office of Open Records Counsel" means the office established by T.C.A. § 8-4-601, et seq., within the Tennessee Comptroller of the Treasury.
- (2) "Public record(s)" or "record(s)" means all documents, papers, letters, maps, books, photographs, microfilms, electronic data processing files and output, films, sound recordings, or other material, regardless of physical form or characteristics, made or received pursuant to law or in connection with the transaction of official business by The University of Tennessee. "Public record(s)" does not mean the device or equipment that may have been used to create or store a public record including, but not limited to, a cell phone, computer, or other electronic or mechanical device or equipment.
- (3) "Public Records Request Coordinator" or "PRRC" means the individual, or individuals, designated in Section .03(2) who has, or have, the responsibility to ensure that public records requests are routed to the appropriate records custodian and are fulfilled in

accordance with the TPRA. The Public Records Request Coordinator may also be a records custodian and/or a designee of the Public Records Request Coordinator.

- (4) "Public Records Request Response Form" means the records request response form developed by the Office of Open Records Counsel in accordance with T.C.A. § 10-7-503(a)(2)(B).
- (5) "Records custodian" means the University unit, official, or employee lawfully responsible for the direct custody and care of a public record. The records custodian is not necessarily the original preparer or receiver of a public record.
- (6) "Requestor" means a person seeking access to a public record, whether it is for inspection or duplication.
- (7) "TPRA" or "Tennessee Public Records Act" means the state law codified in T.C.A. §§ 10-7-501 et seq.
- (8) "The University of Tennessee" or "University" means the campuses, centers, units and institutes of The University of Tennessee, and all their constituent parts, and The University of Tennessee system administration. Neither "The University of Tennessee" nor "University" means The University of Tennessee Foundation, Inc., or The University of Tennessee Research Foundation.
- (9) "University unit" means any academic, administrative, or auxiliary office, department or division of the University or any other official entity of the University, functioning through University employees acting within the scope of their University employment.

Authority: T.C.A. § 10-7-503 et seq.; T.C.A. § 49-9-209(e); Public Acts of Tennessee, 1839-1840, Chapter 98, Section 5, and Public Acts of Tennessee, 1807, Chapter 64.

1720-01-11-.03 Requesting Access to Public Records

- (1) Public records requests must be made to the appropriate Public Records Request Coordinator to ensure that public records requests are routed to the appropriate records custodian and fulfilled in a timely manner.
- (2) The University's PRRCs are:
  - (a) For records of the University of Tennessee System Administration:  
Public Records Request Coordinator  
systempublicrecords@tennessee.edu
  - (b) For purchasing records of all units in the University of Tennessee System:  
Public Records Request Coordinator  
purchasingrecords@tennessee.edu
  - (c) For records of the University of Tennessee at Chattanooga:  
Public Records Request Coordinator  
publicrecords@utc.edu
  - (d) For records of the University of Tennessee Health Science Center:  
Public Records Request Coordinator

publicrecords@uthsc.edu

- (e) For records of the University of Tennessee Health Institute of Agriculture:  
Public Records Request Coordinator  
utiapublicrecords@tennessee.edu
- (f) For records of the University of Tennessee Institute of Public Service:  
Public Records Request Coordinator  
ipublicrecords@tennessee.edu
- (g) For records in the University of Tennessee Archives:  
Public Records Request Coordinator  
archives@utk.edu
- (h) For non-law enforcement records of the University of Tennessee, Knoxville:  
Public Records Request Coordinator  
publicrecords@utk.edu
- (i) For law enforcement records of the University of Tennessee, Knoxville:  
Public Records Request Coordinator  
utpdrecords@utk.edu
- (j) For intercollegiate athletics records of the University of Tennessee, Knoxville:  
Public Records Request Coordinator  
utadpublicrecords@utk.edu
- (k) For non-law enforcement records of the University of Tennessee at Martin:  
Public Records Request Coordinator  
publicrecords@utm.edu
- (l) For law enforcement records of the University of Tennessee at Martin:  
Public Records Request Coordinator  
publicsafetyrecords@utm.edu

(3) Requests to Inspect Public Records

- (a) Requests to inspect public records may be communicated in person to the appropriate PRRC or communicated to the appropriate PRRC via telephone, mail, fax, e-mail, or via internet portal (if the PRRC maintains an internet portal for accepting public records requests).
- (b) The PRRC must not require a requestor to submit a written request to inspect public records. However, the PRRC may request that a requestor submit a written request in order to facilitate recordkeeping and ensure accuracy in fulfilling the request. The PRRC should request a mailing or e-mail address from the requestor for providing any responsive written communication required under the TPRA.

- (c) The PRRC determines the location for the inspection of public records and may require an appointment for the inspection of public records. The PRRC must not allow a requestor to inspect original records outside of the presence of a University employee designated by the PRRC. The PRRC must take reasonable precautions to ensure that the integrity of public records is maintained during the inspection of the records.
- (d) If a requestor makes two (2) or more requests to inspect a public record within a six (6) month period and, for each request, the requestor fails to inspect the public record within fifteen (15) business days of receiving notification from the PRRC that the record is available for inspection, then the PRRC is not required to comply with any public records request from the requestor for a period of six (6) months from the date of the second request to inspect the public record unless the PRRC determines that the failure to inspect the public record was for good cause.
- (e) Requests for Copies of Public Records
  - 1. Requests for copies, or requests for inspection and copies, must be made in writing and submitted to the appropriate PRRC in person or via mail, e-mail, or internet portal (if the PRRC maintains an internet portal for accepting public records requests). The PRRC may provide requestors with a form that requestors may use to make requests for copies or requests for inspection and copies of public records. The PRRC may waive the requirement that a request for copies, or a request for inspection and copies, be made in writing.
  - 2. A requestor will not be allowed to make copies of records with personal equipment (e.g., cell phones, portable scanners, portable copy machines).
- (f) Proof of Tennessee citizenship by presentation of a valid Tennessee driver license to the PRRC (or alternative form of identification acceptable to the PRRC) is required as a condition to inspect and/or receive copies of public records.
- (g) Notices of upcoming meetings of the University's Board of Trustees, along with materials relating to Board meetings, are posted and readily available at [trustees.tennessee.edu](http://trustees.tennessee.edu).

Authority: T.C.A. § 10-7-503 et seq.; T.C.A. § 49-9-209(e); Public Acts of Tennessee, 1839-1840, Chapter 98, Section 5, and Public Acts of Tennessee, 1807, Chapter 64.

1720-01-11-.04 Responding to Requests for Public Records

- (1) Records custodians must refer requests to inspect and/or receive copies of public records to the appropriate PRRC.
- (2) Upon receiving a public records request:
  - (a) The PRRC must review the request and make an initial determination of the following:
    - 1. Whether the requestor has presented proof of Tennessee citizenship;
    - 2. Whether the requestor described the records requested with sufficient specificity to identify the records requested; and
    - 3. Whether the University is the custodian of the records requested.

- (b) The PRRC must acknowledge receipt of the request and should advise the requestor about the applicable sections of this rule.
  - (c) The PRRC may ask the requestor whether the request can be narrowed.
  - (d) The PRRC may offer to assist the requestor in clarifying the request if the request lacks sufficient specificity to identify the records requested.
  - (e) The PRRC must communicate with the appropriate records custodian(s) about the request (e.g., when the request was received and when a response is due; what records exist; how long the records custodian reasonably estimates it will take to produce the records; tracking employee time required to produce the records).
  - (f) The PRRC must promptly make requested public records available to the requestor for inspection unless there is a basis upon which to deny the request. If not practicable to promptly provide requested records for inspection because additional time is necessary to determine whether the requested records exist; to search for, retrieve, or otherwise gain access to records; to determine whether the records are open; to redact records; or for other similar reasons, then the PRRC must do one of the following within seven (7) business days from the University's receipt of the request:
    1. Make the records available to the requestor;
    2. Deny the request in writing in accordance with Section 4.3; or
    3. Provide the requestor with a completed Public Records Request Response Form.
- (3) If denying the request is appropriate, then the PRRC must deny the request in writing (the PRRC may use the Public Records Request Response Form) and provide the basis for the denial, such as one of the following:
- (a) The requestor is not, or has not presented proof of being, a Tennessee citizen;
  - (b) The request lacks sufficient specificity to identify the records requested;
  - (c) An exemption makes the record not subject to disclosure under the TPRA (the PRRC must state the basis for the denial in writing);
  - (d) The University is not the custodian of the requested records (if requested records are in the custody of a different governmental entity, and the PRRC knows the correct governmental entity, then the PRRC should advise the requestor of the correct governmental entity and PRRC for that entity if known); or
  - (e) The records do not exist.
- (4) The TPRA does not require the University to sort through files to compile information or to create or recreate a record that does not exist.
- (5) If the PRRC reasonably determines that production of records should be segmented because the records request is for a large volume of records, or additional time is necessary to prepare the records for access, then the PRRC should notify the requestor that production of the records will be in segments and that a records production schedule

will be provided as expeditiously as practicable. If the production of records is segmented, then the PRRC may segment the pre-payment of production costs.

- (6) If the PRRC discovers that public records responsive to a public records request were omitted, then the PRRC should contact the requestor concerning the omission and produce the public records as quickly as practicable.
- (7) Redaction
  - (a) If a record contains information that is not open for public inspection (e.g., confidential information), then the PRRC must coordinate with the records custodian to prepare a redacted copy of the public record prior to providing access to the requestor. If questions arise concerning redaction, the PRRC or the records custodian should consult with the Office of the General Counsel.
  - (b) Whenever a redacted record is provided, the PRRC should provide the requestor with the basis for redaction. The basis given for redaction must be general in nature and not disclose confidential information.
- (8) Law Enforcement Personnel Records
  - (a) If a requestor makes a request to inspect the personnel records of an employee in a University police department, then prior to allowing an inspection the PRRC must:
    1. Obtain the requestor's name, address, business telephone number, home telephone number, and driver license number or other appropriate identification, or if the request is made for a professional, business purpose, or official purpose, obtain the requestor's business address, business telephone number, business e-mail address, and if requested by the campus chief law enforcement officer or his/her designee, the name and contact number or e-mail address for a supervisor for verification purposes;
    2. Redact personal information as required by law;
    3. Notify the chief law enforcement officer for the campus (or his/her designee), who must consider whether there is a reason not to disclose additional personal information relating to the law enforcement employee. "Personal information" includes, but is not limited to, an officer's residential address, home and personal cellular telephone number; place of employment; name, work address and telephone numbers of the officer's immediate family; name, location, and telephone number of any educational institution or daycare provider where the officer's spouse or child is enrolled;
    4. If the request is for a professional, business, or official purpose, then the chief law enforcement officer (or his/her designee) must consider the specific circumstances and determine whether there is a reason not to disclose other information relating to the employee; and
    5. Ensure that the chief law enforcement officer (or his/her designee), prior to making a final decision on whether to withhold information in addition to reasons required by law, has notified the employee whose file has been

requested and has provided two (2) business days for the employee to be heard and oppose the release of the information.

- (b) After giving an employee time to oppose the release of information, if the chief law enforcement officer for the campus (or his/her designee) decides to withhold information (other than pursuant to reasons required by law), then a specific reason must be given to the requestor in writing within two (2) business days, and the file must be released with the personal information redacted.
- (c) The chief law enforcement officer for the campus (or his/her designee) may keep information that could be used to identify or to locate an undercover employee in a location other than the employee's personnel file.
- (d) When the personnel records of a University law enforcement employee are inspected, the PRRC must make a record of such inspection and provide notice, within three (3) days from the date of the inspection, to the employee whose personnel records have inspected. The record made by the PRRC must include the following information:
  - 1. That an inspection of the employee's personnel records took place;
  - 2. The name, address, and telephone number of the person making the inspection;
  - 3. For whom the inspection was made; and
  - 4. The date of such inspection.

Authority: T.C.A. § 10-7-503 et seq.; T.C.A. § 10-7-504(g); T.C.A. § 49-9-209(e); Public Acts of Tennessee, 1839-1840, Chapter 98, Section 5, and Public Acts of Tennessee, 1807, Chapter 64.

1720-01-11-.05 Fees and Charges for Public Records; Procedures for Billing and Payment

- (1) Unless charges are waived (Section 5.1.5), the PRRC must charge the requestor for all reasonable costs the University incurred to produce copies of the public records requested by the requestor ("production costs").
  - (a) Production costs include copying costs (Section 5.5), labor costs (Section 5.6), and delivery costs (Section 5.7).
  - (b) Charges for production costs should not be used to unlawfully hinder access to public records.
  - (c) The Schedule of Reasonable Charges for Copies of Public Records, published by the Office of Open Records Counsel, will be used as a guideline to determine the amount that a requestor will be charged for production costs.
  - (d) No charges will be assessed for copies of public records unless the production costs exceed five dollars (\$5).
  - (e) When the production costs exceed five dollars (\$5), the production costs may be waived by the PRRC in the following circumstances:
    - 1. When the requestor is an employee of a federal, state, or local government agency acting in the requestor's official government capacity;

2. When the requestor is a current employee of the University who has requested copies of the requestor's personnel records; and
  3. Other circumstances in which the PRRC determines, after consultation with appropriate University employees, that such a waiver is in the best interest of the University.
- (f) Production costs associated with aggregated records requests (Section 5.10) will not be waived.
- (2) There must be no charge for the inspection of public records unless required by law. However, the PRRC is not prohibited from charging the requestor for production costs if the requestor requests copies of public records after requesting to inspect public records, but the PRRC may charge the requestor only for the production costs reasonably attributable to the copies requested by the requestor.
- (3) A PRRC, working with the records custodian, must promptly respond to a public records request for copies in the most economic and efficient manner practicable as determined by the PRRC.
- (4) Estimate of Production Costs and Pre-Payment of Production Costs
- (a) The PRRC must provide a requestor with an estimate of the production costs prior to producing copies of records unless:
    1. Production costs are estimated to be less than five dollars (\$5) and, thus, no charges will be assessed for copies of public records (Section 5.1.4); or
    2. Charges for production costs are waived (Section 5.1.5).
  - (b) The PRRC may use an estimate of production costs form to provide a requestor with an estimate of the production costs.
  - (c) When estimated production costs are more than fifty dollars (\$50), must require pre-payment of at least fifty percent (50%) of such production costs before beginning the process of producing the requested records. The University is not bound by the estimate of the production costs.
- (5) Copying Costs
- (a) Copying costs include the costs related to making copies of the public records requested by the requestor by photographic or other means of duplication.
  - (b) Copying costs must be as follows:
    1. The PRRC must assess a charge of fifteen cents (\$0.15) per page for each standard 8 ½ x 11" or 8 ½ x 14" black and white copy produced.
    2. If a public record is maintained in color, then the PRRC must advise the requestor that the record can be produced in color if the requestor is willing to pay the higher charge for a color copy. If the requestor then requests a color copy, then the PRRC must assess a copy charge of fifty (50) cents per page for each 8 ½ x 11" or 8 ½ x 14" color copy produced.

3. The charge for a duplex copy must be the same as the charge for two (2) separate copies.
4. If a copy of a public record is produced on a medium other than 8 ½ x 11" or 8 ½ x 14" paper, then the PRRC must assess a copy charge equal to the actual cost of producing a copy of the public record, taking into consideration the amount of material, equipment costs, and the cost of the alternative medium.
5. The PRRC is not obligated to provide electronic copies of the requested records when the requested records are not maintained electronically. When the requested records are maintained electronically the PRRC generally will produce electronic copies of the requested records in a secure, read-only format. When providing electronic copies of public records, the PRRC may charge per-page copying costs only when paper copies that did not already exist were required to be produced in responding to the request, such as when an electronic public record must be printed to be redacted. When records that are maintained electronically need to be redacted, the PRRC may produce paper copies of the requested records in lieu of electronic copies.
6. The PRRC may charge the actual costs for flash drives or similar storage devices on which electronic copies are provided.

(c) Labor Costs

1. The PRRC must charge the requestor the hourly wage of the employee(s) reasonably necessary to produce the requested records above the labor threshold.
  - (i) The "labor threshold" is the labor of the employee(s) reasonably necessary to produce requested records for the first hour incurred by the University in producing the records.
  - (ii) "Labor" means the employee time reasonably necessary to produce the requested records and includes the time spent locating, retrieving, reviewing, redacting, and reproducing the records.
  - (iii) The "hourly wage" is based upon the employee(s) base salary and does not include benefits.
2. In calculating the labor costs to be charged to the requestor, the PRRC must:
  - (i) First, determine the number of hours each employee spent producing the requested public records;
  - (ii) Second, subtract the one (1) hour labor threshold from the number of hours the highest paid employee spent producing the request;
  - (iii) Third, multiply the total number of hours to be charged for the labor of each employee by that employee's hourly wage; and

- (iv) Fourth, add together the totals for all the employees involved in the request to determine the total amount of the labor costs to be charged to the requestor.
  - 3. Labor costs should be tracked based on tenths of an hour, rounded down.
  - 4. The PRRC should strive to ensure that current employees with the lowest practicable hourly wage be used to fulfill public records requests. However, the PRRC has the discretion to determine that it is more cost effective to utilize a higher-compensated employee if he/she can accomplish the task more efficiently, which may result in lower total labor costs.
- (d) Delivery Costs
- 1. The PRRC must charge the requestor for the costs incurred by the University in delivering the records to the requestor.
  - 2. Copies will be available for pickup at a location specified by the PRRC.
  - 3. Upon prepayment for postage, copies will be delivered by the United States Postal Service to the address identified by the requestor.
  - 4. In the discretion of the PRRC, copies of public records may be delivered through other means, including electronically.
- (e) If the PRRC utilizes an outside vendor to produce copies of the requested records, then the PRRC must charge the requestor for the actual production costs charged by the vendor to the University.
- (f) Payment for Production Costs
- 1. The PRRC has the discretion to determine how payment for production costs must be made (e.g., cash, check, credit/debit card).
  - 2. As stated in Section 5.4, when estimated production costs are more than fifty dollars (\$50), the PRRC must require pre-payment in full of the estimated production costs before beginning the process of producing the requested records.
  - 3. The PRRC must require full payment of the actual production costs before copies of public records are delivered or otherwise made available to the requestor. If the actual production costs exceeds the estimated production costs, then the PRRC must collect the difference between the actual production costs and the estimated production costs before copies of public records are delivered or otherwise made available to the requestor. If the actual production costs are less than the estimated production costs, then the PRRC must refund the difference between the estimated production costs and the actual production costs when copies of public records are delivered or otherwise made available to the requestor.
  - 4. When actual production costs are more than fifty dollars (\$50.00), then the PRRC must ensure that the production costs collected by the PRRC are distributed to the appropriate University units in proportion to the costs incurred by each unit in responding to the request.

(g) Aggregation of Frequent and Multiple Requests

1. The University will aggregate record requests in accordance with the policy on Reasonable Charges for Frequent and Multiple Requests promulgated by the Office of Open Records Counsel when more than (4) requests are received within a calendar month (either from a single individual or a group of individuals determined to be working in concert).
2. The level at which records requests will be aggregated is by campus or institute.
3. The PRRC is responsible for making the determination that a group of individuals are working in concert. The PRRC must inform the individuals that they have been deemed to be working in concert and that they have the right to appeal the decision to the Office of Open Records Counsel.
4. Routinely released and readily accessible records excluded from aggregation include, but are not limited to:
  - (i) Materials for meetings of the Board of Trustees and Board committees; and
  - (ii) Other records determined by the PRRC.

Authority: T.C.A. § 10-7-503 et seq.; T.C.A. § 49-9-209(e); Public Acts of Tennessee, 1839-1840, Chapter 98, Section 5, and Public Acts of Tennessee, 1807, Chapter 64.

1720-01-11-.06 Confidentiality Exceptions

Exceptions to the right to inspect or copy public records include, without limitation: (1) records made confidential by the TPRA itself or by other state law; and (2) records the University is required to keep confidential by federal statute or regulation as a condition for receipt of federal funds or for participation in a federally funded program. The PRRC may publish a list of common exceptions to the right to inspect or copy public records.

Authority: T.C.A. § 10-7-503 et seq.; T.C.A. § 49-9-209(e); Public Acts of Tennessee, 1839-1840, Chapter 98, Section 5, and Public Acts of Tennessee, 1807, Chapter 64.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Disposal by Easement of Property on Phillip Fulmer Way to KUB (UTK)**

Type: Action

The University proposes to grant an easement to Knoxville Utilities Board (KUB) up to 1.01 +/- acres located on Phillip Fulmer Way, Knoxville, Tennessee (see attached map).

The easement is necessary for a utility system improvement that will provide redundancy by connecting existing gas lines on Chamique Holdsclaw Drive and Phillip Fulmer Way.

The easement will allow KUB and their contractors to enter upon, construct, operate, repair and maintain utilities within the defined area. The University reserves the right to relocate the easement in the future at the expense of the University.

Because the easement would benefit UT Knoxville, the University is not seeking further consideration from KUB. The administration requests approval to grant the easement, and upon approval by the Board of Trustees, the administration will seek all required state approvals.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Disposal by Easement of Property on Phillip Fulmer Way to the  
Knoxville Utilities Board

Resolved: The Board of Trustees approves disposal by easement of the certain property described in the meeting materials, which shall be attached to this Resolution after adoption, located on Phillip Fulmer Way in Knoxville, Tennessee, to the Knoxville Utilities Board.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Disposal by Easement of Property on Cherokee Farm to City of Knoxville for Water Quality (UTK)**

Type: Action

The University proposes to grant an easement to the City of Knoxville of up to 0.02 acres +/- on Cherokee Farm located at Accelerator Way, Knoxville, Tennessee (see attached map).

The easement is necessary to install a water quality device and access to said device as a requirement of a new surface parking lot being constructed in this area. The easement will allow the city and its contractors to enter upon, construct, operate, repair and maintain the unit within the defined area. The University reserves the right to relocate the easement at the expense of the University.

