



THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

June 21, 2019

Knoxville, Tennessee

The Finance and Administration Committee of the Board of Trustees met at 10:15 a.m. EDT on Friday, June 21, 2019, in Knoxville, Tennessee.

**I. Call to Order**

Committee Chair Bill Rhodes called the meeting to order.

**II. Roll Call**

David Miller, Chief Financial Officer, called the roll, and the following members were present:

Bill Rhodes, Chair  
Randy Boyd  
John Compton  
Amy Miles  
Kim White

Mr. Miller announced the presence of a quorum. Other Trustees, administrative staff, faculty members, students, and representatives of the media were also present. The meeting was webcast.

**III. Request to Address the Board**

The Chair recognized Mr. Chad Tindell, President of the Board of Directors of Knox Heritage, who had registered to address the agenda item concerning sale of property acquired from the Estate of Eugenia Williams. Mr. Tindell said Knox Heritage produces an at-risk list of sites, properties, and neighborhoods annually, and the Eugenia Williams property has been on the list for a long time. Mr. Tindell said Knox Heritage wants the house preserved and restored by the buyer and believes the best way to do that is by a preservation easement.

**IV. UTC Out-of-State Undergraduate Tuition Proposal**

Richard Brown, UTC Executive Vice Chancellor, presented the proposal for a reduced out-of-state tuition rate for undergraduate students from eight border states and South Carolina. Beginning with the 2020 Fall Semester, the rate for undergraduate students from these states would be 50% of the full rate. At the same time, the regional tuition discount program for



undergraduate students from six counties in Georgia and one in Alabama bordering Tennessee would be changed from 25% of the full out-of-state rate to 50% of the new out-of-state rate for students from the eight border states and South Carolina. Dr. Brown said there is existing capacity for undergraduate students at UTC and affirmed that no qualified Tennessean will be negatively impacted. Chair Rhodes asked President Boyd whether there is a broader plan to address out-of-state tuition across the system. President Boyd responded that a broader plan is needed and is being discussed, but UTC has been developing its proposal for some time, and he did not want to delay implementation. Dr. Brown said attracting new students is critical to maintaining or growing revenue, and out-of-state students provide a positive economic impact for the Chattanooga community. Trustee Miles said the team has done a good job of finding the breakeven price point but also noted the myriad of price points at UTC. She said we should be able to learn from this proposal and apply what we learn to a broader plan. A member moved that the Committee recommend adoption of the Resolution to approve the UTC out-of-state tuition proposal. The motion was seconded, and the Chair called for any further questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

#### **V. UTC Proposed Increase in Differential Tuition for the College of Nursing**

UTC Executive Vice Chancellor Richard Brown presented the proposed increase in differential tuition for the UTC College of Nursing from \$57 to \$100 per credit hour, beginning in the fall of 2019. He said the increased revenue of \$250,000 would allow the purchase of simulation equipment to enhance the clinical practice activities of the program. He called the Committee's attention to the benchmarking data in the materials for Nursing fees at other public universities in Tennessee. A member moved that the Committee recommend adoption of the Resolution to approve the proposed increase in differential tuition for the UTC College of Nursing. The motion was seconded, and the Chair called for any questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

#### **VI. FY 2019-20 Operating Budget (including Salary Plan, Student Tuition and Fees, and Room and Board Rates)**

David Miller, Chief Financial Officer, presented a summary of the 2019-20 Operating Budget. Beginning with changes in revenue, he said net revenue is projected to increase by \$43.3 million. Chair Rhodes asked about the reduction of funding for the UTHSC opioid initiative, and Mr. Miller explained that the \$2 million received last year was only one-time funding. He also noted that the non-recurring in state appropriations includes \$10 million of one-time money for safety and security projects.

Turning to projected expenses, Mr. Miller first explained that the definitions in the expenditure budget are from the national Integrated Postsecondary Education Data System (IPEDS) and added that using these definitions allows comparison of costs with other universities. Chair Rhodes asked Mr. Miller to provide the Board with the definition of all categories in the expenditure budget. Mr. Miller then proceeded to discuss the expenditure budget in more



detail and explained that the \$15.4 million of expenses funded by tuition and fee increases will support expanded academic programs, student success initiatives, and scholarships. Only one half of one percent of tuition and fee increases will fund general operations.