Because the proposed easement would benefit UT Knoxville, the University is not seeking further consideration from the city. The administration requests approval to grant the easement described above to the City of Knoxville. Upon approval by the Board of Trustees, the administration will seek all required state approvals.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

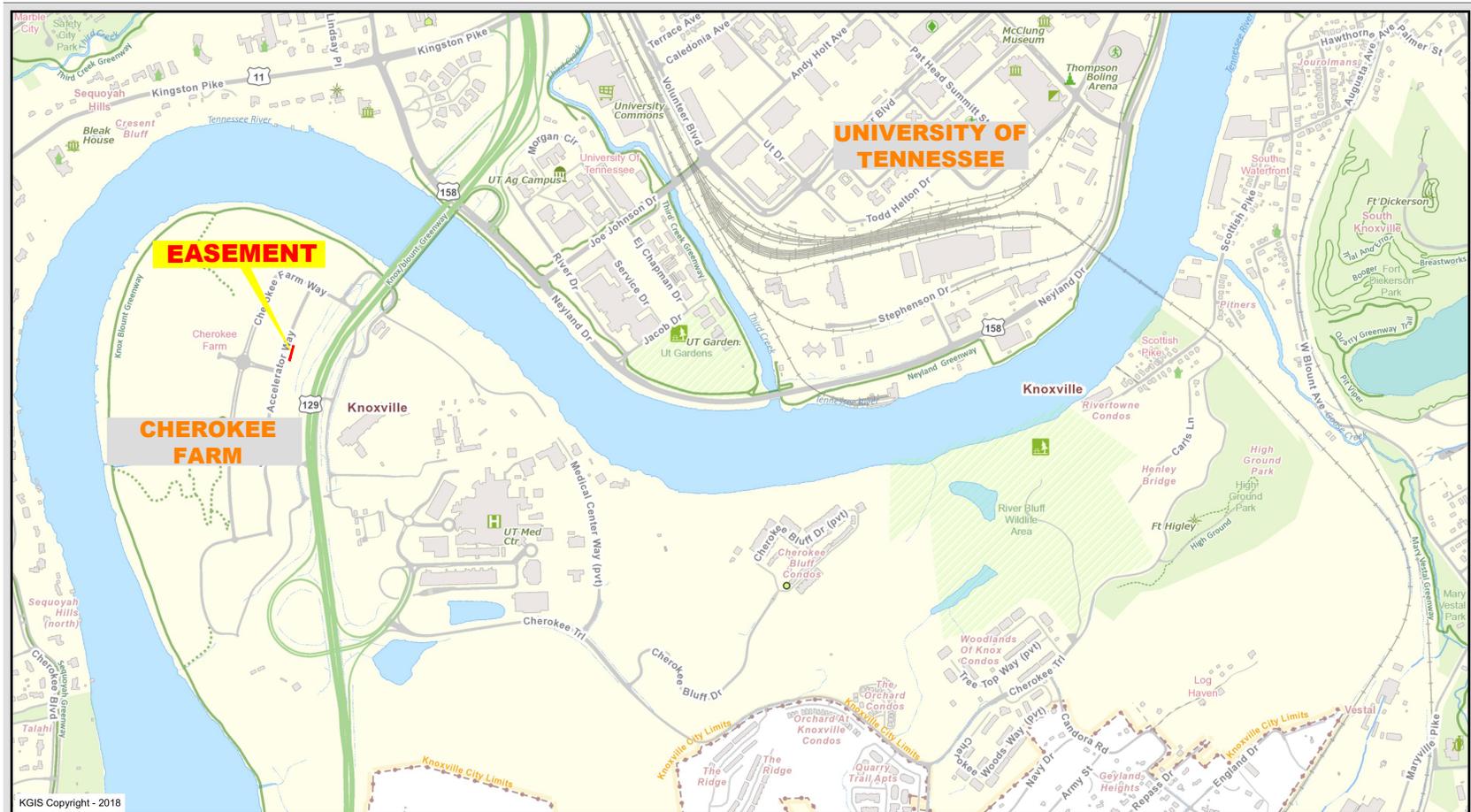
Resolution 00\_-2018\*  
Disposal by Easement of Property on Cherokee Farm to  
City of Knoxville for Water Quality

Resolved: The Board of Trustees approves disposal by easement of the certain property described in the meeting materials, which shall be attached to this Resolution after adoption, located on Cherokee Farm at Accelerator Way in Knoxville, Tennessee, to the City of Knoxville.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.



KGIS Copyright - 2018

### Accelerator Way

Knoxville - Knox County - KUB Geographic Information System

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# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Disposal by Easement of Property located along Alcoa Highway and Cherokee Trail Interchange to KUB (UTK/UTIA/UHS)**

Type: Action

The University proposes to grant utility easements to Knoxville Utilities Board (KUB) of up to 3.58 +/- acres for construction/access easements and up to 2.20 +/- acres for permanent utility easements (see attached map). The easements will affect Cherokee Farm, UT Knoxville Golf Practice Facility, and the UT Institute of Agriculture Cherokee Woodlot and College of Veterinary Medicine properties.

The easements are necessary to install/relocate electric, water and gas lines that will be impacted by the Tennessee Department of Transportation Alcoa Highway widening and relocation project. As a part of this project, a new interchange will be constructed at Cherokee Trail. The easements will allow KUB and their contractors to enter upon, construct, operate, repair and maintain utilities within the defined areas. The University reserves the right to relocate the easements in the future at the expense of the University.

Because the proposed easements benefit the University, the University is not seeking further consideration from KUB. The administration requests approval to grant the easement described above to KUB. Upon approval by the Board of Trustees, the administration will seek all required state approvals.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

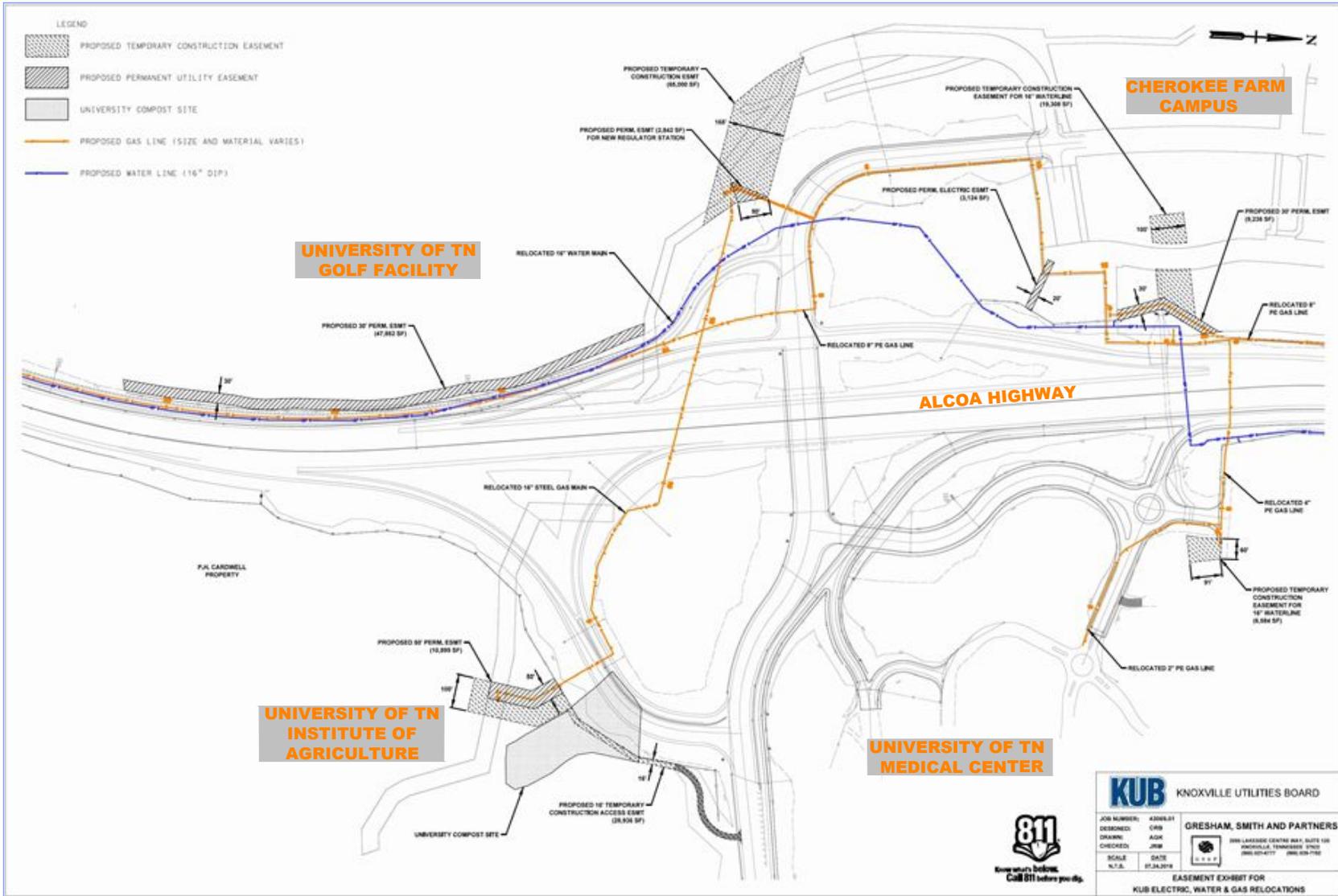
Resolution 00\_-2018\*  
Disposal by Easement of Property along Alcoa Highway and  
Cherokee Trail Interchange to Knoxville Utilities Board

Resolved: The Board of Trustees approves disposal by easement of the certain property described in the meeting materials, which shall be attached to this Resolution after adoption, located along Alcoa Highway and the Cherokee Trail Interchange in Knoxville, Tennessee, to the Knoxville Utilities Board.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Transfer of Jurisdiction of Property along Alcoa Highway/Singleton Station Road to TDOT (UTIA)**

Type: Action

The University proposes to dispose of the property described below through a Transfer of Jurisdiction (TOJ) to the Tennessee Department of Transportation (TDOT) (see attached map):

- 34.3 +/- acres in fee
- 1,930 +/- square feet for a temporary construction easement

The property is located along Alcoa Highway and Singleton Station Road on the UTIA East Tennessee AgResearch and Education Center, Blount Unit, in Louisville, Tennessee.

TDOT is realigning and widening the existing State Route 115 (Alcoa Highway) to accommodate three travel lanes in each direction and two auxiliary lanes. These improvements will increase the capacity and level of service of Alcoa Highway, correct roadway deficiencies, reduce crashes and improve safety. The transfer of this property is required for the realignment of Alcoa Highway north of Pellissippi Parkway (I-140).

The irregularly shaped easements will allow TDOT and their contractors to enter upon, construct, operate and repair the highway and associated improvements within the defined area. The University reserves the right to relocate the easements in the future at the expense of the University.

The transfer would be at or above the property's appraised value. The administration requests approval to transfer the property described above to TDOT. Upon approval by the Board of Trustees, the administration will seek all required state approvals.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

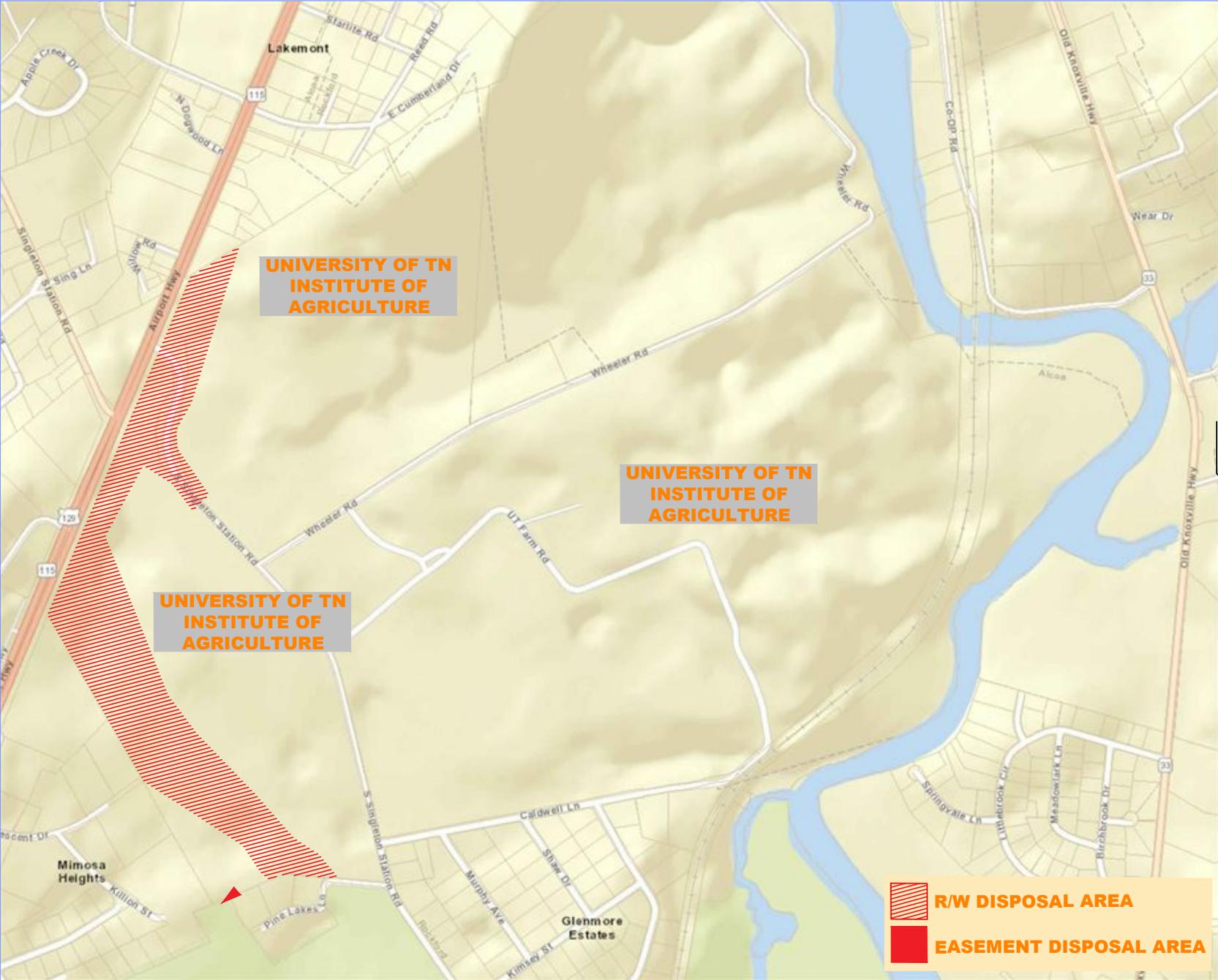
Resolution 00\_-2018\*  
Transfer of Jurisdiction of Property along Alcoa Highway and  
Singleton Station Road to Tennessee Department of Transportation

Resolved: The Board of Trustees approves disposal of the certain property described in the meeting materials, which shall be attached to this Resolution after adoption, located along Alcoa Highway and Singleton Station Road in Louisville, Tennessee, through a Transfer of Jurisdiction to the Tennessee Department of Transportation.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Transfer of Jurisdiction of Property at Maloney Road to TDOT (UTIA)**

Type: Action

The University proposes to dispose of the property described below through a Transfer of Jurisdiction (TOJ) to the Tennessee Department of Transportation (TDOT) (see attached map):

- 0.30 +/- acres in fee
- 0.88 +/- acres for a temporary construction/slope easement

The property is located on the Institute of Agriculture's East Tennessee AgResearch and Education Center at Maloney Road in Knoxville, Tennessee.

TDOT is realigning and widening the existing State Route 115 (Alcoa Highway) to accommodate three travel lanes in each direction and two auxiliary lanes. These improvements will increase the capacity and level of service of Alcoa Highway, correct roadway deficiencies, reduce crashes and improve safety. As part of the Alcoa Highway Project, the entrance to the East Tennessee AgResearch and Education Center is being relocated. The right-of-way and easements are necessary for construction of the new entrance.

The irregularly shaped easements will allow TDOT and their contractors to enter upon, construct, operate and repair the highway and associated improvements within the defined area. The University reserves the right to relocate the easements in the future at the expense of the University.

The transfer would be at or above the property's appraised value. The administration requests approval to transfer the property described above to TDOT. Upon approval by the Board of Trustees, the administration will seek all required state approvals.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

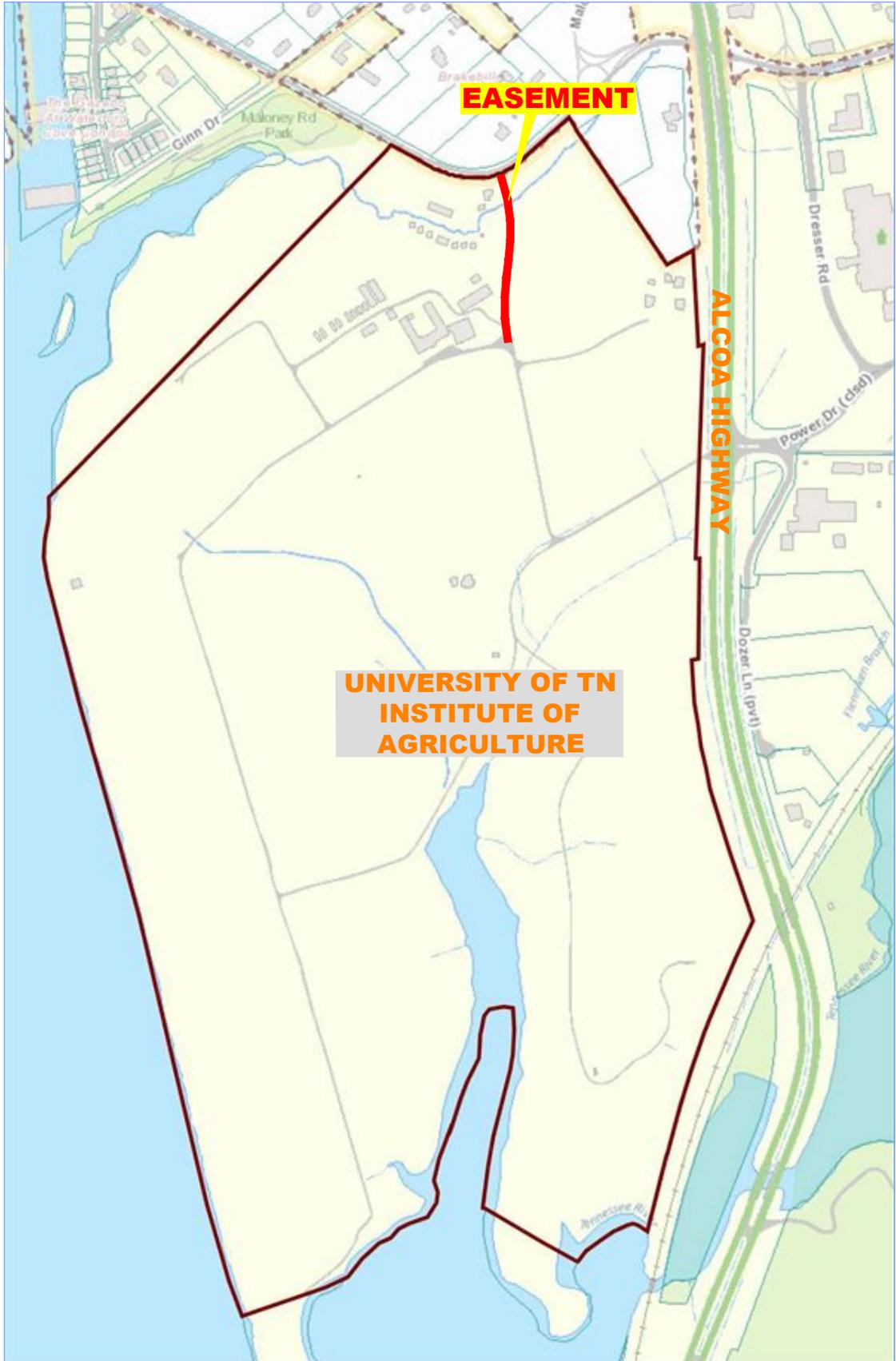
Resolution 00\_-2018\*  
Transfer of Jurisdiction of Property at Maloney Road to TDOT

Resolved: The Board of Trustees approves disposal of the certain property described in the meeting materials, which shall be attached to this Resolution after adoption, located at Maloney Road in Knoxville, Tennessee, through a Transfer of Jurisdiction to the Tennessee Department of Transportation.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Disclosure of Additional Revenue/Institutionally Funded Capital Projects, FY 2018-19**

Type: Information

The University administration has identified additional revenue/institutionally funded projects for FY 2018-19. The projects, totaling \$21,073,000.00, are as follows:

1. UTC Mapp Building Chiller Replacement - \$375,000.00
2. UTC Fletcher Hall Renovations - \$7,000,000.00
3. UTHSC Hamilton Fountain & Deck - \$450,000.00
4. UTHSC Madison Plaza Food Court Upgrade - \$968,000.00
5. UTHSC Coleman Chiller Replacement - \$290,000.00
6. UTHSC Coleman Boiler Repair - \$300,000.00
7. UTHSC Pauline Second Floor Renovations - \$258,000.00
8. UTHSC Pauline HVAC Equipment Replacement - \$560,000.00
9. UTHSC 910 Madison 5<sup>th</sup> Floor Renovation - \$400,000.00
10. UTIA West TN 4-H Center Cabins & STEM Center (Planning) - \$400,000.00
11. UTK Lake Ave 2007 & 2023 Parking Lots - \$300,000.00
12. UTK Alumni Amphitheater Steam Line Repairs - \$350,000.00
13. UTK Andy Holt Ave Sinkhole Remediation & Repair - \$383,000.00
14. UTK Baseball Stadium Turf Installation - \$1,400,000.00
15. UTK East Skybox Chiller Replacement - \$250,000.00
16. UTK Haslam Business Building Upgrades - \$2,500,000.00
17. UTK Intramural and Band Facility - \$3,000,000.00
18. UTK Jones Swim Facility Pool Resurfacing - \$250,000.00
19. UTK Roadway Resurfacing - \$500,000.00
20. UTK Student Health X-Ray Machine Replacement - \$350,000.00
21. UTK Tennis Facilities Camera System - \$175,000.00
22. UTM Football Turf Replacement - \$614,000.00

These projects are in addition to the list of FY 2018-19 revenue/institutionally funded projects approved by the Board on November 3, 2017. The Board's action in 2017 included authorization, with the President's approval, to enter into design and construction contracts for additional revenue/institutionally funded projects identified during the fiscal year. Accordingly, with the



## THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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President's approval, the University sought approval by the Tennessee Higher Education Commission and the State Department of Finance and Administration for these additional projects.

In accordance with the Board's November 3, 2017 authorization, these additional projects are reported for information, and no action is required.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Report on Use of Differential Tuition Funds at UTC**

Type: Information

Differential Tuition is a per-credit-hour fee assessed for a specific course or group of courses as dictated by increasing demand for educational excellence in specific areas. The Board of Trustees has authorized UTC to assess differential tuition for upper level courses offered in the Colleges of Business, Engineering, Nursing, Occupational Therapy, and Physical Therapy.

At the request of the former Board, a report has been presented annually on how Differential Tuition revenues were used. The following report describes how the revenues received in Fiscal Year 2017-18 were used.

The table below illustrates the annual revenue less expenses for the last five years and the June 30, 2018 year-end balance.

### University of Tennessee Chattanooga Differential Tuition Five-Year Trend Summary

<u>College</u>	<u>Revenue Less Expenses</u>					<u>Current Balance</u>
	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	
Business	\$373,410	\$451,183	\$862,638	\$391,469	\$719,627	\$2,019,040
Engineering	\$352,172	\$1,222	(\$149,361)	\$417,854	\$418,535	\$1
Nursing	\$68,100	(\$23,423)	\$35,522	(\$2,864)	\$22,118	\$105,181
Occupational Therapy	--	--	--	\$17,781	\$33,917	\$64,917
Physical Therapy	--	--	--	\$77,204	\$80,386	\$80,366

The University of Tennessee, Chattanooga

**Differential Tuition Summary**

For the Fiscal Year Ended 2017-18

College	FY18 Per Credit Hour Fee	Total Revenue	Program Expenses	Need-Based Scholarships/Aid	Total Expenses	Revenue Less Expenses
Gary W. Rollins Business	\$57	\$2,722,939	\$1,700,184	\$303,128	\$2,003,312	\$719,627
Engineering	\$57	1,401,674	892,025	91,114	983,139	418,535
Nursing	\$57	595,068	514,019	58,931	572,950	22,118
Occupational Therapy	\$57	108,573	62,290	12,366	74,656	33,917
Physical Therapy	\$57	170,986	78,234	12,366	90,600	80,386
<b>Total</b>		<b>\$4,999,240</b>	<b>\$3,277,586</b>	<b>\$447,071</b>	<b>\$3,724,657</b>	<b>\$1,274,583</b>

**Primary Expenditures**

- Scholarships
- Faculty
- Advising and Student Success

**Gary W. Rollins College of Business**

The College of Business maintains five full-time faculty members, three academic advisors, a three-person staff in its Center for Career Success, a communication specialist, a business manager, an assessment director, and three administrative support staff. The differential fee also provided funds for faculty development. The College used 11% of the fee collected to provide need-based scholarships to students. In addition, funds were used for programming for student organizations. The unspent revenue will be used this year for upgrading classrooms and improvements in Fletcher Hall and advance the new Entrepreneurial Center in the Mapp Building.

**College of Engineering & Computer Science**

The College of Engineering and Computer Science maintains four full-time faculty members on its differential tuition in response to increased student enrollment demands. These funds also provided additional programming support to the growing operations of the College including the establishment of a Student Success Center. The College used a percentage of the fee collected to provide merit and need-based scholarships to students. The unspent revenue will be used this year for advancing the Manufacturing Facility in the Mapp Building, which includes equipment, and classroom enhancements in the College of Engineering and Computer Science.

**School of Nursing**

The School of Nursing maintains three BSN clinical instructors, two lecturers, a clinical assistant, and an academic advisor to focus on the needs of the RN to BSN students. The School used 10% of the fee collected to provide need-based scholarships to students.

**Department of Occupational Therapy**

The Department of Occupational Therapy maintains part-time need-based graduate assistants. These funds were used to enhance lab related experiences for students by purchasing lab supplies and cadavers. They were also used to cover student liability insurance, CPR training, memberships to national organizations, vaccinations, and other in-class student experiences. The Department used 11% of the fee collected to provide need-based scholarships to students. The unspent revenue will be used this year to further enhance the student clinical experience and provide need-based scholarships.

**Department of Physical Therapy**

The Department of Physical Therapy maintains part-time need-based graduate assistants. These funds were used to enhance lab related experiences for students by purchasing lab supplies, cadavers, and computer software. They were also used to cover student liability insurance, CPR training, memberships to national organizations, vaccinations, and other in-class student experiences. The Department used 7% of the fee collected to provide need-based scholarships to students. The unspent funds will be used this year to further enhance the student clinical experience and provide need-based scholarships.

UTC FY 18 Differential Summary 2



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Report on Use of Differential Tuition Funds at UTK**

Type: Information

Differential Tuition is a per-credit-hour fee assessed for a specific course or group of courses as dictated by increasing demand for educational excellence in specific areas. The Board of Trustees has authorized UT Knoxville to assess differential tuition for upper level courses offered in the Colleges of Business, Engineering, Nursing, and Architecture and Design.

At the request of the former Board, a report has been presented annually on how Differential Tuition revenues were used. The following report describes how the revenues received in Fiscal Year 2017-18 were used.

The table below illustrates the annual revenue less expenses for the last five years and the June 30, 2018 year-end balance.

### University of Tennessee Knoxville Differential Tuition Five-Year Trend Summary

<u>College</u>	<u>Revenue Less Expenses</u>					<u>Current Balance</u>
	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	
Business	\$30,114	\$69,967	\$2,044,052	\$2,509,140	\$899,776	\$4,267,065
Nursing		\$92,130	\$236,340	\$81,616	\$74,121	\$837,248
Engineering	\$113,245	\$124,578	\$0	\$91,228	\$201,745	\$777,729
Architecture & Design	--	--	\$240,235	\$60,843	(\$20,453)	\$280,625

**The University Of Tennessee, Knoxville  
Differential Tuition Summary  
for the Fiscal Year Ended 2017-18**

College	FY18 per Credit Hour Fee	Revenue	Program Expenses	Need Based Scholarships	Total Expenses	Revenues less Expenses
Business	\$ 99	\$ 10,508,492	\$ 8,522,669	\$ 1,086,047	\$ 9,608,716	\$ 899,776
Engineering	\$ 64	4,606,158	4,063,355	468,682	4,532,037	74,121
Nursing	\$ 132	1,451,341	1,119,596	130,000	1,249,596	201,745
Architecture and Design	\$ 109	1,236,975	1,103,228	154,200	1,257,428	(20,453)
Total		\$ 17,802,966	\$ 14,808,848	\$ 1,838,929	\$ 16,647,777	\$ 1,155,189

**Primary Expenditures**

- Need-based scholarships
- Faculty
- Advising
- Instructional equipment
- Laboratories

**Business**

Provides direct faculty and staff support of the undergraduate student population. Staff support is in the form of student academic advising and career management advising. Expenditures on faculty make possible expanded teaching capacity facilitating timely progress to degree completion and more moderate course section sizes than would otherwise be possible. In addition, a modest amount of the revenue is allocated toward technology, undergraduate diversity and inclusion initiatives, communications, and supplies.

**Engineering**

An essential resource to the College, the revenue supported further development and improvement in all academic programs and student services. In support of recruitment and retention of the best students, the funds are used for technology, equipment, and facility improvements. Funds were also used to fund Diversity Engineering summer programs, and faculty positions to address teaching loads as a result of increased enrollment.

**Nursing**

A key resource for the College, supporting faculty for additional enrollment and providing resources towards student learning through the Health Information Technology and Stimulation (HITS) Lab.

**Architecture and Design**

Supports a design-build laboratory which is essential to the pedagogical experience of a design education, hire nationally and internationally recognized faculty, grow existing programs, and attract top quality students by offering awards.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Finance and Administration Committee Charter**

Type: Action

Presenter(s): David L. Miller, Chief Financial Officer

The Chief Financial Officer has developed the following charter for the Finance and Administration Committee in consultation with the committee chair. In compliance with the Bylaws of the Board of Trustees, the charter is presented to the Committee for consideration and, if approved, for recommendation to the Board.

**Motion: I move that the Finance and Administration Committee approve and recommend the committee charter to the Board of Trustees for approval by adoption of the Resolution presented in the meeting materials.**

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Finance and Administration Committee Charter

Resolved: The Board of Trustees approves the committee charter for the Finance and Administration Committee as presented in the meeting materials, which shall be attached to this Resolution after adoption.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.



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**THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES**

**FINANCE AND ADMINISTRATION COMMITTEE  
CHARTER**

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**PURPOSE**

The Finance and Administration Committee assists the Board in overseeing the University's finances, operations, facilities, and Health Science Center clinical activities; and in ensuring that the University operates within available resources and applicable laws and policies in a manner supportive of the University's strategic plan. The committee has the specific responsibilities included in this committee charter approved by the Board.

**RESPONSIBILITIES**

The committee is responsible for formulating and recommending action or necessary policies in all matters relating to finance, business, and administration, including the investment of University funds. Specifically, the committee shall recommend to the Board of Trustees, or to the Executive Committee when necessary between meetings of the Board, the following and similar matters within the scope of the committee's purpose<sup>1</sup>:

1. Guidelines to govern the administration's submission of a proposed annual operating budget and appropriation request to state agencies and officials;
2. The University's final operating and capital outlay budgets for the fiscal year (after the General Assembly has enacted annual appropriations for the University);
3. Student tuition and fees for which Board approval is required by Board policy and any proposal for waiver or discount of student tuition and fees unless mandated by state law;

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<sup>1</sup> Under the Bylaws of the Board, and in the absence of objection by the committee chair, the Chair of the Board may designate any of the listed matters for deliberation and action at a meeting of the Board without prior review and recommendation of the committee.



4. The process through which each campus advisory board must provide a recommendation to the President on the proposed annual operating budget, including tuition and fees, as it relates to the respective campus;
5. Any policies to improve the availability of financial aid deemed necessary and in the best interest of students, the University, and the state following a periodic evaluation of student financial aid in relation to the cost of attendance;
6. The University's compensation plan and any benefit programs requiring Board approval;
7. The University's proposed annual capital outlay budget and appropriation request, prior to their submission to other state agencies and officials;
8. Construction of specific buildings and other capital improvements to be funded by revenues or other institutional funds not specifically appropriated for capital outlay; provided that the Board may authorize the President to approve additional projects identified during the fiscal year, and these additional projects shall be reported to the Board at a subsequent meeting;
9. With the approval of the Tennessee State School Bond Authority, issuance of debt to erect buildings, purchase real estate, or cooperate with agencies of the United States;
10. A facilities master plan for each campus;
11. Acquisition of any interest in real property, including acquisition by gift or devise if the acquisition obligates the University or the State of Tennessee to expend state funds for capital improvements or continuing operating expenditures;
12. Sale or other disposal of real property owned by the University, including but not limited to sale in fee, grant of an easement, or grant of a right-of-way;
13. Naming of buildings and other assets of the University, including colleges, schools, and programs, except as may be delegated to the administration from time to time by Board policy;



14. Creation of legal entities that will bear the University's name and the governance structure of such entities;
15. Proposals to implement a voluntary retirement incentive plan for a campus or institute or for a particular unit within a campus or institute;
16. Policies relating to the University's finances, operations, and facilities for which Board approval is necessary or deemed appropriate by the committee, including without limitation policies governing approval of student tuition and fees, cash management, debt management, investment of University funds, and operation of University aircraft; and
17. University rules required to be promulgated under the Uniform Administrative Procedures Act, except rules governing student conduct, rights, and responsibilities, which shall be recommended by the Education, Research, and Service Committee.

### **Other Responsibilities**

The committee shall review the University's debt obligations annually.

The committee chair, in consultation with the Chief Financial Officer, shall review the committee charter prior to each Annual Meeting of the Board to determine whether the committee is carrying out its responsibilities effectively and whether any revisions to the charter should be submitted to the committee for recommendation to the Board.

### **MEMBERSHIP**

The Finance and Administration Committee shall consist of at least three (3) voting members of the Board of Trustees in addition to the Chair of the Board, who shall be an ex officio, voting member of the committee. Committee members and the committee chair shall be appointed by the Board of Trustees on the recommendation of the Chair of the Board. The term of appointment shall be two years, beginning July 1 of the first year and ending June 30 of the second year. If a vacancy occurs prior to expiration of the two-year term, the Chair of the Board shall appoint a member of the Board to fill the remainder of the term. If appointments or reappointments to the Board of Trustees are pending at the end of the two-year term, the committee and committee chair appointments shall continue beyond the end of the term until all vacancies on the Board have been filled and the Board has made new standing committee appointments. The committee chair may



not serve more than three (3) consecutive two-year terms as chair except upon an affirmative roll-call vote of a majority of the total voting membership of the Board.

The Chief Financial Officer shall provide staff support for the committee.

## MEETINGS

### Required Number, Call, and Location

The committee shall meet at least once annually, in conjunction with regular meetings of the Board of Trustees or at any other time upon a call by the Chair of the Board, the President, or the committee chair or by the Secretary upon the written request of two members of the committee. Committee meetings may be held at any location in the State of Tennessee.

### Notice

At least five (5) days' notice shall be given to all committee members when feasible, but less notice may be given when there is a need for urgent action. Notice may be delivered by postal mail, courier, electronic mail, or facsimile transmission. If written notice is not feasible, by reason of urgency or other exigent circumstance, notice may be given by telephone. As required by Tennessee Code Annotated § 8-44-103(a) and (b), adequate public notice shall be given of committee meetings. All meetings of the committee shall be open to the public unless otherwise provided by the Tennessee Open Meetings Act or a judicially-recognized exception to the Act.

### Agenda

An agenda shall accompany the notice of every committee meeting when feasible, but when not feasible, the notice shall state the purpose or purposes for which the meeting is called.

Development of the committee agenda shall be the responsibility of the committee chair in consultation with the President and the Chief Financial Officer. The agenda shall list in outline form each matter to be considered at the meeting. The committee may use a consent agenda in the manner provided by the Bylaws of the Board of Trustees. Items not set forth on the agenda or in the meeting notice may be considered only upon an affirmative roll-call vote of a majority of the total voting membership of the committee.



### **Quorum**

A quorum shall be a majority (more than one-half) of the voting members of the committee or subcommittee. The Chair of the Board, who is an ex officio, voting member of the committee, shall be counted for quorum purposes only when present. In the absence of a quorum, those attending may adjourn the meeting until a quorum is present.

### **Action of the Committee**

The action of a majority of the quorum of voting committee members present at any meeting shall be the action of the committee, except as otherwise provided in the Bylaws of the Board of Trustees, Board policy, or statute.

### **Minutes**

The Chief Financial Officer shall prepare minutes of all committee meetings, review the minutes with the committee chair, and provide the minutes to all committee members before the next committee meeting.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **FY 2019-20 Operating Budget Appropriations Request for Non-Formula Units**

Type: Action

Presenter(s): David L. Miller, Chief Financial Officer

Each year the University has the opportunity to present a state appropriations budget request for improvement funding at its non-formula units—the Health Science Center, Institute of Agriculture, Space Institute, Institute for Public Service, and System Administration. For the formula units—UTC, UT Knoxville, and UT Martin—the Tennessee Higher Education Commission (THEC) formula funding model generates funding recommendations.

Guidelines approved by the Board in June 2005 to govern the administration's submission of operating budget requests to the state provide that the Finance and Administration Committee shall review, approve, and recommend to the Board of Trustees the non-formula improvement requests submitted to THEC. This year, THEC, working with the state Department of Finance and Administration, has asked that the request be formatted in priority order and articulated in a way that aligns with state initiatives. A summary of the FY 2019 improvement request is included in the meeting materials.

The materials also include an appropriations request from UTC that will not be included in the request to THEC because UTC is a formula unit, and the request is for supplemental state funding to be added to UTC's base formula appropriations. Although there is no official mechanism for requesting such a request, the administration intends to present the request to state policy makers during the upcoming appropriations process. The UTC request is presented for information only.

The FY 2019-20 appropriations request for non-formula units was filed with THEC in accordance with its instructions. To meet THEC's deadlines, it had to be submitted to THEC before the Fall Meeting of the Board of Trustees. If the Board votes to change the University's request, the administration will be permitted to submit an amended request to THEC for consideration.

**Motion: I move that the Finance and Administration Committee recommend Board approval of the FY 2019-20 operating budget appropriations request for non-formula units by adoption of the Resolution presented in the meeting materials.**

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
FY 2019-20 Operating Budget Appropriations Request for Non-Formula Units

Resolved: The Board of Trustees approves the FY 2019-20 Operating Budget Appropriations Request for Non-Formula Units as presented in the meeting materials, which shall be attached to this Resolution after adoption.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.

**University of Tennessee  
 FY 2019-20 State Funding Priorities  
 Specialized Unit Special Initiative Funding Requests**

Priority	Unit	Initiative	New FTE	Nonrecurring Funds	Recurring Funds
1	Health Science Center	Addiction Medicine	7.0		3,000,000
2	Institute for Public Service	Strategic Initiative to Improve Rural Communities	6.0		808,500
3	Institute of Agriculture	Center for Agricultural Synthetic Biology	8.5		1,041,098
4	Institute of Agriculture	Tennessee Vineyards and Fermented Beverage and Food Industry	5.0		584,698
5	Health Science Center	Student Safety and Campus Security	10.0		3,500,000
6	Institute of Agriculture	UT Institute of Agriculture Gardens Program	8.0		922,714
7	Health Science Center	Primary Care Training Support	4.0		3,500,000
		<b>TOTAL SPECIALIZED UNIT REQUESTS</b>	<b>48.5</b>	<b>\$ -</b>	<b>\$ 13,357,010</b>
<b>Supplemental Initiative Funding Requested by Formula Units (presented for information purposes)</b>					
NA	Chattanooga	Urban & Regional Transportation Data Facility Enabling R&D and Economic Development		1,500,000	

**University of Tennessee**  
**FY 2019-20 State Funding Priorities**  
**Specialized Unit Special Initiative Funding Requests**

**1. Addiction Medicine—UT Health Science Center**

**Funding: \$3.0 Million**

**Staffing: 7.0**

In November, 2016, the University of Tennessee College of Medicine's Center for Addiction Science was recognized as the nation's first *Center of Excellence In Addiction Medicine* by The Addiction Medicine Foundation. The Center, founded to address the untreated addiction epidemic, not only in Memphis, but also across the country. The Center provides clinical treatment services including cognitive behavioral therapy, medication-assisted treatment, and motivational and enhancement therapy and 12-step program facilitation across all demographics. The Center is also training physicians to offer alternate forms of pain therapy to avoid over-prescription of opioids.

The Center of Excellence designation from The Addiction Medicine Foundation, a national organization that accredits physician training in addiction medicine, puts the Center at the forefront of its field — as the first in the country to bring together clinical care, research, education and community outreach to address addiction and deadly substance use. The combination of the harmful effects of addiction, including alcohol and nicotine use, represent the leading cause of death in Tennessee. More than 1,263 Tennesseans died from opioid overdose in 2014, according to the most recent figures from the Tennessee Department of Health and the U.S. Centers for Disease Control and Prevention.

Leveraging the strengths of an academic medical center, a new addiction medicine fellowship through the Center for Addiction Science trains physicians and health care professionals in evidence- based protocols to better recognize, diagnose, treat and prevent addiction. Multidisciplinary research is also underway, with particular focus on neonatal abstinence syndrome, which affects newborns exposed to addictive drugs in the womb.

The State provided start-up funding for treatment and education in FY 2019. The Health Science Center requests \$3,000,000 in recurring funds to support, enhance, and maintain these efforts through additional faculty, staffing, and student support. Projected staffing would include 1.0 director, Psychiatrist, 2.0 staff Psychiatrists, 2.0 addiction-trained primary care providers, 1.0 addiction medicine fellow and 1.0 office manager.

## FY 2019-20 State Funding Priorities Specialized Unit Special Initiative Funding Requests - UT

**2. Strategic Initiative to Improve Rural Communities—Institute for Public Service****Funding: \$808,500****Staffing: 6.0**

A crucial component of updating its strategic plan included asking IPS customers how the University could better serve them. A consistent theme emerging from statewide listening sessions, particularly from leaders in distressed rural communities, was a need for more staff in IPS agencies to allow for both more timely responses and greater access to a broader range of expertise. Examples include comments, “understaffed, you need more staff” and “need more consultants for special projects (like rate studies)”. These funds would add a consultant or training specialist at each of IPS’ six agencies to begin addressing this clearly articulated customer need and invest more focused time on issues impacting rural areas.

One practical benefit of these increased state funds is the ability to leverage additional federal funding to support our work. As part of market development services, UT IPS’s Procurement Technical Assistance Center (PTAC) assists Tennessee companies in securing government contracts. PS will use \$135,000 of new state funds to serve as a match for an additional \$135,000 in federal funds, thereby doubling the impact of the state appropriation and allowing UT IPS to secure an additional counselor for the targeted rural areas.

We know that over the past three years the PTAC program has assisted more than 400 firms each year with customer-reported economic impacts averaging over \$900 million per year. These efforts supported over 9,400 jobs in Tennessee and beyond. An example of the types of projects that companies in rural communities can benefit from representation of a relationship between PTAC and Siler Excavating. In August 2012, PTAC assistance helped the client win its first major contract for \$352,787 (#INP12PC01408) with the National Park Service Department of the Interior. Since that time, the company has won 95 contracts, totaling \$18,221,855. The company during that time assisted in developing a list of target agencies to market and take advantage of the company’s SBA 8a status. The company was also counseling on being DCAA compliant as a contractor and in how to understanding overhead rates and bid estimating. Adding additional state funding will allow even more targeted assistance to firms like Siler.

Additionally, the Tennessee Language Center will use \$120,000 to add a consultant to help rural leaders in business and government navigate language, culture and process challenges associated with exporting products made in Tennessee’s rural communities. UT IPS consultants will work directly with firms in targeted counties to develop and deliver the appropriate mix of services needed to optimize company performance and success. We estimate \$85,000 salary for six positions, plus staff benefits (estimated at 35%) and \$20,000 of operating / travel expenses per position.

## FY 2019-20 State Funding Priorities Specialized Unit Special Initiative Funding Requests - UT

**3. Center for Agricultural Synthetic Biology—UT Institute of Agriculture****Funding: \$1,041,098****Staffing: 8.5**

The world is dependent on agriculture for food production, with ever-increasing demands and challenges, and UTIA continually strategically works in addressing these needs. UTIA proposes to establish the first university center of its kind focusing on development of advanced tools and technologies to enhance the productivity, efficiency and sustainability of agriculture and address new and unsolved problems in plant, animal and environmental health. Synthetic Biology (SB) is an emerging area of research that integrates new technologies and concepts across biology, engineering, and computer science to improve or redesign natural biological systems, and overcome traditional inefficiencies. Harnessing SB for real-world agricultural applications is imminent and the economic potential is significant, with a BCC Research report stating that the global synthetic biology market will grow from nearly \$4.4 billion in 2017 to \$13.9 billion by 2022. Traditional methods of plant and animal breeding have been tremendously elevated by more efficient genomic technologies employed in today's biotechnology industries. Development and application of new SB technologies via the precise introduction of unique or enhanced metabolic pathways into a plant's genome will further revolutionize agriculture. Innovative SB commercial applications for plant improvement are tremendous in scope, including increasing photosynthetic efficiency and enabling crop nitrogen fixation, providing unparalleled breakthroughs in crop yield, more efficient and sustainable bio-based products, advanced biofuels, phytosensing, and novel pest, disease and drought resistance. SB is also poised to transform veterinary research with the development of novel biosensors, modeling systems, and new healthcare interventions including a broad spectrum of highly innovative therapeutic and disease prevention modalities (e.g. vaccines, antimicrobials, immune modulators). The primary emphasis of the UTIA Center for Agricultural Synthetic Biology (**CASB**) will be establishing UTIA as a world leader in SB research and educating a new cadre of undergraduate and graduate students entering the workforce and providing industry leadership. Outreach and communication of scientific research to stakeholders and the general public will also be key to broad adoption of technologies developed by **CASB**. A "foundry" will be established as part of **CASB** and will include a laboratory for DNA design, synthesis, assembly, and testing, featuring state-of-the-art robotics leveraged from competitive Federal grant funds recently awarded to UTIA faculty.

The Institute is already home to recognized leaders in agricultural SB discovery and innovation and this funding will enable UTIA to establish the first Center equipped to translate SB innovations for the direct benefit of Tennessee's economic engine and agricultural productivity in feeding the state and the world.

Projected staffing would include 3.0 faculty, 2.0 research associates, 1.0 systems engineer, 1.5 graduate assistants and 1.0 business manager.