Concerning the proposed tuition and fee increases, Mr. Miller said that since the inception of caps set by the Tennessee Higher Education Commission (THEC), tuition and fee increases at all UT campuses have been below the maximum allowed except at UT Martin in 2018-19. As the THEC caps are lowered, however, like this year, it will be more difficult to remain under the cap. Chair Rhodes asked if there is any indication of the trajectory of future THEC caps. Mr. Miller replied that THEC sets the cap on the basis of a formula and that initially, the higher education price index (HEPI) was a factor, but recently projections have shifted to the consumer price index (CPI). State cost trends are also a factor. President Boyd added that how much state funding is increasing is also a factor. Chair Rhodes commended the campuses for managing to stay within the caps but added that the University cannot continue to keep tuition low and pay the faculty and staff higher rates unless more efficiencies are found, especially when one considers what might happen to state funding if there is another recession. Trustee Compton asked Mr. Miller to present scenarios at the next meeting modeling various levels of reduction in state funding. Trustee Jenkins asked Mr. Miller whether the funding needed for new initiatives such as the Oak Ridge Institute is included in the budget. Mr. Miller said the budget contains some flexibility for startup programs but the University will be requesting state funding as part of next year's budget.

Hearing no further questions or discussion, the Chair directed the Committee's attention to the Resolution to approve the FY 2019-20 Operating Budget, and a member moved that the Committee recommend adoption. The motion was seconded and passed unanimously.

## **VII. Capital Projects**

### **A. Capital Outlay Funding Requests, FY 2020-21 through FY 2024-25**

Tonja Johnson, Executive Vice President and Chief Operating Officer, presented six capital outlay priorities proposed for submission to the Tennessee Higher Education for FY 2020-2021. She explained that THEC would score the projects based on multiple factors, including alignment with state goals (Drive to 55) connection to campus mission, master plan, and strategic plan, and satisfying the requirement for matching external funding. All proposed projects have at least the minimum required match.

### **B. Capital Maintenance Funding Request, FY 2020-21 through FY 2024-25**

Dr. Johnson presented the FY 2020-2021 capital maintenance funding request totaling \$60,010,000.

### **C. FY 2020-21 Revenue/Institutionally-Funded Capital Projects**



Dr. Johnson presented proposed revenue/institutionally-funded capital projects for FY 2020-21 totaling \$76,096,000 and explained that no state funds are required for these projects. A member moved that the Committee recommend adoption of the Resolutions in the meeting materials to approve the capital outlay funding requests for FY 2020-21 through FY 2024-25, capital maintenance funding requests for FY 2020-21 through FY 2024-25, and FY 2020-21 revenue/institutionally-funded capital projects. The motion was seconded, and the Chair called for any questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

### **VIII. Authorization to File *Cy Pres* Action in Knox County Chancery Court Seeking Approval to Sell Property Acquired from the Estate of Eugenia Williams**

Mr. Miller called the Committee's attention to the detailed summary of the request for authorization to file a *cy pres* petition to sell property acquired from the Estate of Eugenia Williams. He said the University has not found a practical use for this property after many years and multiple studies. Trustee Compton said the range of appraised values based on the extent to which the original intent of the gift is changed is narrow enough that the President should be given the discretion to decide what restrictions would be placed on use of the property. A member moved that the Committee recommend adoption of the Resolution in the meeting materials to authorize filing the *cy pres* action in Knox County Chancery Court and to authorize the President to determine any restrictions on use of the property considering the factors stated in the Resolution. The motion was seconded, and the Chair called for any questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

### **IX. Authorization to Execute a Nonjudicial Settlement Agreement and Purchase and Sale Agreement with respect to UT's Beneficial Interest in Certain Trust Property**

Mr. Miller explained that the University is the primary remainder beneficiary of the use of approximately 394 acres of farm property in Sumner County currently held in trust. Under the terms of the trust, the University would never hold title to the property, only beneficial use of the property for agricultural experimentation. In addition, there are two other remainder beneficiaries in the event the University chooses not to use the property for agricultural experimentation. The trustee has proposed to sell the property for a large commercial development that would be supported with a significant state and county investment. The sale would require court approval of what is known as a "nonjudicial settlement agreement" between all of the parties and the State Attorney General. Under the currently proposed agreement, the University would receive \$2.9 million (which is the appraised value of the property for agricultural use) for the benefit of the Institute of Agriculture. The proposed agreement specifies that the University must use the sale proceeds to support agricultural experimentation. Mr. Miller said other sites for the commercial development are under consideration, and therefore the deal may not be consummated. A member moved that the