## FY 2019-20 State Funding Priorities Specialized Unit Special Initiative Funding Requests - UT

**4. Advancing the Agricultural Economy Growing Tennessee's Vineyards and Fermented Beverage and Food Industries—UT Institute of Agriculture****Funding: \$584,698****Staffing: 5**

Tennessee has seen a rapid increase in the number of wineries, brewers, and distillers in recent years and many of them are interested in acquiring locally grown grapes and juice for winemaking, hops, barley, wheat and rye for brewing and corn for distilling. Supporting the expansion of the fermented beverage and food industry will create employment opportunities on farms and in communities across the state. Request funding support for two new UT Extension faculty positions within UTIA, one focused on viticulture and one focused on fermentation science to support the continued expansion of this industry. The addition of a viticulturist and research associate will support the Extension and research needs of the Tennessee grape industry, and support its sustained growth. Research will focus on identifying grape varieties best suited to Tennessee's climatic conditions to help refine and develop viticulture practices appropriate for Tennessee. The results of these research programs will directly support an Extension program designed to enhance profitability of Tennessee grape producers. The fermentation science faculty position and research associate will lead Extension and research efforts to support the expansion of the fermented beverage and food industries in Tennessee through; 1) establishing and managing a quality analysis laboratory for Tennessee wines, ciders, beers and spirits; and 2) providing educational programs and assistance combined with applied research that supports entrepreneurship in the production and processing of fermented foods such as sausages, kombucha, sauerkraut, tempeh, cheeses, and yogurt. An addition of a Center for Profitable Agriculture Marketing Specialist focused on providing marketing, business planning and value-added product development information and assistance to grape and fermented food and beverage producers to help producers identify and establish markets for grapes and fermented food and beverage products is needed. Projected staffing would include 2.0 faculty, 2.0 research associates, and 1.0 marketing specialist.

**5. Student Safety and Campus Security—UT Health Science Center****Funding: \$3.5 Million****Staffing: 10**

The Health Science Center has been fortunate to receive support from the State in our efforts to upgrade and improve the security infrastructure across the campus. This effort has allowed the HSC to replace critical infrastructure starting with building distribution equipment, state-of-the-art communication backbone and enhanced access control / building security as well as core server support. In addition, with efforts to enhance simulation experiences for students and expanded health research efforts requiring significant datasets, it is critical to maintain a top quality and secure technology environment.

## FY 2019-20 State Funding Priorities Specialized Unit Special Initiative Funding Requests - UT

As changes continue to occur in technology and the need for physical and technology security grow, the HSC needs to keep pace and ensure this new equipment over time receives management and maintenance. In addition, demands on qualified staffing continue to increase and the HSC needs to create an environment where staff are encouraged to improve and enhance their skills. The HSC requests funding to support this centralization and enhancement of the campus security infrastructure.

The Health Science Center requests \$3,500,000 in recurring funds to continually upgrade, support and enhance these efforts through additional staffing support and equipment replacement. Ten staff members are projected.

#### **6. UT Institute of Agriculture Gardens Program**

**Funding: \$922,714**

**Staffing: 8**

Our goal is to elevate the status of Tennessee's state gardens to national prominence such as that gained by the Missouri Botanical Gardens (<http://www.missouribotanicalgarden.org/>). Funding requested to hire Extension specialists and research associates to conduct new research and deliver new Extension programs through innovative discoveries of botanical compounds, genetics, ecology and human environment. Leverage efforts by grants and partnerships with external foundations, organizations and industries.

Recognized in 2013 by Governor Bill Haslam as the official botanical gardens of the state of Tennessee, the University of Tennessee Gardens located in Knoxville, Jackson and Crossville are part of the UT Institute of Agriculture. Some 4,000 annuals, perennials, herbs, tropical plants, trees, shrubs, vegetables and ornamental grasses receive evaluations each year. The gardens are open during all seasons and are free to the public. Currently, more than 100,000 people visit the gardens annually. All the garden sites have strong and growing meaning in their regions for seminars, workshops, tours, Master Gardener initiatives, industry retreats, and Extension programs including 4-H youth audiences. Both the Knoxville and Jackson gardens are Tennessee Certified Arboreta and are Reference Gardens for the American Conifer Society. Projected staffing would include 3.0 extension specialists and 5.0 research associates.

#### **7. Primary Care Training Support—UT Health Science Center**

**Funding: \$3.5 Million**

**Staffing: 4.0**

The Health Science Center has been strategically expanding its primary care training programs across the State. With strengthened partnerships in Chattanooga and Nashville, the need to support experiential training programs has increased as we expand class sizes to meet the growing need of providers in both Medicine and Dentistry in inner city and rural areas. Over the past year, dental clinics have opened in Union City and Bristol and there are

FY 2019-20 State Funding Priorities Specialized Unit Special Initiative Funding Requests - UT

new clinics proposed in Antioch, Knoxville, and Chattanooga. At the same time, the need for family practice and other primary care physicians is growing and expanded clinics for both the Nashville and Chattanooga areas are proposed.

The Health Science Center requests \$3,500,000 in recurring funds to support and enhance these efforts through additional faculty as well as clinic, staffing, and student support. Projected staffing would include 4.0-5.0 faculty / physicians, non-physician primary care providers, and nurses.

**University of Tennessee**  
**FY 2019-20 State Funding Priorities**  
**Specialized Unit Special Initiative Funding Requests**

*Supplemental Initiative funding Requested by Formula Units (presented for information only)*

**Urban and Regular Transportation Data Facility—UT Chattanooga**

**Nonrecurring Funds: \$808,500**

**Staffing: 19**

Chattanooga is widely recognized as one of the innovative “smart” US cities internationally, partly due to the contributions UTC has made over the years. Chattanooga was also among the first US cities officially recognized by US Ignite (us-ignite.org) as a Smart Gigabit Community. This designation, now shared by several other cities, indicates a commitment by the community to leverage advanced science, engineering, computing and networking technologies to improve city processes and quality of life for all citizens. The Chattanooga Smart Communities Collaborative (CSCC) includes the City of Chattanooga, CO.LAB, Electric Power Board, Hamilton County, The Enterprise Center, Erlanger Health System (the 7th largest public hospital in US) and the University of Tennessee at Chattanooga, all working to research, develop, and evaluate technology- and analytically-based solutions to smart community challenges.

The proposed effort focuses on maximizing the economic value of temporal and spatial data collected from inner city and regional traffic flows. Such data can include crash data, road geometric and traffic data, real-time traffic data (cameras or Bluetooth devices), weather occurrences, mass transit systems, on-demand transit modes, and air quality. Many are collected now but are not easy to access or of a quality needed for comprehensive analyses allowing well-justified conclusions. Further, data generated from different sources across the city and state are often stored and analyzed in isolation. While vital for efficient smart city operations, data sharing, data integration, and data interoperability are therefore difficult to achieve. Finally, some data sets, such as air quality data from various locations are not readily available yet for simultaneously analyzation with traffic flow data.

Therefore, our planned efforts are designed to create an urban & regional transportation data facility that manages high-quality data that can be easily accessed and used to drive R&D that develops data-driven methods to maximize traffic flow while improving safety, fuel consumption and minimizing adverse environmental impacts. Such datasets and data-driven approaches can also inform and guide community policy makers, urban planners, and transportation planners to prioritize actions for the most cost-effective and cost-beneficial transport and recreational infrastructure enhancements, yielding improved health outcomes for solutions for community residents.

## FY 2019-20 State Funding Priorities Specialized Unit Special Initiative Funding Requests - UT

This facility will enable R&D across the UT System and by strategic partners. Students at the undergraduate and graduate levels will be the driving force behind many of these research activities. The expectations for the demand of data scientists is expectant to rise by 28% by 2020<sup>1</sup>. Noted, big data and data science skills are among the most difficult skills to find in new hires<sup>2</sup>. The increasing demand is especially high in emerging smart cities, which will require a competent data science workforce with the ability to collaborate with professionals and researchers from a variety of sectors to realize the next generation of smart applications. This facility will help increase the capacity of UTC and other parts of the UT System to produce diverse cohorts of interdisciplinary data scientists with the range of skills necessary to succeed in smart city-related projects. In addition, this facility and related R&D projects will attract commercial companies to test and evaluate their products, and it will enable CSCC to attract entrepreneurs capable of bringing new ideas to market.

A 2016 report<sup>3</sup> by the TRIP non-profit organization in Washington DC states “the quality of Tennessee’s transportation system will play a vital role in the state’s level of economic growth and in the quality of life in Tennessee.” The IMPROVE Act, officially titled “Improving Manufacturing, Public Roads and Opportunities for a Vibrant Economy,” is a plan that was signed into law in April 2017 by Gov. Bill Haslam to update the transportation infrastructure in Tennessee.

This proposed effort will fully exploit the smart grid and fiber network infrastructure in Chattanooga to provide better transportation options and traffic management in the city and the region. Availability of and access to high-quality data collected over time and in different strategically important locations represent the foundation on which we can build better traffic management. The results of this investment will have significant impact cross the State.

We estimate that a one-time \$1,500,000 investment expended over a period of two years will establish a successful and sustainable urban & regional transportation data facility. Our proposed work will engage all urban centers in Tennessee, researchers at the University of Tennessee at Chattanooga (UTC) and in the larger UT System. We will work closely with commercial partners and regional agencies to identify economic development opportunities. We will integrate technological advancements in sensor technology, information technology, high performance computing, and machine learning to create an environment that enables breakthroughs and commercial impact.

<sup>1</sup>Markow, W., Braganza, S., and Taska, B. “The Quant Crunch: How the Demand for Data Science Skills Is Disrupting the Job Market,” 2017. <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=IML14576USEN&>

<sup>2</sup>Denecke, D., Feaster, K., and Stone, K. Professional Development: Shaping Effective Program for STEM Graduate Students, Council of Graduate Schools, 2017  
[http://cgsnet.org/ckfinder/userfiles/files/CGS\\_ProfDev\\_STEMGrads16\\_web.pdf](http://cgsnet.org/ckfinder/userfiles/files/CGS_ProfDev_STEMGrads16_web.pdf)

<sup>3</sup>[http://www.tripnet.org/docs/TN\\_Transportation\\_by\\_the\\_Numbers\\_TRIP\\_Report\\_Jan\\_2016.pdf](http://www.tripnet.org/docs/TN_Transportation_by_the_Numbers_TRIP_Report_Jan_2016.pdf)



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date:	November 2, 2018
Committee:	Finance and Administration
Item:	<b>Fiscal Year 2018 Report on Year-end Fund Balances</b>
Type:	Information
Presenter(s):	David L Miller, Chief Financial Officer

### BACKGROUND

At the end of each fiscal year some University unrestricted revenue is carried forward into the next fiscal year for a variety of purposes. All money is included and reported in the audited annual financial statements in the annual Treasurer's report.

Total carry forward money includes revenue from the current fiscal year and the amounts accumulated from prior fiscal years. Current fiscal year projected year-end balances are reported in the annual operating budget and the revised budget approved by the Board of Trustees. The following six funds are itemized in the annual operating budget.

- Working Capital
  - Required by statute and consists of petty cash, receivables, and inventories.
- Revolving Funds
  - Dedicated to support self-sustaining activities such as service centers.
- Encumbrances
  - Committed cover purchased goods and services to be received and paid for in the new fiscal year.
- Reappropriations
  - Committed to cover allocations for specific future projects and activities.
- Unallocated Auxiliaries
  - Reserved to provide a "rainy day" fund for auxiliary operations.
- Unallocated Education and General
  - Reserved to provide a "rainy day" fund of 2% to 5% for annual operations.

When unrestricted and uncommitted revenue exceeds expenses, operating revenue may be carried forward and accumulated from year-to-year for long-term needs. There are four additional funds outside the annual operating budget containing year-end carry forward money.

- Renewal and Replacement
  - Unrestricted funds accrued as one-time monies to cover both anticipated and unanticipated long term needs. The funds allow each institution to meet a wide variety of needs and provide reserves for the full operating budget.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

- Unexpended Plant Funds
  - Committed funds held which are for approved capital projects.
- Debt Service
  - Committed funds held to cover debt service obligations
- Quasi-Endowments
  - Committed funds held as quasi-endowments on behalf of institutions.

These categories of funds are common to all Tennessee universities and colleges and are reported uniformly to the Legislature each year. The table below provides a four-year summary of total year-end carry forward balances for all funds.

Balances budgeted in the annual operating budget (year-end actuals)				
<u>Fund</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY2017</u>	<u>FY2018</u>
Working Capital	\$37,378,371	\$33,663,961	\$30,269,859	\$29,104,516
Revolving Fund	19,839,529	13,095,645	14,434,335	24,571,945
Encumbrances	5,662,983	5,097,097	4,427,733	3,436,957
Reappropriations	54,206,226	12,257,820	12,232,441	11,890,693
Unallocated Auxiliaries	11,382,335	10,361,765	9,871,218	10,324,635
Unallocated E&G	45,369,579	45,898,716	46,926,158	56,306,804
Subtotal	\$173,839,023	\$120,375,004	\$118,161,744	\$135,635,551

Balances reported in annual financial statements				
<u>Fund</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY2017</u>	<u>FY2018</u>
Renewal and Replacement	\$384,753,461	\$478,984,943	\$553,567,335	\$515,054,687
Unexpended Plant Funds	41,070,884	46,309,851	54,607,375	138,317,754
Debt Service	19,864,359	29,752,074	32,630,910	44,346,627
Quasi-Endowments	<u>14,469,639</u>	<u>13,380,327</u>	<u>13,964,620</u>	<u>14,107,006</u>
Subtotal	\$460,158,343	\$568,427,195	\$654,770,240	\$711,826,074
Total Year-end	\$633,997,366	\$688,802,199	\$772,931,984	\$847,461,625
Less Investment in Plant and Interest Payable	(6,448,107)	(6,682,846)	(6,161,641)	(8,381,080)
Less Benefits Liability	<u>(324,487,517)</u>	<u>(288,343,738)</u>	<u>(314,847,503)</u>	<u>(420,261,497)</u>
Total	\$303,061,742	\$393,775,615	\$451,922,840	\$418,819,048

Nine of the ten funds are largely committed and well-defined. Because Renewal and Replacement funds comprise about 60% of the annual carry forward and are used for a wide variety of needs, questions have been raised by legislators and trustees about the sources and uses of these funds.



# THE UNIVERSITY OF TENNESSEE

## BOARD OF TRUSTEES

Beginning with this Board meeting, and annually hereafter at each fall meeting, the Chief Financial Officer will present a report on the amount and purpose of all unrestricted carry forward funds. The report will include a designation of the level of commitment of all Renewal and Replacement funds.

The Renewal and Replacement fund at each institution has many separately numbered accounts. The number of accounts range from six (6) at the Institute for Public Service to fifty-two (52) at UT Knoxville. In order to determine the level to which these funds are committed, the following definitions were developed.

### **OBLIGATED**

Balances held for a purpose as indicated by documentation such as a contract or an encumbrance that would make it difficult for institutions to use the funds for other purposes. Firm commitments which cannot be easily redistributed; encumbrances; a purchase order or contract. Rescinding obligated commitments creates the risk of significant cost, legal action, or reputational damage.

#### Examples:

- Signed contract for services with an external agency or business.
- Purchase order or invoice.
- A signed, binding commitment from an authorized authority that could not be changed without significant cost or reputational damage.
- Signed contract for an employee for whom recurring resources are not currently available.
- Scholarships that have already been awarded.

### **PLANNED**

Funds less committed than obligated balances, but held for a purpose as indicated by documentation such as a budget document or a memorandum signed by an appropriate approving authority. Those authorized to approve balance commitments include chancellors, vice chancellors, deans, directors, and designees in accordance with institutional policies and/or practices. Institutions may use planned balances for other purposes if the use complies with any funding source requirements.

#### Examples:

- Plans for new faculty and staff, who are not replacing existing staff.
- Authorized authority's spending directive that can be modified without significant cost or reputational damage.
- Documented institutional priorities or strategic plans
- Planned financial aid funding that has not yet been awarded.



# THE UNIVERSITY OF TENNESSEE

## BOARD OF TRUSTEES

- Annual, ongoing operations, including the salaries of existing staff, for up to three years for which recurring resources are not currently available.
- Planned expenditures to launch or to support academic programs or student programs for which recurring resources are not currently available.
- Required cash deposit for a capital project.

### RESERVES

Balances for which documentation indicates amounts are purposefully held for contingencies, including state and institutional reserve policies.

- Contingencies may result from unexpected funding shortfalls that must be addressed to ensure the continuation of operations and from an unanticipated need.
- Reserve designation procedures that prevent duplicate reserve designations for the same purpose. Reserves are not set aside for a specific purposes (e.g., academic initiative, faculty salaries) or for a routine use (e.g., annual debt service payments).
- Reserves are maintained to mitigate the risks such as:
  - Unexpected declines or fluctuations in enrollment resulting in a reduction in tuition, fee, or auxiliary revenue.
  - Significant declines or termination of federal or other external funding.
  - Emergencies or other unforeseen circumstances.

### DISCRETIONARY

Balances which are not yet obligated or planned and for which there are no funding source requirements.

- Chancellors or institutional discretionary funds, which are available to take advantage of strategic opportunities that emerge during the year, that have not yet been documented as planned or obligated.

### DESIGNATED

Year-end balances held for purposes related to the original funding source, but for which there is not a specific obligation or plan. Institutions may use designated balances for other purposes only if the use complies with funding source requirements.

- Funds are the result of specifically authorized fees which may only be spent to support certain programs.
- Funds belonging to certain self-supporting operations such as student activity fees.

Earlier this year each institution through the Chief Business Officer was asked to apply the level of commitment definitions to each renewal and replacement account. The result is the attached report compiled by each institution allocating each account balance according to the definitions.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

It is important to note that this work began toward the end of the fiscal year and the institutions did not have the benefit of the definitions throughout the entire fiscal year. This initial review for fiscal year 2017-18 is each institutions first attempt at utilizing the definition categories.

Throughout fiscal year 2018-19 the Chief Financial Officer and staff will work with each institutions' Chief Business Officer and staff to review the appropriate use of these categories. The Chief Audit and Compliance Officer will provide critical analysis by sampling the institution's documentation supporting the categorization of the level of commitment. The fiscal year 2019 report will be in full compliance.

This report combined with other financial reports will provide transparency and clarity about the use of university resources to stakeholders such as the University community, public officials, and taxpayers.

**Summary**

For fiscal year 2018 institutions reported the following levels of commitment for the renewal and replacement fund.

All institutions combined:

Obligated	20.3%
Planned	42.7%
Reserved	26.8%
Discretionary	<u>10.2%</u>
	100%

Designated accounts are included in the totals above. The amount held as a reserve is well within the range of 13% to 40% established by the Composite Financial Index and the National Association of College and University Business Officers which provides guidance to higher education nationally.

In FY 2017 total renewal and replacement funds were 25.5% of total expenditures.  
In FY 2018 total renewal and replacement funds were 22.4% of total expenditures.

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

Summary of All Units

UNIVERSITY OF TENNESSEE

Educational and General Funds  
Level of Commitment

Campus / Institute	Obligated	Planned	Reserved	Discretionary	Total
UT Chattanooga	21,561,701.07	5,185,068.51	2,448,667.75	17,628,856.08	46,824,293.41
UT Knoxville & Tullahoma	60,349,924.33	168,079,384.19	93,906,759.39	33,076,569.62	355,412,637.53
UT Martin	494,825.86	6,248,897.90	13,739,759.11	633,539.47	21,117,022.34
UT Health Science Center	3,048,156.00	1,684,121.78	4,312,341.40	1,287,273.79	10,331,892.97
Institute of Agriculture	16,099,255.85	12,792,073.91	10,761,628.93		39,652,958.69
Institute for Public Service		6,090,766.38			6,090,766.38
UT System Administration	3,160,000.00	19,730,134.42	12,734,981.00		35,625,115.42
<b>TOTAL</b>	<b>\$ 104,713,863.11</b>	<b>\$ 219,810,447.09</b>	<b>\$ 137,904,137.58</b>	<b>\$ 52,626,238.96</b>	<b>\$ 515,054,686.74</b>
	20.3%	42.7%	26.8%	10.2%	100.0%

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

UT CHATTANOOGA

Educational and General Funds

Level of Commitment

Fund	Description	Obligated	Planned	Reserved	Discretionary	Year End Balance
K040005007	Electronic Equipment Replacement (Institutional)	12,353,508.93	2,933,199.00	2,448,667.75	(1,777,559.63)	15,957,816.05
K040005005	Motor Vehicle Replacement	-	-	-	165,099.27	165,099.27
K040005006	Storm Water Reserve	250,000.00	-	-	-	250,000.00
K040005012	Banner Student Information	-	-	-	874,001.32	874,001.32
K040005013	Arena Tech Improvements	-	401,205.64	-	(60,238.71)	340,966.93
K040005017	SIM Center	-	-	-	1,544,789.87	1,544,789.87
K040005025	Maclellan Gym Improvement Fund	-	-	-	-	-
K040005028	University Center	-	-	-	-	-
K040005029	Campus Recreation	-	-	-	-	-
K040005033	Learning & Leadership PhD Program	-	-	-	441,722.73	441,722.73
Fund	Designated Accounts	Obligated	Planned	Reserved	Discretionary	Year End Balance
K040005008	Student Activity Fee	-	-	-	408,834.43	408,834.43
K040005010	Facility Fee	2,559,044.88	485,000.00	-	796,044.11	3,840,088.99
K040005015	Health Fee Student Development	-	-	-	76,128.04	76,128.04
K040005035	Health Fee Academic Affairs	-	-	-	226,486.48	226,486.48
K040005016	Green Fee	-	-	-	877,705.97	877,705.97
K040005018	Library Fee	-	-	-	720,806.01	720,806.01
K040005019	Facilities Landscaping	-	-	-	187,785.97	187,785.97
K040005020	Athletic Fee	-	-	-	-	-
K040005021	Facility Match Fee	-	-	-	1,632,219.24	1,632,219.24
K040005022	Business Differential	2,353,712.50	-	-	(334,672.12)	2,019,040.38
K040005023	Engineering Differential	-	-	-	1.30	1.30
K040005024	Nursing Differential	-	-	-	105,181.30	105,181.30
K040005037	PT Differential	-	-	-	80,365.99	80,365.99
K040005038	OT Differential	-	-	-	64,916.59	64,916.59
K040005026	Online Access Fee	2,145,434.76	145,230.00	-	2,516,162.49	4,806,827.25
K040005027	Mosaic Program Fee	-	-	-	109,370.67	109,370.67
K040005030	Student Activity Fee Option 2	-	-	-	52,654.27	52,654.27
K040005031	Student Activity Fee SGA	-	-	-	89,965.21	89,965.21
K040005032	Transportation Fee	-	-	-	-	-
K040005034	Technology Fee R&R	100,000.00	200,000.00	-	202,805.57	502,805.57
K040005036	International Education Fee R&R	-	-	-	-	-
<b>E&amp;G TOTALS</b>		<b>19,761,701.07</b>	<b>4,164,634.64</b>	<b>2,448,667.75</b>	<b>9,000,576.37</b>	<b>35,375,579.83</b>
		55.9%	11.8%	6.9%	25.4%	100.0%

UT CHATTANOOGA		Auxiliary Funds Level of Commitment				
Fund	Fund Name	Obligated	Planned	Reserved	Discretionary	Year End Balance
K040005001	Residence Halls	-	-	-	4,727,068.06	4,727,068.06
K040005003	Parking	-	-	-	470,059.47	470,059.47
K040005009	Auxiliaries	1,800,000.00	1,020,433.87	-	3,431,152.18	6,251,586.05
	<b>AUXILIARY TOTALS</b>	<b>1,800,000.00</b>	<b>1,020,433.87</b>	<b>-</b>	<b>8,628,279.71</b>	<b>11,448,713.58</b>
		15.7%	8.9%	0.0%	75.4%	100.0%
<b>GRAND TOTALS</b>		<b>21,561,701.07</b>	<b>5,185,068.51</b>	<b>2,448,667.75</b>	<b>17,628,856.08</b>	<b>46,824,293.41</b>
		46.0%	11.1%	5.2%	37.6%	100.0%

**KNOXVILLE / TULLAHOMA**

**Educational and General Funds  
Level of Commitment**

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K010005016	Faculty Start Up		6,939,980.00	5,111,865.66		12,051,845.66
K010005017	Computer Refresh R&R		3,613,798.30			3,613,798.30
K010005018	Campus Network			3,020,221.00		3,020,221.00
K010005019	Neutron Science				509,810.41	509,810.41
K010005022	Buildings and Renovations	3,000,000.00	16,250,000.00	15,000,000.00	5,488,866.36	39,738,866.36
K010005029	Deferred Maintenance	4,094,500.00	15,770,000.00	10,015,774.61		29,880,274.61
K010005024	Student Info System				500,000.00	500,000.00
K010005025	Joint Institute Renovations				2,500,000.00	2,500,000.00
K010005036	R&R - General Reserve	8,347,177.00	78,823,504.00		16,647,541.32	103,818,222.32
K010005040	JICS R&R Capital Maintenance	568,403.83				568,403.83
K010005041	JIBS R&R Capital Maintenance	595,000.00				595,000.00
K010005042	JHIR R&R Capital Maintenance	133,574.00				133,574.00
K010005049	IT Computing Equipment		763,938.00			763,938.00
K010005054	Glazer Cap Maint - R&R			157,933.96		157,933.96
K010005057	JINS R&R Capital Maintenance	454,580.00				454,580.00
K010005074	R&R - Rainy Day			30,000,000.00		30,000,000.00
K020005002	Copy Machines			554,096.00		554,096.00
K020005003	Aircraft Maintenance and Repair			360,619.79		360,619.79
K020005004	Computer Equipment			4,551,167.73		4,551,167.73
K020005005	Machine Shop			246,119.00		246,119.00

DESIGNATED ACCOUNTS		Obligated	Planned	Reserved	Discretionary	Total
K010005058	Diversity Initiatives				1,600,361.90	1,600,361.90
K010005006	Convenience Copier			1,100,000.00	3,302,323.25	4,402,323.25
K010005009	CARE/IT Stats Service			66,295.13		66,295.13
K010005010	Vol Print Project			101,384.19		101,384.19
K010005013	Program & Services		6,466,881.18	10,000,000.00		16,466,881.18
K010005014	Technology Fee		3,800,000.00	30,592.35		3,830,592.35
K010005020	UT Conferences		500,000.00	1,538,836.01		2,038,836.01
K010005021	Facilities Fee	18,750,000.00	5,105,193.31			23,855,193.31
K010005033	Social Work R&R			471,841.19		471,841.19
K010005037	Video/Photo Services			561,073.18		561,073.18
K010005043	Undergr Int'l Ed Fee		66,762.75			66,762.75
K010005044	CIE Programs Abroad - R&R			483,401.23		483,401.23
K010005045	Graphic Arts Equipment R&R		1,250,000.00		2,527,666.38	3,777,666.38

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K010005046	Warehousing Operations R&R			318,984.67		318,984.67
K010005047	Mail Services R&R		275,000.00	619,473.63		894,473.63
K010005048	English Language Institute - R&R			639,383.51		639,383.51
K010005050	Information Technology	5,654,561.00	3,231,260.39			8,885,821.39
K010005051	TN Statewide Vanpool Program		250,000.00	2,539,478.16		2,789,478.16
K010005055	Fac & Admin (Indirect Costs)		3,963,217.00	5,781,718.70		9,744,935.70
K010005059	Biology Equipment		1,008.86			1,008.86
K010005062	RC: JIAM Microscopy			101,851.55		101,851.55
K010005064	Fleet Management R&R	2,571,117.32				2,571,117.32
K010005065	RC: IBML Lab R&R			89,350.58		89,350.58
K010005066	RC: Genomics Core R&R			53,483.37		53,483.37
K010005067	RC: GPSC R&R			16,275.66		16,275.66
K010005068	Transportation Fee			312,516.55		312,516.55
K010005069	RC: FabLab Center			3,097.37		3,097.37
K010005070	RC: JIAM Electro-magnetic Properties Lab			7,807.28		7,807.28
K010005072	RC: JIAM Diffraction R&R			3,806.64		3,806.64
<b>TOTAL</b>		<b>\$ 44,168,913.15</b>	<b>\$ 147,070,543.79</b>	<b>\$ 93,858,448.70</b>	<b>\$ 33,076,569.62</b>	<b>\$ 318,174,475.26</b>
		<b>13.9%</b>	<b>46.2%</b>	<b>29.5%</b>	<b>10.4%</b>	<b>100.0%</b>

**Auxiliary Funds  
Level of Commitment**

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K010005001	Residence Hall Maintenance & Equipment	700,000.00	19,164,142.00	48,310.69		19,912,452.69
K010005002	Food Service Maintenance & Equipment	5,000,000.00	1,301,359.71			6,301,359.71
K010005003	Parking Authority Maintenance & Equipment	1,954,768.19				1,954,768.19
K010005004	Bookstore Maintenance & Equipment	435,403.44				435,403.44
K010005038	Athletics Equipment and Renovations	1,460,000.00	543,338.69			2,003,338.69
K010005061	Golf Facility Renewal and Replacement	1,630,839.55				1,630,839.55
K010005071	Neyland Stadium Renovations	5,000,000.00				5,000,000.00
<b>TOTAL</b>		<b>\$ 16,181,011.18</b>	<b>\$ 21,008,840.40</b>	<b>\$ 48,310.69</b>	<b>\$ -</b>	<b>\$ 37,238,162.27</b>
		<b>43.5%</b>	<b>56.4%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>TULLAHOMA</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,712,002.52</b>	<b>\$ -</b>	<b>\$ 5,712,002.52</b>
<b>KNOXVILLE</b>		<b>60,349,924.33</b>	<b>168,079,384.19</b>	<b>88,194,756.87</b>	<b>33,076,569.62</b>	<b>349,700,635.01</b>
<b>GRAND TOTAL</b>		<b>\$ 60,349,924.33</b>	<b>\$ 168,079,384.19</b>	<b>\$ 93,906,759.39</b>	<b>\$ 33,076,569.62</b>	<b>\$ 355,412,637.53</b>

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

THE UNIVERSITY OF TENNESSEE AT MARTIN

Educational and General Funds

Level of Commitment

Account #	Fund Description	Obligated	Planned	Reserved	Discretionary	Total Balance
K050005015	Equipment R&R	140,000.00	1,500,000.00	8,423,577.88	500,000.00	10,563,577.88
K050005023	Generator Maintenance R&R		250,000.00			250,000.00
<b>Designated Accounts</b>						
K050005005	Convenience Copy - UTM Equipment		107,045.18			107,045.18
K050005007	Printing & Duplicating Equipment		15,446.83			15,446.83
K050005011	Ag Pavillion R&R				93.37	93.37
K050005012	Surplus Sales		179,790.16			179,790.16
K050005013	Tent R&R				635.00	635.00
K050005016	Parsons R&R			362,974.05		362,974.05
K050005017	International Program R&R		32,067.77			32,067.77
K050005019	Travel-Study Program			96,314.35		96,314.35
K050005020	Ripley R&R			2,523,410.99	132,811.10	2,656,222.09
K050005021	Campus Improvements	214,825.86				214,825.86
K050005024	Student Recreation Center Equipment		225,937.72			225,937.72
<b>TOTALS - E&amp;G</b>						
		<b>354,825.86</b>	<b>2,310,287.66</b>	<b>11,406,277.27</b>	<b>633,539.47</b>	<b>14,704,930.26</b>
		<b>2.4%</b>	<b>15.7%</b>	<b>77.6%</b>	<b>4.3%</b>	<b>100.0%</b>

Auxiliary Funds

THE UNIVERSITY OF TENNESSEE AT MARTIN

Level of Commitment

	Fund Description	Obligated	Planned	Reserved	Discretionary	Total Balance
<b>Designated</b>						
K050005001	Residence Hall Maintenance & Equipment		2,280,648.79	1,000,000.00		3,280,648.79
K050005002	Food Service Maintenance & Equipment		615,000.00	305,655.94		920,655.94
K050005003	Parking Authority Maintenance & Equipment	140,000.00	150,000.00	133,856.46		423,856.46
K050005004	Bookstore Maintenance & Equipment		285,000.00	550,335.44		835,335.44
K050005006	Telecommunications R&R		307,961.45			307,961.45
K050005009	Transportation Services R&R		300,000.00	343,634.00		643,634.00
K050005014	Computer Store R&R					-
<b>TOTALS - AUXILIARY</b>		<b>140,000.00</b>	<b>3,938,610.24</b>	<b>2,333,481.84</b>	<b>-</b>	<b>6,412,092.08</b>
		<b>2.2%</b>	<b>61.4%</b>	<b>36.4%</b>		<b>100.0%</b>
<b>GRAND TOTALS</b>		<b>494,825.86</b>	<b>6,248,897.90</b>	<b>13,739,759.11</b>	<b>633,539.47</b>	<b>21,117,022.34</b>
		<b>2.3%</b>	<b>29.6%</b>	<b>65.1%</b>	<b>3.0%</b>	<b>100.0%</b>

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

**UT HEALTH SCIENCE CENTER**

**Educational and General Funds**

**Level of Commitment**

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K070005010	R&R Capital Project Reserve			69,983.28		69,983.28
K070005011	R&R Research Equipment				674,449.18	674,449.18
K070005015	R&R Knox Campus	3,048,156.00	-	-		3,048,156.00
K070005016	R&R Chat Campus				6,431.33	6,431.33
K070005018	R&R West TN FPJ Renovations			44,477.27	-	44,477.27
K070005019	R&R West TN FPM			-	606,393.28	606,393.28
K070005023	R&R NYU AEGD			1,942,836.15	-	1,942,836.15
K070005025	R&R Pediatric Dental Clinic			364,405.35		364,405.35
K070005028	R&R OMP Laboratory			248,458.82		248,458.82
K070005029	R&R Oral Surgery Clinic			1,211,058.27		1,211,058.27
K070005030	R&R Pre-Doctoral Clinic			379,866.00		379,866.00
K070005032	R&R UTHSC Debt Service		92,822.03		-	92,822.03
K070005033	R&R UTHSC SIM Center Equipment Fee		1,591,299.75		-	1,591,299.75
<b>TOTAL</b>		<b>\$ 3,048,156.00</b>	<b>\$ 1,684,121.78</b>	<b>\$ 4,261,085.14</b>	<b>\$ 1,287,273.79</b>	<b>\$ 10,280,636.71</b>
		<b>29.6%</b>	<b>16.4%</b>	<b>41.4%</b>	<b>12.5%</b>	<b>100.0%</b>

**Auxiliary Funds**

**Level of Commitment**

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K070005001	Residence Hall Maintenance & Equipment			51,256.26		51,256.26
	<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,256.26</b>	<b>\$ -</b>	<b>\$ 51,256.26</b>
		<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>
	<b>UTHSC</b>	<b>3,048,156.00</b>	<b>1,684,121.78</b>	<b>4,312,341.40</b>	<b>1,287,273.79</b>	<b>10,331,892.97</b>
	<b>GRAND TOTAL</b>	<b>\$ 3,048,156.00</b>	<b>\$ 1,684,121.78</b>	<b>\$ 4,312,341.40</b>	<b>\$ 1,287,273.79</b>	<b>\$ 10,331,892.97</b>
		<b>29.5%</b>	<b>16.3%</b>	<b>41.7%</b>	<b>12.5%</b>	<b>100.0%</b>

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

Institute of Agriculture

Educational and General Funds

Fund	Level of Commitment				Total
	Obligated	Planned	Reserved	Discretionary	
K110005001 - CONV COPY-AGR EQUIP REPLACE FD		\$ 28.77			\$ 28.77
K110005002 - AG EXP MNT AND EQUIP REPL FD			\$ 338,320.92		\$ 338,320.92
K110005003 - BRANCH STATIONS RENOV & MAINT		\$ 688,484.27			\$ 688,484.27
K110005004 - Department Maint & Equip Replace Fund		\$ 2,110,801.44			\$ 2,110,801.44
K110005005 - Faculty Startup Equipment Fund	\$ 2,178,523.73				\$ 2,178,523.73
K110005006 - F&A Maint & Equip Replacement Fund		\$ 2,182,028.08			\$ 2,182,028.08
K110005007 - Recharge Center Maint & Equip R&R	\$ 1,070,245.12				\$ 1,070,245.12
K110005008 - Equipment & Internal Grant Fund		\$ 253,880.26			\$ 253,880.26
K120005002 - AG EXT MNT & EQUIP REPL		\$ 2,500,000.00			\$ 2,500,000.00
K120005003 - 4-H CAMP RENOVATIONS			\$ 8,473,784.01		\$ 8,473,784.01
K180005001 - VET MED EQUIP REPLACEMENT FUND	\$ 12,850,487.00	\$ 2,405,710.00	\$ 1,949,524.00		\$ 17,205,721.00
<b>DESIGNATED ACCOUNTS</b>					
K120005006 - Ridley 4-H Maintenance & Renovation		\$ 1,332,634.56			\$ 1,332,634.56
K120005007 - York 4-H Maintenance & Renovation		\$ 618,413.03			\$ 618,413.03
K120005008 - Austin 4-H Maintenance & Renovation		\$ 700,093.50			\$ 700,093.50
TOTAL	\$ 16,099,255.85	\$ 12,792,073.91	\$ 10,761,628.93		\$ 39,652,958.69
PERCENTAGE	40.6%	32.3%	27.1%		100.0%

Auxiliary Funds

Fund	Level of Commitment			
	Obligated	Planned	Reserved	Discretionary
Not Applicable				

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

INSTITUTE FOR PUBLIC SERVICE

Educational and General Funds

Level of Commitment

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K130005001	IPS - Maintenance & Equipment		406,618.86			406,618.86
K130005004	IPS - Strategic Initiatives		2,600,000.00			2,600,000.00
K140005001	MTAS - Maintenance & Equipment		316,899.26			316,899.26
K140005002	MTAS - Strategic Initiatives		1,125,000.00			1,125,000.00
K150005001	CTAS - Maintenance & Equipment		242,248.26			242,248.26
K150005002	CTAS - Strategic Initiatives		1,400,000.00			1,400,000.00
	<b>TOTALS</b>		<b>6,090,766.38</b>			<b>6,090,766.38</b>

100%

100%

Fiscal Year 2017-18 Renewal and Replacement Fund Balance Report

SYSTEM ADMINISTRATION		Educational and General Funds Level of Commitment				
Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K170005006	Aircraft Replacement/Maintenance		3,000,000.00			3,000,000.00
K170005007	Building Replacement	3,160,000.00	6,840,000.00			10,000,000.00
K170005009	Office Equipment & Renovation		2,000,000.05			2,000,000.05
K170005010	IRIS (servers/software)		4,248,982.82			4,248,982.82
K170005012	ANDI (servers/software)		141,151.55			141,151.55
K170005025	Interest Fluctuation			12,734,981.00		12,734,981.00
K170005027	Battelle/Rsch Initiatives		500,000.00			500,000.00
K170005028	Battelle/ORNL Rebid		3,000,000.00			3,000,000.00
<b>TOTAL</b>		<b>\$ 3,160,000.00</b>	<b>\$ 19,730,134.42</b>	<b>\$ 12,734,981.00</b>	<b>\$ -</b>	<b>\$ 35,625,115.42</b>
		<b>8.9%</b>	<b>55.4%</b>	<b>35.7%</b>	<b>0.0%</b>	<b>100.0%</b>



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **New Policy on Expenditure of Year-End Carry Forward Unrestricted Funds**

Type: Action

Presenter(s): David L. Miller, Chief Financial Officer

The Resolution of the Board of Trustees approving the 2018-19 annual operating budget in June 2018 included the following language.

The Chief Financial Officer (CFO) is directed to develop and submit to the Board of Trustees at the fall 2018 meeting a proposed Board policy to govern the approval of expenditures from year-end carry forward unrestricted funds.

The proposed new policy is included in the meeting materials and would take effect on December 1, 2018. The background leading to the proposed policy is explained below.

### BACKGROUND

As more fully described in the Finance and Administration Committee agenda item on *Fiscal Year 2018 Report on Year-end Fund Balances*, at the end of each fiscal year, some University unrestricted revenue is carried forward into the next fiscal year for a variety of purposes. All money is included and reported in the audited annual financial statements in the annual Treasurer’s report.

Beginning with the November 2, 2018 meeting, and annually thereafter at each fall meeting, the CFO will present a report on the amount and purpose of all unrestricted carry forward funds. The report will include a designation of the level of commitment of all Renewal and Replacement funds.

The Renewal and Replacement funds at each institution have many separately numbered accounts. The number of accounts range from six (6) at the Institute of Public Service to fifty-two (52) at UT Knoxville. The primary concern expressed by the Board in directing the creation of the policy was the potential to move monies among various accounts or expenditures for purposes other than those for which the funds are accrued.

[continued on next page]



## THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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Under existing Board of Trustees policies and University fiscal policies, the CFO is responsible for system-wide financial management. Examples include requiring the CFO to approve and sign contracts over \$100,000, unless expressly delegated, and the settlement of claims and litigation.

The President and the Chief Financial Officer recommend the new Board policy to govern the expenditure of unrestricted carry forward funds.

**Motion:** I move that the Finance and Administration Committee recommend Board approval of the new Policy on Expenditure of Year-End Carry Forward Unrestricted Funds, to be effective December 1, 2018, by adoption of the Resolution presented in the meeting materials.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
New Policy on Expenditure of Year-End Carry Forward Unrestricted Funds

Resolved: The Board of Trustees approves the Policy on Expenditure of Year-End Carry Forward Unrestricted Funds as presented in the meeting materials, which shall be attached to this Resolution after adoption, effective December 1, 2018.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.

**BOARD OF TRUSTEES  
POLICY ON EXPENDITURE OF YEAR-END  
CARRY FORWARD UNRESTRICTED FUNDS**

**SECTION 1. PURPOSE**

The purpose of the policy is to provide for governance and oversight of the use of unrestricted funds carried forward from year-to-year in Renewal and Replacement accounts by each institution of the University.

**SECTION 2. RESPONSIBILITY**

UT System Office of Finance is responsible for accurately reporting fiscal year-end closing figures for each institution. It is each institution’s responsibility for accurately accounting for allocating fiscal year-end Renewal and Replacement funds into the appropriate designated accounts within the centralized financial reporting system (IRIS).

**SECTION 3. PROCEDURES**

Each institution must obtain approval from the University’s Chief Financial Officer before executing the following transactions:

- A. Transferring Renewal and Replacement monies from one account to another which thereby changes the purpose for which the monies were accrued; or
- B. Making a transfer from a Renewal and Replacement account to fund expenditures other than those for which the monies in the account were accrued; or
- C. Making a single transfer out of any Renewal and Replacement account greater than \$1,000,000.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Revised Policy on Approval of Student Fees to Include Factors to be Considered when Developing Recommendations to Increase Tuition and Mandatory Fees**

Type: Action

Presenter(s): David L. Miller, Chief Financial Officer

Public Chapter 614, the Tuition Transparency and Accountability Act, was enacted during the 2018 session of the General Assembly and is now codified at Tennessee Code Annotated §§ 49-7-1601--1605. One of the requirements of new law is that each university governing board develop a list of factors that will be considered when developing recommendations to increase tuition and mandatory fees. The list of factors must be developed by January 1, 2019 and must include, at a minimum, the following: level of state support; total cost of attendance; and efforts to mitigate the financial effect on students.

The Chief Financial Officer has worked with the campus chief business officers to develop the following list of factors to be considered when developing recommendations to increase tuition and mandatory fees:

- a. Tennessee Higher Education Commission (THEC) binding tuition and mandatory fee increase ranges;
- b. Level of state support;
- c. Total cost of attendance;
- d. Efforts to mitigate the financial effect on students; and
- e. Other factors deemed appropriate by University administration such as student demand; campus enrollment goals; market factors; and cost factors related to general campus operations, programs of study, or individual courses.

The Chief Financial Officer proposes that the Board Policy on Approval of Student Fees be revised to include these factors in a new section 3 as shown in the marked-up version of the policy in the meeting materials. Needed technical revisions are also shown.

[continued on next page]



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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The President concurs in the Chief Financial Officer's recommendation of the proposed policy revisions for approval by the Board of Trustees.

**Motion:** I move that the Finance and Administration Committee recommend that the Board of Trustees approve the Revised Policy on Approval of Student Fees by adoption of the Resolution presented in the meeting materials.



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*

Revised Policy on Approval of Student Fees to Include Factors to be  
Considered when Developing Recommendations to Increase Tuition and Mandatory Fees

Resolved: The Board of Trustees approves the Revised Policy on Approval of Student Fees as presented in the meeting materials, which shall be attached to this Resolution after adoption.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.

**BOARD OF TRUSTEES  
POLICY ON APPROVAL OF STUDENT FEES**

**1. OBJECTIVE**

To provide for the consistent administration of student fees and charges.

**2. INTRODUCTION**

- a. This policy applies to student fees, fines, room and board, and other charges students may incur while attending or applying for admission to a University of Tennessee campus. The policy identifies the highest level of approval needed to enact a new fee or to change an existing fee.
- b. Fee waiver and fee discount programs established by state statute provide reduced fees for specific groups of students. The University shall implement these programs in accordance with state laws, rules, and regulations. The Board of Trustees must approve any student fee discount other than one established by statute.
- c. The University recognizes that adjustments to original charges may be appropriate based on dropping a course or a student’s withdrawal from the University. Campuses have the authority to establish refund procedures for this purpose.
- d. Students with outstanding debts are not permitted to register for subsequent terms until all outstanding debts are paid or arrangements have been made with the University to pay the debt.

**3. FACTORS TO BE CONSIDERED WHEN DEVELOPING RECOMMENDATIONS TO INCREASE TUITION AND MANDATORY FEES**

The following factors shall be considered when developing recommendations to increase tuition and mandatory fees:

- a. Tennessee Higher Education Commission (THEC) binding tuition and mandatory fee increases ranges;
- b. Level of state support;
- c. Total cost of attendance;

- d. Efforts to mitigate the financial effect on students; and
- e. Other factors deemed appropriate by University administration such as student demand; campus enrollment goals; market factors; and cost factors related to general campus operations, programs of study, or individual courses.