Committee recommend adoption of the Resolution in the meeting materials to authorize the Chief Financial Officer to execute the nonjudicial settlement agreement and the purchase and sale agreement subject to the terms and conditions stated in the Resolution. The motion was seconded, and the Chair called for any questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

#### **X. UTC Voluntary Retirement Incentive Plan**

Mr. Miller advised that UTC and other units have administered a voluntary retirement incentive plan in the past. Like the last plan offered by UTC, the proposed plan offers eligible employees six months' salary upon early retirement but specifies that the University must agree to the early retirement. The savings are achieved by holding the position vacant or filling it at a lower pay rate. The maximum potential payout for 136 eligible participants is \$5.5 million. Under the last plan, approximately 24% of eligible employees took advantage of the plan. A member moved that the Committee recommend adoption of the Resolution in the meeting materials to approve the UTC voluntary retirement incentive plan. The motion was seconded, and the Chair called for any questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

#### **XI. Revisions to the Board of Trustees Policy Statement on Travel**

Mr. Miller presented proposed revisions to the Board policy statement on travel, explaining that the major revision authorizes the issuance of travel cards to employees. The policy currently allows only reimbursement of expenses or travel advances (usually in cash). He called the Committee's attention to the meeting materials outlining the safeguards of the proposed travel card program and said the campus chief business officers made a written report of support for the program. He emphasized that implementing the program will improve internal controls with respect to travel. A member moved that the Committee recommend adoption of the Resolution in the meeting materials to approve proposed revisions to the Board of Trustees Policy Statement on Travel. The motion was seconded, and the Chair called for any questions or discussion. Hearing none, the Chair called for a voice vote, and the motion passed unanimously.

#### **XII. CFO's Report on the Committee's Strategic Priorities**

Mr. Miller reviewed the strategic priorities identified by the Committee at the last meeting: UT Martin five-year financial plan; key performance indicators (KPI); continued focus on tuition and affordability, including net tuition metrics; sensitivity analysis on major drivers; and long-range planning (budget scenarios for five to ten years). Concerning the UT Martin five-year financial plan, he said it will include both academic and financial metrics because the financial plan is inextricably linked to the enrollment plan. Immediate financial needs are being addressed by sharing costs with UT Martin on specific initiatives. One of the investments UT Martin chose to make was to retain an enrollment planning consultant to assist



in developing an enrollment plan. Chancellor Carver's team is revising the recruiting process, realigning organizational responsibilities, and determining where recruiters would be the most effective. These steps are being taken immediately while developing a five-year plan for a stable ongoing future. Trustee Compton asked that Chancellor Carver report on UT Martin's five-year financial plan at the next meeting.

On key performance indicators, Mr. Miller said he has researched metrics for financial reporting by other universities and systems. Based on that research, financial KPI's will be linked to academic performance metrics and the strategic plan.

### **XIII. Committee Discussion of Agenda Items for Future Meetings**

In response to the Chair's request for any agenda items for the next meeting, Trustee Compton reiterated his request for a presentation of budget reduction scenarios.

### **XIV. Consent Agenda**

The Chair called the Committee's attention to the Consent Agenda and asked if there were any requests to remove an item from the agenda. There being none, a member moved that:

1. Minutes of the March 1, 2019 meeting of the Finance and Administration Committee be approved as presented in the meeting materials, with authorization for the Secretary to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified; and
2. Resolutions presented in the meeting materials for the action items on the Committee Consent Agenda be recommended for adoption by the Board of Trustees.

The motion was seconded and passed unanimously.

### **XV. Other Business** (none brought to the Chair's attention prior to the meeting)

### **XVI. Adjournment**

There being no other business to come before the Committee, the Chair adjourned the meeting.

Respectfully Submitted,

  
Catherine S. Mizell, Secretary