### 3.4. STUDENT COURSE-RELATED FEES

Student Course-Related Fees represent the University's core charges for instructional offerings. The following Student Course-Related Fees are approved by the Board of Trustees:

- a. Maintenance Fees  
A Maintenance Fee is assessed to students enrolled in credit courses, including courses in which the student is enrolled only on an audit basis. A Maintenance Fee is established for undergraduate students, and a separate Maintenance Fee is established for graduate students. All students, both in-state and out-of-state, are assessed the established Maintenance Fee.
- b. Out-of-State Tuition  
Out-of-State Tuition is an additional fee assessed to undergraduate and graduate students who are classified as non-residents of the State of Tennessee for fee assessment purposes and who are enrolled in credit courses, including courses in which the student is enrolled only on an audit basis.
- c. Differential Tuition  
Differential Tuition is a per-credit-hour fee assessed for a specific course or group of courses as dictated by increasing demand for educational excellence in specific areas. Examples include specific Business, Engineering, and Nursing courses. Differential Tuition proposals and requests should be prepared and submitted according to the same schedule as other fee requests each year. Once approved, future percentage increases in Maintenance Fees automatically apply to the Differential Tuition for these specific courses. Increases to Differential Tuition exceeding the percentage increases proposed for Maintenance Fees must be approved by the Board of Trustees.
- d. Professional Program Fees  
Professional Program Fees apply to specialized programs that prepare students for professional careers. These fees include both the Maintenance

Fee and Out-of-State Tuition components as applicable. Examples include Executive and Professional MBA Program fees and the fees assessed to students in the College of Law; the College of Veterinary Medicine; and the Health Science Center Colleges of Medicine, Health Professions, Dentistry, Nursing, Pharmacy, and Graduate Health Sciences.

- e. Online and Distance Education Course Fees  
 Online and distance education courses are provided for undergraduate and graduate students. Each of these modes of delivery may have different Maintenance Fee and Out-of-State Tuition rates and additional fees. The additional fees are generally assessed based on the location of the course/program and delivery mode and are currently called Online Support Fee, Distance Education Fee and Access Fee.

#### 4.5. DEDICATED STUDENT FEES

The following Dedicated Student Fees are mandatory student fees that fund specific activities of the University. Dedicated student fees are approved by the Board of Trustees:

- a. Student Programs and Services Fee  
 The Student Programs and Services Fees are dedicated to supporting student-related services, including, but not limited to, student activities, student health clinics, debt service for designated buildings, and student government association activities. Student input on the use of fee revenues is desired, but it is not necessary to have a student referendum or other vote to effect a fee request. Campuses are authorized to assess, use, and allocate a student activity fee only in accordance with the Board of Trustees Policy on a Student Programs and Services Fee, which is published at <https://universitytennessee.policytech.com/dotNet/documents/?docid=406>.
- b. Other Dedicated Student Fees  
 Other Dedicated Student Fees include, but are not limited to, the following fees: Athletic Fees, Technology Fees, Facilities Fees, Transportation Fees, Library Fees, Study Abroad Fees and Yearbook Fees.

Revenues from these fees provide additional resources and services to the students as designated by the assessed fee. Student input on the use of fee revenues is desired, but it is not necessary to have a student referendum or other vote to effect a fee request.

#### **5.6. SPECIAL COURSE FEES**

Special Course Fees are approved by the President, or his/her designee, each year. These fees cover additional instructional costs not covered by the Maintenance and Out-of-State Tuition. Examples include fees charged for labs, music lessons, field trips, international travel, and program materials and equipment.

#### **6.7. APPLICATION FEES**

Undergraduate and graduate Application Fees are approved by the President, or his/her designee. An application fee, which is non-refundable, must be submitted with the first-time admissions application before an individual will be permitted to become a University of Tennessee student or attend classes. This fee is not required for undergraduate program transfers within the University. Campuses may assess a re-admissions fee.

#### **7.8. ROOM AND BOARD**

Room and Board rates are established at the campus level and approved by the Board of Trustees.

- a. Student Housing  
Institutional residential facilities are available to students, which include rooms and apartments.
- b. Meal Plans  
Students may choose from a variety of meal plans, or dining options, at the beginning of each semester.

#### **8.9. OTHER STUDENT FEES**

Other Student Fees are approved by the campus or institute chief executive officer. Other Student Fees include fees and charges based on a student's specific needs or individual program requirements.

- a. Housing Deposits  
In addition to signing a housing contract, students must pay a housing deposit before a residence hall assignment will be made.
- b. Room Damages  
Residents are responsible for the condition and care of the accommodations to which they are assigned and shall reimburse the University for damages

to their room. Charges for damages and cleaning will be assessed to the student.

- c. Non-credit Fees  
Fees are established for various non-credit courses and programs based on the delivery cost of the course or program.
- d. Contractual Course Fees  
The University may enter into contractual agreements with customers for the delivery of credit courses and programs. Prior to offering a contractual course, the department shall consult with the chief business officer or his/her designee to review the financial feasibility of offering the course.
- e. Returned Check Fees  
Each returned check is subject to a University administrative fee. In addition to the returned check administrative fee, late payment fees may be assessed as of the date the check is redeemed. Returned check fees cannot exceed the maximum amount established in accordance with the applicable state statute.
- f. Miscellaneous Student Fees  
Miscellaneous Student Fees include, but are not limited to, late registration fees, add/drop fees, late exam fees, special exam fees, ID replacement, orientation fees, diploma fee, parking fees, motor vehicle registration, student insurance, housing application fee, collection fees, payment processing fees, and program deposits or seat fees for programs such as Law, Nursing, Social Work, and Architecture at UT Knoxville and Physical Therapy and Occupational Therapy at UT Chattanooga.

#### 9.10. FINES

Fines include traffic fines, parking fines, parking fine late fees and library fines. Fines must be promulgated as “rules” under the Tennessee Uniform Administrative Procedures Act and require approval by the Board of Trustees. Rules of the University of Tennessee are published in Chapter 1720 of the *Tennessee Rules and Regulations*.

#### 10.11. REFUNDS

The campus or institute chief executive officer shall develop appropriate refund procedures and publish these procedures in catalogs or online. The procedures shall include, at a minimum, the following provisions:

- a. A percentage of Maintenance Fees, Out-of-State Tuition, Differential Tuition, and any Mandatory Dedicated Fees will be charged unless the student officially drops courses or withdraws from the University by the deadline set by the campus or institute. The drop/add procedure cannot be used to withdraw for a semester, and withdrawal does not cancel fees or charges already incurred.
- b. Refunds and repayments to the Title IV programs (Return to Title IV Aid) shall be determined according to the formula published in the current "Federal Student Financial Aid Handbook," located in the Financial Aid office of each campus and institute, which is responsible for calculating the amount of the refund and/or repayment and for distributing the correct amount back to the financial aid program(s) according to the Refund/Repayment Allocation Policy.
- c. University of Tennessee campuses and institutes shall follow the applicable federal policy and procedures for calculating refunds and repayments for financial aid. For this purpose, refunds are defined as the portion of the Maintenance Fee, Differential Tuition, and/or Out-of-State Tuition and University housing/meal charges due when a student withdraws or drops a portion of class hours. Once a refund is determined to be appropriate, any amount will be applied toward other outstanding fees owed to the University at the time the refund is issued.

#### 11.12. REPORTING CAMPUS-APPROVED AND CAMPUS-SPECIFIC FEES

The campus or institute chief executive officer shall file with the President a report of campus-approved fees for each coming academic year. The report shall contain all campus-approved fees except the charges for non-credit courses and contractual courses. The report shall also include all campus-specific fees requiring approval by the Board of Trustees. The report will be presented to the Board of Trustees for information at the annual meeting each year.

#### 12.13. ADMINISTRATIVE ADJUSTMENTS

The President, or his/her designee, may make administrative adjustments to this policy if necessary to comply with statutory or regulatory requirements, to ensure the policy is carried out with the Board of Trustees' direction, and to ensure the policy is consistent with other University policies.

History:

Adopted	3/6/2007
Revised	2/26/2015; 6/22/2018 (effective 7/01/2018); <u>11/02/2018</u>

[See the Appendix on the following page for an Approval Matrix.]

## APPENDIX

## POLICY ON APPROVAL OF STUDENT FEES

APPROVAL MATRIX

FEE	Board	System	Campus
<b>34. STUDENT COURSE FEES</b>			
a: Maintenance Fee	X	X	X
b: Out-of-State Tuition	X	X	X
c: Differential Tuition	X	X	X
d: Professional Program Fees	X	X	X
e: Online and Distance Education Courses	X	X	X
<b>45. DEDICATED STUDENT FEES</b>			
a: Programs and Services Fees	X	X	X
b: Other Dedicated Student Fees	X	X	X
<b>56. SPECIAL COURSE FEES</b>		X	X
<b>67. APPLICATION FEES</b>		X	X
<b>78. ROOM AND BOARD</b>			
a: Student Housing	X		X
b: Housing Deposits			X
c: Room Damages			X
d: Meal Plans	X		X
<b>89. OTHER STUDENT FEES</b>			
a: Non-credit Fees			X
b: Contractual Course Fees			X
c: Returned Check Fees			X
d: Miscellaneous Student Fees			X
<b>910. FINES</b>	X	X	X
<b>1011. REFUNDS</b>			X
<b>1113. ADMINISTRATIVE ADJUSTMENTS</b>		X	



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Revised Investment Policies and Procedures**

Type: Action

Presenter(s): David L. Miller, Chief Financial Officer

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The Board policy on Investment Policies and Procedures establishes procedures for management and governance of the University's endowment and investments. The policy delegates primary administration of the endowment to the Finance and Administration Committee. In the past, the Committee, with Board approval, delegated administration of the investment program to the University Treasurer with support from an advisory group. Day-to-day investment authority was also delegated to the Treasurer, who is charged with oversight of investment managers, security settlements, and security safekeeping.

Revisions to the Investment Policies and Procedures are proposed to change the membership of the advisory group, clarify roles and responsibilities of members, and streamline the group. The proposed revisions are described below:

- Reduces the membership from ten (10) to eight (8) by removing two ex-officio members (previously six) and retaining four (4) appointed members.
- Specifies that the Chair of the Finance and Administration Committee, or a member of the Committee designated by the Committee Chair, shall serve as Chair of the advisory group or appoint the Chair.
- Specifies that the Chair of the Finance and Administration Committee shall appoint the members, rather than the ex-officio members making the appointments.
- Specifies that the advisory group will advise the UT President and staff, rather than the Treasurer.
- Establishes three-year terms for appointed members with one renewal, rather than two-year terms with unlimited renewals.
- Provides guidance on the qualifications of the appointed members.
- Clarifies the name of the advisory group as Investment Advisory Council to be more consistent with its function.
- Makes technical revisions to achieve consistency with the current Bylaws of the Board and the charter of the Finance and Administration Committee being submitted for approval at this meeting.

The President and the Chief Financial Officer recommend the proposed revisions to the Investment Policies and Procedures for approval.

**Motion:** I move that the Finance and Administration Committee recommend that the Board of Trustees approve the revised Investment Policies and Procedures by adoption of the Resolution presented in the meeting materials.

[Resolution to approve follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Revised Investment Policies and Procedures

Resolved: The Board of Trustees approves the revised Investment Policies and Procedures as presented in the meeting materials, which shall be attached to this Resolution after adoption.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.

## BOARD OF TRUSTEES INVESTMENT POLICIES AND PROCEDURES

### I. INTRODUCTION AND SCOPE

The purpose of this document is to identify various policies and procedures that provide for a prudent and efficient investment program evidencing that the University's endowed assets are invested with care, skill, and diligence. Accordingly, it is intended that this policy cover all funds and investment activities for University of Tennessee funds subject to long-term investment. For purposes of this statement, University of Tennessee Foundation endowment accounts established after July 1, 2002 and invested as part of the Consolidated Investment Pool will be administered consistent with these policies. A separate Treasury Policy has been articulated for short-term investment of University operating funds. There are three categories of funds of The University of Tennessee which are subject to long-term investment, namely Endowment Funds, Quasi-Endowment Funds, and Life Income Funds. The definition and sources of such funds are as follows:

- A. Definition and Source of Endowment Funds: Endowment Funds are funds received by the University from gifts, grants, and bequests for which the donors have stipulated, as a condition of the gift, that the principal of the fund be maintained and invested for the purpose of producing income to be applied to uses as specified in the gift instrument.
- B. Definition and Source of Quasi-Endowment Funds: Quasi-Endowment Funds are funds which the Board of Trustees, rather than a donor, has determined are to be retained and invested. Since these funds are internally restricted, the Board retains the right to alter or amend such designation. Such funds primarily represent gifts or bequests to the University for which the donor(s) have not designated a specific use, or has specified optional uses, and which the Board has determined should be administered in the same manner as endowment funds.
- C. Definition and Source of Life Income Funds: Life Income Funds represent funds held in trust by the University under agreements with

donors whereby designated beneficiaries receive specified interests in the annual income of such trusts. Upon the death of the beneficiaries or other termination of the trust, such trust assets then become available to the University for use as set forth in each agreement. These agreements usually take the form of charitable remainder unitrusts or charitable remainder annuity trusts.

## II. INVESTMENT POLICY BACKGROUND

~~Article III Section 7 of the University of Tennessee bylaws stipulate that the Finance and Administration Committee shall advise the Board on the state of the University's investment performance, strategy, and returns. The charter of the Finance and Administration Committee, approved by the Board, provides that the Committee shall recommend to the Board, or to the Executive Committee when necessary between meetings of the Board, action or necessary~~ policies relating to investment of University funds. Various statements of investment policies and procedures have been formalized and approved by the Board over time with this being the latest statement. A brief history of the development of investment policies includes the following summary points.

- The Finance and Administration Committee, with Board approval, ~~has~~ delegated the administration of the investment program to the University Treasurer with ~~advisory~~ support from an ~~advisory group~~ Investment Advisory Committee. Day-to-day investment authority has been delegated to the Treasurer who is charged with oversight of investment managers, security settlements, and security safekeeping.
- Investment objectives differ depending upon whether the funds invested are Life Income Funds or Endowment Funds and further whether the endowment funds are separately invested or part of the University Consolidated Investment Pool. In July 1954, the University adopted the policy of investing Endowment and Quasi-Endowment funds over which it had full investment discretion (on which the donor, the governing gift instrument or other considerations did not require or warrant separate investments) in the Consolidated Investment Pool. This pooling of investments affords closer

supervision of the investment portfolio and makes available to all eligible Endowment and Quasi-Endowment Funds, regardless of size, the advantages of participation in a diversified portfolio of investments.

- The University of Tennessee as a state-supported institution, receives very few endowment funds on which donors designate the income for general operational support. The majority of endowment income is designated for scholarships, fellowships, and other academic support.
- In 1981, the University restructured the Consolidated Investment Pool portfolio to gain broader exposure to capital markets including non-traditional assets. Effective in late 1993, the University formally adopted the “total return” approach to investment management for the Consolidated Investment Pool which calls for the allocation of a prudent portion of realized endowment return to meet designated current year expenditures. A “total return” approach allows the investment portfolio to be structured for maximum return within accepted risk parameters but without current yield constraints.

### III. INVESTMENT PROGRAM ADMINISTRATION

Jurisdiction of the investment of University funds is under the Finance and Administration Committee of the Board of Trustees, which makes recommendations to the Board on matters requiring Board action. Prior to each regularly scheduled Board meeting, the Finance and Administration Committee shall review the investment report provided by the Treasurer and recommend any actions as appropriate. The Finance and Administration Committee shall, at each regularly scheduled Board meeting, report its findings and recommendations, if any, to the Board for such actions as the Board deems appropriate.

- A. Investment Advisory ~~Committee~~ Council: The University Investment Advisory ~~Committee~~ Council (IAC) shall consist of no more than ~~ten (10)~~ eight (8) members, with ~~six (6)~~ four (4) being ex-officio members based upon positions held and the other four appointed by ~~those ex-officio members~~ (1) the Chair of the Finance and Administration

Committee of the Board of Trustees for ~~two-year terms~~ three-year staggered terms and ~~unlimited renewals~~ one renewal. The ex-officio members are (1) ~~e~~Chair of the Finance and Administration Committee of the Board of Trustees or a Committee member designated by the Committee Chair, in which case the designated Committee member shall serve as, or appoint, the Chair of the Investment Advisory Council;; (2) ~~the President of the University of Tennessee or designee,~~ (3) (2) the University Treasurer, (4) (3) the University Chief Financial Officer;; (5) ~~the President of the UT Foundation and~~ (6) and (4) the Chair of the Board of Directors of the UT Foundation or designee. ~~This committee~~ The Investment Advisory Council shall serve as an advisory group to the ~~Treasurer~~ University President and staff for the investment program, its policies and investment strategy, including asset allocation and risk tolerance. The appointed members of the Investment Advisory Council should have a sound understanding of the financial concepts, familiarity with the challenges facing institutional investment portfolios, and experience guiding long-term investment policies and strategy in public and private markets. The Investment Advisory ~~Committee~~Council will adopt a charter that establishes a clear understanding of the philosophy and the investment objectives of the University of Tennessee consolidated investment pool. This document will further describe the ~~committee~~ duties and the standards that will be utilized by the Investment Advisory ~~Committee~~Council in developing, maintaining and monitoring investment performance criteria.

- B. Investment Objectives: While investment objectives for funds subject to long-term investment vary widely depending upon the type of fund, in most instances, objectives are based upon an extended time horizon and set over a full market cycle or rolling ten-year period. Intergenerational equity is the term most often used to articulate the investment objective of perpetual-styled funds, meaning that the real value of those funds are not diminished with the passage of time or generations. Summarized below are the investment objectives for each type of funds.

*Life Income Funds* -- Each Life Income Agreement is a separately invested entity requiring detailed accounting to reflect specific compliance with terms of the trust and applicable federal regulations. The investment objectives as reflected in such agreements vary widely since they are affected by the age, income levels, and needs of the beneficiaries as well as the motives and objectives of the donor. Trusts that require a periodic payment of an annuity, set dollar amount or percentage of market value at defined measurement dates, are invested for total return. Total return consists of two elements: current yield and capital appreciation. For these trusts, asset allocation and portfolio risk are determined after considering the investment time horizon, required payout, and ability to preserve and enhance the real value of trust corpus. Other trusts, usually "net income trusts", are invested to maximize current yield so as to satisfy, to the extent possible, trust income requirements.

*Separately Invested Endowments* -- The University is obligated to observe scrupulously any investment requirements or limitations imposed by donors of a fund, to the extent it is legal to do so. In such instances, the Treasurer has limited investment discretion and to meet the specified obligations, handles each such fund as a separately invested entity with unique investment objectives. Some endowments are funded with illiquid assets that cannot be pooled. The practice in those instances is to treat them as separately invested until such time as the asset can be sold and the proceeds pooled.

*Consolidated Investment Pool* -- The basic investment objectives of the University's Consolidated Investment Pool are to (1) preserve the principal of the funds, (2) achieve a moderate growth in the principal of funds to offset to some extent the effects of inflation, and (3) produce a reasonable current income return. Within these objectives, the investment performance goals for management of the Consolidated Investment Pool, as measured by a rolling ten-year time period, are to earn a compound annual return equal to or greater than spending + inflation + administrative fees (CPI+5.5%); have component asset classes outperform comparable indices; and outperform similar funds average nominal returns. Moderate volatility in the principal value of

the portfolio will not significantly impact the current income distributions, and therefore the portfolio should be designed to emphasize the total return of the fund. It is recognized that returns are cyclical and will vary by assets depending on economic, political, and monetary conditions. To capture the highest level of return with an acceptable level of risk, the investment portfolio shall be balanced to include a wide range of qualified assets. Accordingly, the University has formally adopted a “total return” approach to investment management which calls for the distribution of a prudent portion of realized investment gains in addition to current income.

- C. Operation of the Consolidated Investment Pool: To provide more efficient and effective managerial review and control of the investment portfolio and to make available to all eligible endowment and quasi-endowments, regardless of size, the advantages of participation in a diversified portfolio of investments; the University maintains the Consolidated Investment Pool (Pool) in which each contributing endowment participates in the income and capital appreciation of the Pool on a per-share basis commensurate with its contribution.
1. Procedures: The usual procedure is for new funds available for investment to be admitted to the Pool at the end of each month. The assets of the Pool are valued at current market prices as of the month-end valuation date and the current per-share value of the Pool determined. New endowments or additions to existing endowments, which are added to the Pool, are based on the number of shares represented by the transaction amount divided by the current per-share value. This number of shares increases the total number of shares of the Consolidated Investment Pool. Appropriate adjustments are made for shares outstanding only a fractional part of the quarter. Quarterly, deficits resulting from spending plan distributions in excess of dividend and interest income are funded from realized investment gains in the Pool. Portfolio investment management fees, consulting fees, custodial and safekeeping fees, and a University administrative fee are considered costs of the Pool and accordingly covered by annual transfers from the Pool. The administrative fee charged to the Pool

for accounting and development activities will be one hundred basis points of the previous calendar year-end Pool market value.

2. Eligible Securities: The following types of securities will be eligible investments for inclusion in the Pool:
  - a. Global common and preferred stocks and convertible securities, including pooled investments in these securities;
  - b. Stock and bond options and future contracts that are used exclusively as hedging tools or to facilitate effective cash management;
  - c. Private capital partnerships (international or domestic), hedge fund partnerships, or other similarly focused private capital funds;
  - d. Global fixed-income or other debt securities;
  - e. Real estate investments (pooled and direct);

Not more than five percent of the portfolio (at cost) should be invested in the securities of any one issuer with the exception of the U.S. treasury and government agencies.

#### IV. CUSTODY AND TRANSFER OF SECURITIES

- A. Custody: The Treasurer is charged with the responsibilities of receipt, custody and proper handling of securities and other University funds in accordance with policies established by the Board of Trustees. In order to provide efficient handling of security transactions, the Board of Trustees has authorized the appointment of custodian bank(s) for keeping safely all University securities entrusted to its care by the Treasurer of the University, and appointed said bank(s) as attorney-in-fact to render certain service functions in connection with said securities. It is standard practice for custodians of securities owned by institutional investors to utilize the services of securities depositories.

Such practice simplifies the settlement process for securities transactions, improves the timeliness of income collection, and provides other efficiencies to the securities custodian function. The contractual arrangements for custodial services permit custodians of University securities to utilize such depository services.

- B. Transfer of Securities: Securities held by custodian banks may be transferred upon instructions of the University Treasurer's Office in compliance with transfer specifications approved by the Treasurer. Direct transfer of ownership of securities standing in the name of the University shall be accomplished by delivery of such securities accompanied by a stock power or bond power assignment form executed by the Treasurer or General Counsel of the University. Such assignment form shall bear the corporate seal of the University (if required) and to which must be attached a certification of corporate authorization to transfer executed by the Secretary of the University bearing the same date as the assignment form.

## V. INVESTMENT RECORDS AND REPORTS

The Treasurer shall be responsible for maintaining or causing to be maintained the following investment records of all University investments.

- A. Detailed Investment Records: The Treasurer's Office shall maintain or cause to be maintained for the current fiscal year and six prior years, detailed records of all University investments and investment transactions. Quarterly reports will be prepared reflecting detailed fiscal year-to-date transactions and ending book and market value balances on each investment by asset and fund classification including separately invested funds. An inventory report will be maintained detailing where each investment asset of the University is safe kept.
- B. Treasurer's Annual Report: The annual financial report of the Treasurer for each fiscal year shall contain detailed schedules of all stocks and bonds owned by the University. These schedules shall set forth the number of shares or face amount, book value of the

investments, and the market or appraised value of the investments as of the report date.

- C. Treasurer's Investment Report: The Treasurer shall prepare an annual report on the University's investment program for the Finance and Administration Committee. This report will include detailed information on the overall investment program with comparative investment performance results for the year.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Second Amendment of Lease and Transfer Agreement with University Health System, Inc.**

Type: Action

Presenter(s): David L. Miller

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In July 1999, the State, University (UT), and University Health System (UHS) entered into a Lease and Transfer Agreement (LTA) and other agreements constituting lease of UT Medical Center facilities and sale and transfer of its operating assets to UHS, a non-profit corporation formed specifically for the purpose of assuming management and operation of the UT Medical Center. The term of the agreement is 50 years (through July 29, 2049) and will extend automatically for another 50 years unless either party gives written notice between July 1, 2044 and August 1, 2045. In accordance with enabling legislation authorizing the transaction, the agreement was approved and signed by the Governor, Attorney General, State Commissioner of Finance and Administration, UHS President and CEO, and UT President.

The agreement required UHS to defease debt of approximately \$149,000,000 and make a \$25,000,000 payment to the University at closing, annual payments in years 2000-2020 determined by a formula, and a final payment by March 15, 2021 of \$50,000,000 less the cumulative amount of annual payments made. To date the remainder of the payment due is \$14,103,837.

Article II, Section 2.4, of the agreement requires renegotiation of the annual lease payment in 2019 for the last 30 years of the lease. The section requires that:

- The annual lease payment be based on the financial position and bond rating and debt obligations of UHS;
- The annual lease payment will not result in withdrawal, suspension, or lowering the bond rating of UHS; and
- The amendment must comply with enabling legislation and be approved by the UT Board of Trustees and the UHS Board of Directors.



## THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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Officials for UT and UHS mutually agreed to begin renegotiation of the annual lease payment earlier this year and have reached agreement on the following terms:

1. Permitting UHS the option to amortize the then-unpaid balance of the LTA Original Payment in equal annual payments over no more than five years together with interest at an interest rate equivalent to the University's interest rate on operating cash in the Consolidated Investment Pool ("CIP") for the preceding 12 months as of June 30 of the year preceding the payment date.
2. Requiring UHS to make Future Lease Payments for the years beginning with calendar year 2021 and ending with calendar year 2049, when it achieves a bond rating from Standard and Poor's or equivalent rating by Moody's Corporation or Fitch Ratings (each a "Rating Agency") of no less than A- or the then-equivalent credit rating grade (the "Bond Rating"). If UHS does not achieve the Bond Rating of no less than A- as of December 31 of a calendar year during the Term, the Future Lease Payment will not be due with respect to such calendar year.
3. Specifying that UHS shall calculate its operating margin by subtracting operating expenses from Hospital Net Operating Revenue on UHS's income statement (the "Operating Margin") each calendar year. Future Lease Payments to the University shall be twenty percent (20%) of UHS's Operating Margin for a calendar year in excess of the financial metric required by the Rating Agency to maintain the Bond Rating, and shall be paid to Lessor by March 15th of the subsequent calendar year.
4. Exercising the renewal option in the Original Lease and Transfer Agreement for a second 50 years from 2049 through 2099.

These terms are incorporated in a proposed Second Amendment to the Lease and Transfer Agreement, which is included in the meeting materials.

The President, Chief Financial Officer, and Chancellor of the UT Health Science Center recommend approval of the proposed amendment.

**Motion:** I move that the Finance and Administration Committee recommend that the Board of Trustees approve the Second Amendment to the Lease and Transfer Agreement by adoption of the Resolution presented in the meeting materials.



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*  
Second Amendment to the Lease and Transfer Agreement with  
University Health System, Inc.

Resolved: The Board of Trustees approves the Second Amendment to the Lease and Transfer Agreement with University Health System, Inc., as presented in the meeting materials, which shall be attached to this Resolution after adoption.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.

This document relates to the Lease and Transfer Agreement between the State of Tennessee, by and through its Commissioner of Finance and Administration and by and through its instrumentality, the University of Tennessee and University Health System, Inc., a Tennessee non-profit corporation, as amended.

**SECOND AMENDMENT TO  
LEASE AND TRANSFER AGREEMENT**

THIS SECOND AMENDMENT (this “Second Amendment”) TO LEASE AND TRANSFER AGREEMENT is made as of the \_\_\_\_ day of \_\_\_\_\_, 2018 by and between the State of Tennessee, by and through its COMMISSIONER OF FINANCE AND ADMINISTRATION (the “Commissioner”) and by and through THE UNIVERSITY OF TENNESSEE ("UT" or “Lessor”) and UNIVERSITY HEALTH SYSTEM, INC., a Tennessee non-profit corporation ("UHS" or “Lessee”).

WHEREAS, the Commissioner, Lessor and Lessee are parties to that certain Lease and Transfer Agreement made as of the 8th day of July, 1999, as amended by the First Amendment to the Lease and Transfer Agreement as of July 1, 2011 (collectively, the “LTA”)

WHEREAS, pursuant to the LTA, the University of Tennessee Memorial Research Center and Hospital was leased and transferred by the Lessor to UHS; and

WHEREAS, the Term of the LTA expires on July 29, 2049, unless sooner terminated pursuant to the terms of the LTA; and

WHEREAS, the LTA required the Lessee to defease Hospital debt of approximately \$149,000,000, pay Lessor \$25,000,000 in cash at the Closing, and make Annual Payments for the calendar years 2000-2020 determined by a formula with a Final Payment by March 15, 2021 of \$50,000,000 less the cumulative amount of Annual Payments made prior to March 15, 2021; and

WHEREAS, Section 2.4 of the LTA requires Lessor and Lessee to meet in 2019 to negotiate an annual lease payment for the last thirty (30) years of the LTA; and

WHEREAS, as of the date of this Second Amendment, Lessee has paid \$35,896,163 of Annual Payments; and

WHEREAS, Lessee and Lessor desire to extend the Term of the LTA, revise the payment structure for the remaining payment due under the LTA as of the date hereof, and determine the rent that will be due under the remaining Term of the LTA beginning January 1, 2021;

NOW, THEREFORE, the parties agree as follows:

1. **Definitions.** The following defined terms used in the LTA are amended and replaced in their entirety with the following:
  - a. 1.16 "Consideration" shall mean the amounts described on Schedule 1.16 of this Agreement.
  - b. 1.64 "Term of this Agreement", "Term", or "the Term hereof" means the period commencing on the Closing and expiring on July 29, 2099. The parties agree to meet in July 2044 to review the Consideration for the period beginning calendar year 2050 for the remainder of the Term in light of financial conditions then applicable to UHS.
2. **Remaining Payment.** The remaining Consideration due from Lessee under Section 2.4 of the LTA, as calculated pursuant to Schedule 1.16 of the LTA, is due by March 15, 2021 and is \$14,103,837 as of the date of this Second Amendment (the "LTA Original Payment"). Lessor and Lessee agree that Lessee may elect one of the following options to fulfill the LTA Original Payment: 1) pay the amount in full on or before March 15, 2021 or 2) make payments over a period not to exceed five (5) years as provided in the amended Schedule 1.16 attached to this Second Amendment.
3. **Future Lease Payments.** Lessor and Lessee agree that it is appropriate for the Lessee to continue lease payments beyond the LTA Original Payment through calendar year 2049 to reflect the ongoing benefits from the LTA as set forth in Schedule 1.16 (the "Future Lease Payments"). The Future Lease Payments are based on the continuing financial position of the Lessee. The future lease payment structure is related to an acceptable level of financial performance linked to an A- bond rating (Standard and Poor's or equivalent by Moody's or Fitch). As the financial position of the Lessee improves and meets the ongoing maintenance of this established level of performance, Lessee will share with Lessor twenty percent (20%) of any operating margin over and above the financial metric required to maintain the agreed upon bond rating.
4. **Consideration.** Section 2.4 of the LTA is amended and replaced in its entirety with the following:
  - 2.4 Consideration. In consideration of the lease of the Facilities and the sale and transfer of the Operating Assets to the Lessee hereunder and the nonexclusive license to use the Indicia, Lessee agrees to pay to, or at the direction of, Lessor the Consideration. The Board of Trustees shall have sole authority and discretion to determine the distribution of the Consideration within the Lessor. In addition, Lessee and Lessor shall maintain the Affiliation Agreement and the Employee Services Agreement for the Term of the Lease.

5. **Schedule 1.16.** Schedule 1.16 of the LTA is amended and replaced in its entirety as set forth on Schedule 1.16 attached hereto and incorporated into this Second Amendment.
6. **Future Land Needs.** Lessor agrees to cooperate with Lessee in the future to include additional land owned by Lessor as Real Property leased by Lessor to Lessee pursuant to the LTA to support the continued growth on and adjacent to the current UTMC campus as available and subject to all necessary approvals and on such terms as shall be negotiated in good faith.
7. **Capitalized Terms.** Capitalized terms not otherwise defined in this Second Amendment shall have the meanings assigned to such terms in the LTA.
8. **Full Force and Effect.** All provisions of the LTA not expressly amended herein shall remain in full force and effect in accordance with their terms.

[Signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the day and date as stated above.

LESSOR:

THE UNIVERSITY OF TENNESSEE

By: \_\_\_\_\_

Title: \_\_\_\_\_

UHS:

UNIVERSITY HEALTH SYSTEM, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

STATE:

THE STATE OF TENNESSEE, BY AND  
THROUGH ITS COMMISSIONER OF  
FINANCE AND ADMINISTRATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

Approved:

THE ATTORNEY GENERAL OF  
THE STATE OF TENNESSEE

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Approved:

THE GOVERNOR OF THE STATE OF  
TENNESSEE

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**ACKNOWLEDGMENT**

STATE OF TENNESSEE    )

COUNTY OF KNOX        )

Personally appeared before me, the undersigned, a Notary Public for the state and county aforesaid, \_\_\_\_\_, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged that he/she executed the within instrument for the purposes therein contained, and who further acknowledged that he/she is the \_\_\_\_\_ of The University of Tennessee (the "Lessor"), and is authorized to execute this instrument on behalf of the Lessor.

WITNESS my hand and seal at office this \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_

Notary Public

My Commission Expires:

\_\_\_\_\_

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**ACKNOWLEDGMENT**

STATE OF TENNESSEE    )

COUNTY OF KNOX        )

Personally appeared before me, the undersigned, a Notary Public for the state and county aforesaid, \_\_\_\_\_, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged that he/she executed the within instrument for the purposes therein contained, and who further acknowledged that he/she is the \_\_\_\_\_ of University Health System, Inc.("UHS"), and is authorized to execute this instrument on behalf of UHS.

WITNESS my hand and seal at office this \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

8

**ACKNOWLEDGMENT**

STATE OF TENNESSEE    )

COUNTY OF DAVIDSON    )

Personally appeared before me, the undersigned, a Notary Public for the state and county aforesaid, \_\_\_\_\_, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged that he/she executed the within instrument for the purposes therein contained, and who further acknowledged that he is the Commissioner of Finance and Administration of the State of Tennessee and is authorized to execute this instrument on behalf of the State of Tennessee.

WITNESS my hand and seal at office this \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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SCHEDULE 1.16

CONSIDERATION

1. “**Consideration**” shall mean: (a) payment of the LTA Original Payment and (b) payment of the Future Lease Payments (as hereinafter defined). All payments will be made in immediately available federal funds. Consideration shall be considered an expense during the calendar year to which it relates for all accounting purposes under this Agreement, including the calculation of Lessee Net Operating Profit, and shall be completely subordinated to all third-party debt and obligations, both now and in the future.
2. “Annual Payments” shall mean an annual payment for calendar years 2018, 2019, and 2020. The amount of each Annual Payment shall be the lesser of: (a) twenty percent (20%) of Lessee Net Operating Profit for the applicable calendar year; or (b) the “Annual Cap”, which shall be Three Million Dollars (\$3,000,000) or the greater amount resulting from application of the Index. Lessee may, at its sole option and at any time, prepay the then unpaid balance of the LTA Original Payment in whole or in part. For any given calendar year, the Annual Payment shall be due on March 15<sup>th</sup> of the subsequent calendar year. Notwithstanding the foregoing, the sum of the Annual Payments shall be the LTA Original Payment.
3. An index factor (the “Index”) will be applied to the initial \$3,000,000 value of the Annual Cap in order to determine the Annual Cap for the end of any given calendar year. The Index applied in any given year shall be the non-cumulative adjustment determined by the following formula: the quotient of (a) Hospital Net Operating Revenue for the year in question, divided by (b) Hospital Net Operating Revenue for the calendar year 2000. In no event may the index be less than one (1). For avoidance of doubt, if Lessee elects Amortization Option, the Index will have no further applicability.
4. Lessee may fulfill the LTA Original Payment by 1) paying the Annual Payments as provided in Section 2 of this Schedule 1.16 on or before March 15, 2021 or 2) amortizing the unpaid balance of the LTA Original Payment (the "Amortization Option") without application of the Index.
5. Lessee may elect the Amortization Option by written notice to Lessor on or before October 1, 2020. If Lessee elects the Amortization option, the then unpaid balance of the LTA Original Payment shall be amortized in equal annual payments over no more than five (5) years (as elected by Lessee) together with interest on the unpaid balance at an interest rate equivalent to Lessor’s interest rate on operating cash in Lessor’s Consolidated Investment Pool (“CIP”) for the preceding twelve (12) months as of June 30 of the year preceding the payment date. Lessee may, at its

sole option and at any time, prepay the remaining balance of the LTA Original Payment, plus accrued but unpaid interest thereon, without penalty.

6. Lessee shall make Future Lease Payments for the years beginning with calendar year 2021 and ending with calendar year 2049, when it achieves a bond rating from Standard and Poor's or equivalent rating by Moody's Corporation or Fitch Ratings (each a "Rating Agency") of no less than A- or the then equivalent credit rating grade (the "Bond Rating"). If Lessee does not achieve the Bond Rating of no less than A- as of December 31 of a calendar year during the Term, the Future Lease Payment will not be due with respect to such calendar year.
7. Lessee shall calculate its operating margin by subtracting operating expenses from Hospital Net Operating Revenue on the Lessee's income statement (the "Operating Margin") each calendar year. Future Lease Payments to Lessor shall be twenty percent (20%) of the Lessee's Operating Margin for a calendar year in excess of the financial metric required by the Rating Agency to maintain the Bond Rating, and shall be paid to Lessor by March 15<sup>th</sup> of the subsequent calendar year.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date:	November 2, 2018
Committee:	Finance and Administration
Item:	<b><u>Authorization for the President to Approve an Affiliation Agreement with West Tennessee Medical Group, Inc., Related to the Physician Practice Plan for Family Medicine in Jackson, Tennessee</u></b>
Type:	Action
Presenter(s):	David L. Miller, Chief Financial Officer

### Background

The UT Health Science Center has maintained a family medicine residency program and an associated clinical teaching practice in Jackson, Tennessee, for many years. The practice has been operated and managed as part of UTHSC (not as a separate physician practice organization) and receives significant subsidy from the campus. The UTHSC-owned clinic facility sits on land adjacent to the Jackson-Madison County General Hospital District (Hospital), with which UTHSC has maintained a long-standing relationship for graduate medical education in family medicine.

Given the current regulatory and economic environment in healthcare, the UTHSC College of Medicine has pursued a strategy of closely aligning its physician practice groups with appropriate partner hospitals. Such financial, operational, and organizational alignment has resulted in significant growth of clinical programs, additional resources for the academic mission of UTHSC, mitigation of financial and compliance risks, and upgrades or renewals of required facilities and equipment. UTHSC is seeking a similar alignment for the stand-alone family medicine physician practice group in Jackson. Both the Hospital, through its medical group West Tennessee Medical Group, Inc. (WTMG), and UTHSC mutually desire to become more clinically and operationally integrated to achieve common goals. A more integrated model would involve shared accountability and governance for the physician practice, while the Hospital assumes significant financial responsibilities, including the ownership and operation of the building that currently houses the academic and clinical programs of the UTHSC Department of Family Medicine in Jackson.

### Previous Board Action

After review of the proposed structure, governance, and financial model, the Board of Trustees has approved the creation of all new entities, or the designation of existing entities, to serve as UTHSC physician practice plans. Consistent with past practice, on March 23, 2018, the former Board approved designation of the West Tennessee Medical Group as the College of Medicine's faculty practice plan for family medicine in the Jackson service, subject to final negotiation of an affiliation



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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agreement. Negotiation of the agreement was not completed before the last meeting of the former Board in June 2018.

## Key Terms and Conditions

The University and WTMG have now completed negotiation of an affiliation agreement that includes the following key terms and conditions:

- WTMG, which was incorporated as a non-profit public benefit corporation in 2010, will adopt an assumed corporate name of UT Family Medicine Practice (UTFMP) after making appropriate application with the Tennessee Secretary of State.
- The governing board of WTMG will amend the appropriate corporate documents to create an operating committee to oversee UTFMP as follows:
  - The WTMG President will create an Academic Practice Operations Committee (APOC) for shared oversight, input, and participation into the practice group operations of UTFMP;
  - The UTHSC and WTMG will have an equal number of members (no less than four and no more than eight), who will be appointed by the CEO of WTMG and the Chancellor of UTHSC, respectively; and
  - Appropriate bylaws will be adopted for the APOC.
- All physician members of the practice plan will hold faculty appointments in the UTHSC College of Medicine and will be employed by both the University and WTMG.
- UT will have no financial risk for the practice plan.
  - University faculty members will assign the right to bill for their services to WTMG.
  - WTMG will provide academic mission support to UTHSC through the provision of space and facilities required to house the academic program and its employees. The space will be provided at no cost and will be sufficient to meet program requirements.
- Clinical research activities will be handled similar to other University clinical programs.
  - Federally sponsored research will be administered through the University.
  - Non-federal research will be coordinated and managed appropriate to the program.
- The agreement will become effective January 1, 2019 for a five-year term with appropriate termination provisions.
  - The agreement will renew for successive five-year terms unless one party provides 12-months' notice.
  - The agreement provides for appropriate resolution procedures in the event of a breach of the agreement.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## Implementation Steps

- After approval of an affiliation agreement by the President, UTHSC would move to execute sale of the UT clinic facility in Jackson to the Hospital. Sale of the property was approved by the Board in February 2018 and by the State Building Commission in March 2018.
- UTHSC would complete the negotiation of a new Graduate Medical Education Affiliation Agreement between the University and the Hospital (a separate and distinct agreement from the one under consideration) which would provide for appropriate wind-down activities to ensure the integrity of the residency program(s).

The President, Chief Financial Officer, and Chancellor of the Health Science Center recommend that the President be authorized to approve an affiliation agreement with West Tennessee Medical Group, Inc., after review and approval by the Chief Financial Officer and General Counsel.

**Motion:** I move that the Finance and Administration Committee recommend that the Board authorize the President to approve an affiliation agreement with the West Tennessee Medical Group, Inc., by adoption of the Resolution presented in the meeting materials.

[Resolution to authorize follows]



The University of Tennessee  
Board of Trustees

Resolution 00\_-2018\*

Authorization for the President to Approve an Affiliation Agreement with  
West Tennessee Medical Group, Inc., Related to the Physician Practice Plan for  
Family Medicine in Jackson, Tennessee

Resolved: The Board of Trustees authorizes the President to approve an affiliation agreement with West Tennessee Medical Group, Inc., related to the physician practice plan for family medicine in Jackson, Tennessee, after review and approval of the agreement by the Chief Financial Officer and the General Counsel.

Adopted this 2<sup>nd</sup> day of November, 2018.

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\* Number will be inserted after adoption.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **FY 2018 Report on Endowment Investment Performance**

Type: Information

Presenter(s): David L. Miller, Chief Financial Officer

Investment of University funds is under the jurisdiction of the Finance and Administration Committee of the Board of Trustees, which makes recommendations to the Board on matters requiring Board action. Prior to each regularly scheduled Board meeting, the Finance and Administration Committee receives for review an investment report provided by the Treasurer and recommends to the Board any actions deemed necessary. At each regularly scheduled Board meeting, the Committee reports its findings and recommendations, if any, to the Board for such actions as the Board deems appropriate.

The Treasurer's Report on Endowment Investment Performance for FY 2018 is included in the meeting materials.

## Investment Summary as of June 2018

- Consolidated Investment Pool (Pool) activity for fiscal 2018:
  - \$60 million added from investment returns (est.)
  - \$58 million in new gifts added for the calendar year\*
  - \$51 million in distributions & administrative support
  
- Consolidated Investment Pool and Market Returns:
  - Matched CPI+5.5% (Inflation + Spend): 8.2% (est.) vs. 8.2%
  - Outperformed Policy B-mark (60/40 stock & bond mix): 8.2% vs 7.2%
  
- Portfolio Liquidity Profile at December 31, 2017:

	<u>Mkt. Value*</u>	<u>% of Pool</u>	<u>Policy</u>
Liquid	\$482.9	48%	≥35%
Semi-liquid	\$218.2	22%	-
Illiquid	\$299.3	30%	≤35%

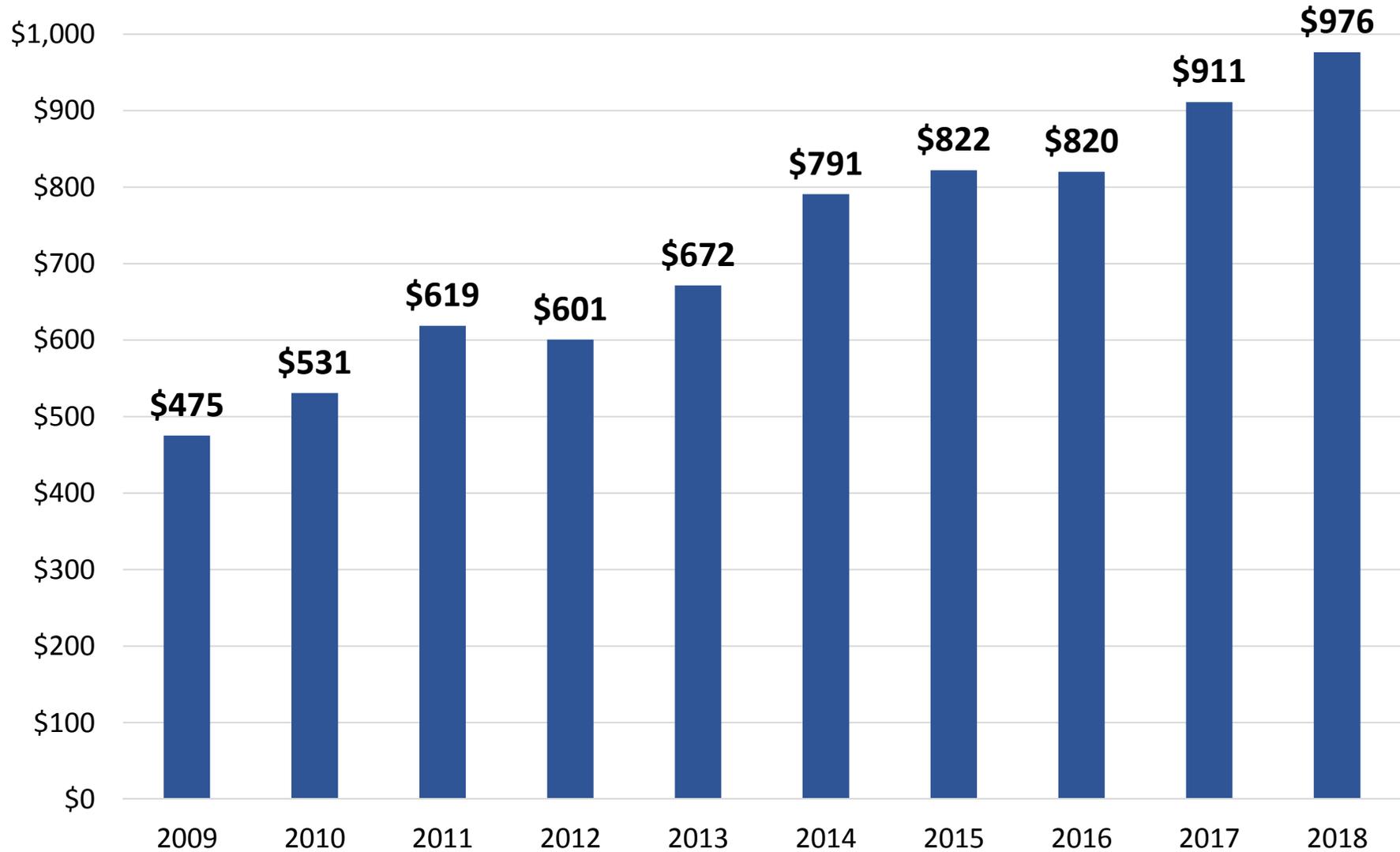
\*\$ in millions

Liquid = available within 90 days

Semi-liquid = available in between 90 days and 2 years

Illiquid = amortizing investments unavailable for several years

## Consolidated Investment Pool FYE Market Values



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## Investment Performance For Periods Ended June 30, 2018

	1 year <sup>(est)</sup>	3 year	5 year	10 year	Since Inception	Inception
<b>UT - Cons. Investment Pool</b>	<b>8.2%</b>	<b>5.1%</b>	<b>6.6%</b>	<b>4.7%</b>	<b>8.2%</b>	
CPI + 5.5%	8.2%	7.4%	7.0%	7.0%	7.8%	

<b>Policy Benchmark</b>	<b>7.2%</b>	<b>5.9%</b>	<b>7.2%</b>	<b>5.0%</b>	<b>7.3%</b>	Nov-90
<small>60% Global Stock Index/39% Investment-grade Bond Index/1% US 91-day T-bills</small>						

### Public Markets

<b>Public Equity Composite</b>	<b>9.9%</b>	<b>7.0%</b>	<b>8.7%</b>	<b>5.4%</b>	<b>6.6%</b>	Jun-04
MSCI ACWI IMI Index	11.1%	8.3%	9.6%	6.1%	7.4%	

MSCI All Capitalization World Investable Market Index

<b>Public Real Estate</b>	<b>6.3%</b>	<b>6.2%</b>	<b>7.1%</b>	<b>6.2%</b>	<b>9.8%</b>	May-97
S&P Developed BMI Property Index	5.5%	5.6%	5.9%	4.9%	8.4%	

S&P Developed Broad Market Real Estate Index

<b>Fixed Income - Invest. Grade</b>	<b>-0.8%</b>	<b>1.4%</b>	<b>2.1%</b>	<b>3.5%</b>	<b>5.7%</b>	Nov-90
B-berg Barclays Inter. Gov/Credit	-0.4%	1.2%	1.6%	3.1%	5.6%	

B-berg Barclays Capital Government & Corporate Bond Index

### Alternative Strategies

<b>Hedged Equity Composite</b>	<b>8.7%</b>	<b>5.1%</b>	<b>6.6%</b>	<b>4.0%</b>	<b>4.9%</b>	Mar-00
HFRI FOF: Strategic Index+1%	6.7%	3.2%	5.0%	2.6%	4.0%	

HFRI Fund-of-Hedge Index focused on Opportunistic Strategies

<b>Fixed Income - Credit/Distressed</b>	<b>6.2%</b>	<b>5.4%</b>	<b>5.5%</b>	<b>7.7%</b>	<b>7.9%</b>	Mar-08
Blended Credit Index	4.1%	4.5%	4.4%	4.7%	4.7%	

1) HFRI - Event-driven index focused on debt markets & 2) JP Morgan Emerging Market Bond Index & 3) Barclays Investment Grade Commercial Mortgage Backed Securities Index

<b>Diversifying Strategies</b>	<b>0.1%</b>	<b>0.7%</b>	<b>3.3%</b>	<b>3.9%</b>	<b>4.9%</b>	Oct-01
HFRI FOF: Conservative Index +1%	5.2%	2.9%	4.0%	2.2%	4.1%	

HFRI - Fund-of-Hedge funds index focused on lower volatility strategies

<b>Natural Resources Composite</b>	<b>-0.5%</b>	<b>-3.8%</b>	<b>-0.4%</b>	<b>1.1%</b>	<b>-0.1%</b>	Dec-07
Nat. Resource Benchmark	-4.6%	-5.7%	-3.9%	4.2%	3.9%	

Index comprised of energy-related MLP's (master limited partnerships)

#### Notes:

**HFRI - Hedge Fund Research Inc.**

**MSCI - Originally Morgan Stanley Capital International, now an independent investment research company**

**B-berg - short for Bloomberg which purchased an interest in the Barclays benchmarks.**

**See "Index/Benchmark Summary" Appendix for additional index descriptions and components**

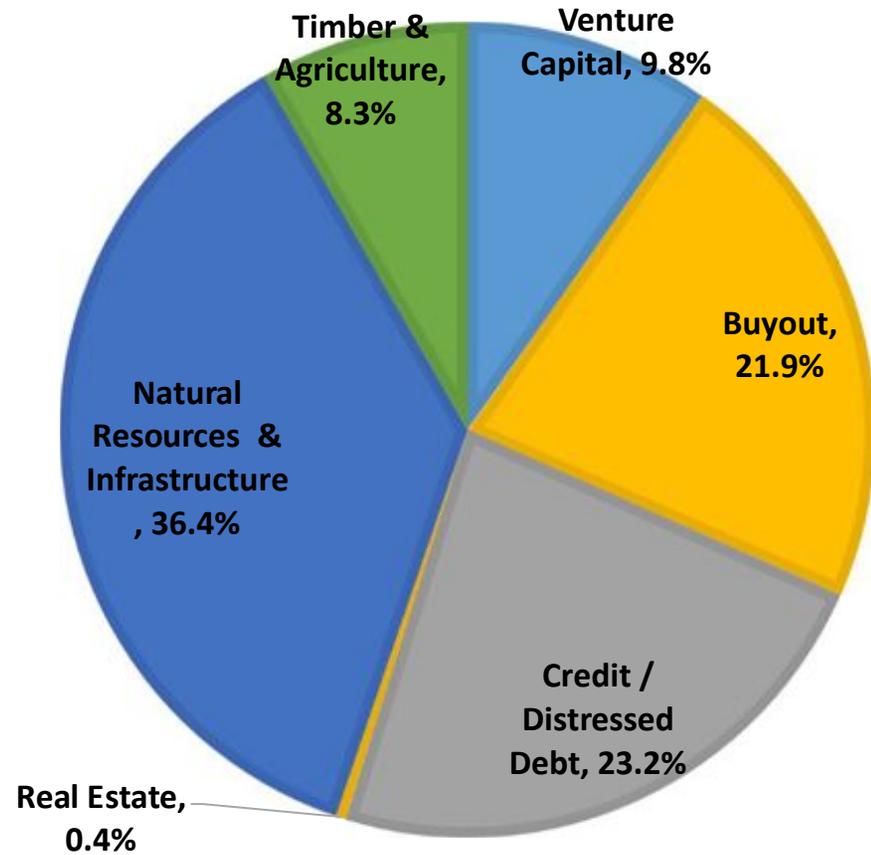
# Private Capital Summary: Returns & Allocation

## Private Capital

Annualized Rates of Return  
For Periods Ending June 30, 2018

<b>Venture Capital</b>	7.7%
Russell 2000 Index	10.2%
<b>Buyout</b>	8.6%
MSCI ACWI Index	6.5%
<b>Credit/Distressed Debt</b>	10.4%
CS Leveraged Loan Index	6.0%
<b>Real Estate</b>	9.8%
NAREIT Index	13.2%
<b>Natural Resources &amp; Infrastructure</b>	9.2%
S&P 500 Energy Sector	4.1%
<b>Timber, Agriculture, &amp; Land</b>	3.0%
S&P Global Timber & Forestry Sector	9.1%

Total Private Capital Allocation 06/30/2018



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# Consolidated Investment Pool Asset Allocation June 30, 2018

Global All Capitalization Stock	22.8%	}	<b>31.5%</b>	<b>Public Equity</b>
U.S. Small Capitalization Stock	3.8%			
Int'l Small Capitalization Stock	2.1%			
Emerging/Frontier Mkt. Stock	2.8%			
Buyout Strat./Venture Cap.	9.3%		<b>9.3%</b>	<b>Private Equity</b>
Investment-grade Debt	4.0%	}	<b>17.5%</b>	<b>Fixed Income/Debt</b>
Credit/Distressed Debt	13.5%			
Hedged Strategies	18.1%		<b>18.1%</b>	<b>Hedged Strategies</b>
Real Estate	5.8%	}	<b>21.2%</b>	<b>Real Assets</b>
Infrastructure	4.1%			
Energy	8.9%			
Timber, Agriculture, & Land	2.4%			
Cash	1.9%		<b>1.9%</b>	<b>Cash</b>

## Index/Benchmark Summary

**Policy Benchmark = 60.0% MSCI ACWI IMI Index  
+ 39.0% Bloomberg Barclays Global Aggregate Bond Index  
+ 1.0% U.S. 91-Day Treasury Bills**

This benchmark is intended to assess the risk profile of the portfolio and evaluate strategic, tactical, and active manager decisions.

### **CPI + 5.5%**

This is the 1-year inflation-measuring Consumer Price Index + 5.5%.

### **Bloomberg Barclays Global Aggregate Bond Index**

This index consists of a wide range of global investment grade bonds, including sovereigns, corporate bonds, and various asset-backed securities.

### **Bloomberg Barclays US Aggregate Index**

This index consists of dollar-denominated debt with an investment-grade rating by at least two rating agencies and a maturity from 1 year to 10 years.

### **Bloomberg Barclays Investment Grade Commercial Mortgage Backed Securities Index**

This index consists of investment grade (BBB- or higher) bonds backed commercial real estate mortgages.

### **Blended Credit/Distressed Index**

This index is comprised of emerging market debt, high-yield/distressed corporate debt, and structured credits that represent the Pool's mix of these assets over time.

### **CS Leveraged Loan Index**

This index is the Credit Suisse ("CS") Leveraged Loan index comprised of \$US-denominated loans with at least one below investment-grade rating.

### **HFRI FOF: Conservative Index +1%**

This is an index of hedge funds engaged in more 'conservative' strategies such as equity market neutral, fixed income arbitrage, and convertible arbitrage.

### **HFRI ED: Distressed/Restructuring Index**

This is an index of hedge funds investing in the distressed debt markets, often employing restructuring to unlock value.

### **HFRI FOF: Strategic Index+1%**

This is an index of hedge funds that seek superior returns by primarily investing emerging markets, specific sectors, and long/short equity positions.

## Index/Benchmark Summary, cont'd

### **J.P. Morgan Emerging Market Bond Index**

This index is comprised of wide range of government and corporate bonds issued by emerging market countries and companies.

### **MSCI ACWI IMI Index**

This index captures large, mid, and small cap stock market exposure across 23 Developed Markets and 23 Emerging Markets countries.

### **MSCI ACWI Index**

This index captures large and mid cap stock market exposure across 23 Developed Markets and 23 Emerging Markets countries.

### **NAREIT Index**

This index is a comprehensive benchmark that spans the commercial real estate industry across the US economy on an industry and sector basis.

### **Nat. Resources Benchmark**

This index is the J.P. Morgan Alerian index, comprised entirely of energy-related MLP's (master limited partnerships).

### **Russell 2000 Index**

The Russell 2000 index is an index measuring the performance approximately 2,000 small-cap companies in the U.S.

### **S&P Global REIT Index**

This index consists of publicly traded equity REITs listed in both developed and emerging markets.

### **FTSE EPRA/NAREIT Developed Index**

This index consists of listed real-estate related companies from developed markets worldwide

### **S&P 500 Energy Sector**

This index is the energy-related subset of the S&P 500.

### **S&P 500 Index**

This index is an index of 500 U.S. large-cap stocks.

### **S&P Global Timber & Forestry Index**

This benchmark is comprised of 25 of the largest publicly traded companies engaged in the ownership and/or management of forests and timberlands.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: November 2, 2018

Committee: Finance and Administration

Item: **Board-Approved Peer and Aspirational Institutions/  
Comprehensive Salary Study**

Type: Information

Presenter(s): David L. Miller, Chief Financial Officer

In the spring of 2017, the Vice Chair of the Board requested that a thorough review be undertaken to develop criteria for establishing peer institutions for the four campuses, the Institute of Agriculture (UTIA), and the UT system, with the understanding that (1) both the criteria for determining peers and the peer institutions would be approved by the Board of Trustees and (2) the peer institutions approved by the Board would be used in all presentations to the Board involving peer comparisons (e.g., tuition and fees, research, finances, student success, development, salary gap, etc.).

President DiPietro asked the Chief Financial Officer to work with Provosts (or designees) and the System Associate Vice President of Institutional Research, to develop criteria and subsequently a set of comparable peer and aspirational institutions for each unit. The criteria recommended by the administration were presented in two categories: (1) criteria common to all units; and (2) additional criteria specific to each unit.

Following Board approval of the recommended criteria in June 2017, the administration began the process of applying the criteria to identify a set of recommended comparable peer and aspirational institutions for each unit. The final recommendations were approved by the Executive and Compensation Committee, acting on behalf of the Board, at a called meeting on August 4, 2017.

The primary reason the Executive and Compensation Committee acted for the Board was to allow the comparable peer and aspirational institutions to be used in a comprehensive salary study the Board had directed the administration to conduct with the assistance of Sibson Consulting. Although the Board-approved criteria for identifying peers for the academic units were not applicable to the Institute for Public Service, the Board also approved a set of comparable peer and aspirational institutions for IPS so that unit could be included in the salary study.

The sets of comparable peer and aspirational institutions approved in August 2017 are included in the meeting materials, together with a description of the process by which they were developed. In approving the new peer groups, the Executive and Compensation Committee directed the administration to review them after one year to determine whether they remained appropriate. During the 2017-18 academic year, the Chief Financial Officer and institutional research staff continued discussions with institutional leaders about the relevance of the peer groups. UTC identified two questionable institutions among its peers and will be working with the administration to review the criteria and its application and potentially bring recommended changes forward in 2019.

[continued on next page]



# THE UNIVERSITY OF TENNESSEE

## BOARD OF TRUSTEES

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### COMPREHENSIVE SALARY STUDY

In the spring of 2017, the Board requested that a new system-wide compensation study be completed to evaluate the competitiveness of compensation for all faculty and staff. The last system-wide study was completed in 2011 and since that time, all UT institutions have worked toward achieving market competitive compensation. The state-funded salary increases in fiscal years 2016 through 2019, combined with institutional resources, have allowed institutions to invest in competitive compensation.

Subsequently, Sibson Consulting was retained to complete the two-phased study. The first phase presented here includes all faculty and executive positions except the Health Science Center. The specialized data for Health Science Center requires a variety of sources for comparison and is underway. Phase two of the study includes all University staff positions system-wide and is scheduled to be completed in early 2019.

Highlights from the study include:

- In the aggregate, faculty are at 102% of the peer group and 100% of the peer and aspirant group.
- Adding the aspirants into the comparison group has limited impact on market competitiveness in the aggregate, which decreases from 102% to 100%; competitiveness for each entity changes by zero to five percentage points.
- There is less variability in competitiveness by rank (as compared to entity); Professors and Instructors are the most competitive to market at 104% of the median for the peer group. As with the results by entity, competitiveness for each rank only changes by two to three percentage points when adding aspirants.
- While aggregate competitiveness is very close to the market median, individual distribution tends to be bifurcated, with a group of individuals below the 25th percentile and a group of individuals above the 75th percentile.
- For Board-appointed positions (President, Chancellors, Vice Presidents, etc.), individual competitiveness varies by position, but many executives are between the market 25th and 75th percentiles compared to the peer group and peer and aspirant group.
- In the aggregate, chief executive/executive staff are at 99% of both the peer group and peer and aspirant group market median.

In addition to the compensation study, Sibson Consulting also performed an analysis of the competitiveness of the University's fringe benefits. Benefit programs for full-time faculty, professional/administrative staff, and clerical employees are benchmarked to UT's comparison market. The results also compare UT's benefits to the general industry, using published studies purchased by Sibson.

The Comparison Market of peer institutions to UT's benefits comparative includes 37 institutions.

The study data sources include:

- Sibson's College and University Benefits Survey (CUBS) 2017
- General Industry Sources
- Willis Towers Watson 2016 Employee Benefit Policies and Practices Report (Employers with 10,000-24,999 employees; Southeast employers with 10,000+ employees)
- Mercer 2017 National Survey of Employer Sponsored Health Plans (Employers with 10,000-19,999 employees; South employers-all sizes).



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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The study measured the competitiveness of 11 specific benefits offered to University employees through the State of Tennessee. The comparison measures showed: not competitive, less competitive, competitive, more competitive, and highly competitive. See the findings summary below for comparison to other higher education institutions.

<b>Classification</b>	<b>Benefit</b>
Not competitive	None
Less competitive	<ul style="list-style-type: none"> <li>• Medical/prescription drug (premier PPO)</li> <li>• Medical/prescription drug (standard PPO)</li> <li>• Life insurance</li> </ul>
Competitive	<ul style="list-style-type: none"> <li>• Medical/prescription drug (CDHP/HSA)</li> <li>• Tuition</li> <li>• Dental</li> <li>• Vision</li> <li>• Retiree income</li> </ul>
More competitive	<ul style="list-style-type: none"> <li>• Time off (vacation, holiday, sick, sabbatical, parental leave)</li> <li>• Short-term disability</li> <li>• Long-term disability</li> </ul>
Highly competitive	None

**APPROVED August 4, 2017**

**Recommended Comparable Peers for UT Campuses and Institute of Agriculture**

UTK (46) (U.S. News Undergraduate Ranking)	UTC	UTM	UTHSC	UTIA
1 North Carolina State University (38)	University of Central Arkansas	Arkansas State University	<b>University of Tennessee Health Science Center</b>	Virginia Tech
2 Virginia Tech (27)	Stephen F. Austin State University	West Texas A&M University	University of Oklahoma Health Sciences Center	University of Kentucky
3 Auburn University (43)	University of Nebraska Omaha	Austin Peay State University	Medical University of South Carolina	Clemson University
4 Iowa State University (51)	Murray State University	Midwestern State University	University of Texas Health Science Center at San Antonio	University of Missouri
5 <b>University of Tennessee Knoxville (46)</b>	Valdosta State University	The University of Texas at Tyler	Texas Tech University Health Sciences Center - Lubbock	University of Georgia
6 University of South Carolina (49)	Northeastern State University	Morehead State University	University of Nebraska Medical Center	University of Nebraska
7 Clemson University (23)	Georgia College and State University	Frostburg State University	University of Arkansas for Medical Sciences	Mississippi State University
8 Louisiana State University (64)	Jacksonville State University	<b>University of Tennessee at Martin</b>	Louisiana State University Health Sciences Ctr. NOLA	Oklahoma State University
9 University of Nebraska-Lincoln (51)	<b>University of Tennessee at Chattanooga</b>	Arkansas Tech University		<b>University of Tennessee Institute of Agriculture</b>
10 University of Kentucky (63)	University of West Georgia	Auburn University at Montgomery		University of Maryland
11 University of Missouri (51)	Southeast Missouri State University	McNeese State University		Auburn University
12 University of Alabama (46)	Tennessee Technological University			Rutgers University
13	Florida Gulf Coast University			University of Arkansas
14				Louisiana State University

**Recommended Aspirational Institutions for UT Campuses and Institute of Agriculture**

1 University of Minnesota (26)	University of North Carolina at Greensboro	Marshall University	University of Maryland Health Science Center - Baltimore	University of Florida
2 University of Florida (14)	Appalachian State University	Stephen F. Austin State University	Oregon Health and Science University	University of Illinois at Urbana-Champaign
3 University of Wisconsin-Madison (10)	University of North Carolina at Wilmington	Southeast Missouri State University	University of Texas Health Science Center at Houston	University of Wisconsin-Madison
4 Michigan State University (33)	College of Charleston	Western Carolina University		Ohio State University
5 Purdue University (20)	University of Arkansas at Little Rock	University of Central Arkansas		Purdue University
6 University of Georgia (18)	University of North Florida	Murray State University		Michigan State University

**Recommended Peer Group for University of Tennessee System Administration**

1 University of Nebraska
2 University of Colorado
3 University of Missouri
4 University of Massachusetts
5 Louisiana State University
6 Rutgers University
7 University of Illinois at Urbana-Champaign
8 University of Alabama
9 Texas Tech University

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

TO: Board of Trustees Executive and Compensation Committee  
FROM: David L. Miller, Chief Financial Officer  
RE: Peer Group Selection for the Institute of Public Service (IPS)  
DATE: August 3, 2017

The Institute of Public Service staff further evaluated the group of peer institutions submitted for your consideration and refined the list into the following categories.

Comparable Peers

Institutions with missions, programs and service territories most similar to IPS:

- North Carolina State University, Industrial Extension Service and the Institute for Emerging Issues
- Purdue University, Purdue Engage
- University of Georgia, Carl Vinson Institute of Government
- University of Maryland, Institute for Governmental Service and Research
- University of Missouri, Institute of Public Policy and MU Extension
- University of North Florida, Institute of Police Technology and Management
- University of Virginia, Weldon Cooper Center for Public Service

In addition, the following institutions have one or more programs comparable to some IPS agencies. The appropriate comparable institutions will be used when data is being evaluated for specific agencies within IPS.

- Auburn University, Government and Economic Development Institute
- Florida State University, Florida Center for Public Management
- George Mason University, Centers on the Public Service
- Georgia Tech, Enterprise Innovation Institute\*
- Kansas University, Public Management Center
- Mississippi State University, Carl Stennis Institute of Government
- Northwestern University, Center for Public Safety
- Polk State College (FL), Kenneth C. Thompson Institute of Public Safety
- Portland State University, Center for Public Service
- Rutgers University, Senator Walter Rand Institute for Public Affairs and Service
- University of Baltimore, Schaefer Center for Public Policy
- University of Nebraska, Public Policy Center
- University of North Carolina, School of Government