AGENDA

I. Call to Order and Opening Remarks

II. Roll Call

III. Requests to Address the Board (if appropriate for this committee)

IV. CFO’s Report on the Committee’s Strategic Priorities
   A. Key Performance Indicators — Information ............................................ Tab 1

V. UT Martin Strategic Financial Plan — Information ........................................ Tab 2

VI. Plan for Implementation of TEAM Project Recommendations — Information ...... Tab 3

VII. Analysis of the Enterprise Resource Planning System — Information ............... Tab 4

VIII. Acquisition of Office Space by Sub-easement — Action .............................. Tab 5

IX. FY 2020-21 Operating Budget Appropriations Request for Specialized Units — Action .... Tab 6

X. Annual Report of Tuition and Fee Revenues, Academic Year 2018-19 — Action ........ Tab 7

XI. FY 2019 Report on Endowment Investment Performance — Information ............... Tab 8

XII. Agenda Items for Future Meetings — Discussion

XIII. Consent Agenda .................................................................................................................. Tab 9

Action Items

A. Minutes of the Last Meeting .......................................................................................... Tab 10
B. Authorization for Check Signatures ................................................................................. Tab 11
C. Corporate Authorization to Transfer Securities ............................................................... Tab 12
D. Statement of Treasury Policy ........................................................................................... Tab 13
E. FY 2019 Annual Flight Operations Report ....................................................................... Tab 14
F. Acquisition of Property by Gift for Institutional Use ....................................................... Tab 15
G. Grant of Easement to St. John’s Episcopal Church .......................................................... Tab 16
Information Items
H. Fiscal Year 2019 Report on Year-End Fund Balances ..........................................................Tab 17
I. Report on Use of Differential Tuition Funds at UTC ...........................................................Tab 18
J. Report on Use of Differential Tuition Funds at UTK ..........................................................Tab 19

XIV. 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.]

XV. Adjournment
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: Key Performance Indicators
Type: Information
Presenter: David L. Miller, Chief Financial Officer

The attached materials are presented to contribute to the body of financial reports periodically provided to the Board of Trustees. This set of tables provides details comparing fall 2018 to fall 2019 in terms of enrollment, revenue, expenditures, scholarships, and employees.

The percent change from fall 2018 to 2019 includes the following highlights:

- Undergraduate enrollment (FTE) 1.4%
- Scholarships 5.1%
- Tuition and fee revenue 3.5%
- State appropriations 6.8%
- Auxiliary enterprises revenue 4.0%
- Unrestricted E&G expenditures 4.1%
- Expenditure per student 4.5%
## UT System Key Performance Indicators (KPIs)
### First Quarter of FY 2019-20 (July 1 through September 30)

<table>
<thead>
<tr>
<th>Student &amp; HR KPIs</th>
<th>Year-to-Year Comparisons</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STUDENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergrad. Enrollments (FTE)</td>
<td>Fall 2018</td>
<td>Fall 2019</td>
</tr>
<tr>
<td></td>
<td>36,990</td>
<td>37,513</td>
</tr>
<tr>
<td>Grad./Prof. Enrollments (FTE)</td>
<td>9,136</td>
<td>9,379</td>
</tr>
<tr>
<td>Fresh-Soph Retention</td>
<td>81.2%</td>
<td>80.9%</td>
</tr>
<tr>
<td>New Freshmen</td>
<td>8,613</td>
<td>8,724</td>
</tr>
<tr>
<td>New Transfers</td>
<td>2,970</td>
<td>2,989</td>
</tr>
<tr>
<td>New Grad./Prof. Students</td>
<td>3,220</td>
<td>3,309</td>
</tr>
<tr>
<td>Scholarships/Fellowships (All Funds)</td>
<td>$141,450,570</td>
<td>$148,722,357</td>
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<tr>
<td>Scholarships/Fellowships per Student</td>
<td>$3,067</td>
<td>$3,172</td>
</tr>
<tr>
<td><strong>HUMAN RESOURCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2017-18</td>
<td>FY 2018-19</td>
<td></td>
</tr>
<tr>
<td>Regular employees (Aug 1)</td>
<td>12,881</td>
<td>12,555</td>
</tr>
<tr>
<td>New hires</td>
<td>1,696</td>
<td>1,709</td>
</tr>
<tr>
<td>Terminations</td>
<td>1,419</td>
<td>1,478</td>
</tr>
<tr>
<td>Faculty/staff turnover</td>
<td>11.53%</td>
<td>11.85%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial KPIs</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Quarter Comparison</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UNRESTRICTED REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>$ 383,257,664</td>
<td>$ 396,791,090</td>
</tr>
<tr>
<td>Tuition/Fee Revenue per Student</td>
<td>$8,309</td>
<td>$8,462</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>149,072,426</td>
<td>159,217,391</td>
</tr>
<tr>
<td>Other</td>
<td>36,213,192</td>
<td>35,281,350</td>
</tr>
<tr>
<td><strong>Subtotal: E&amp;G</strong></td>
<td>$ 568,543,282</td>
<td>$ 591,289,831</td>
</tr>
<tr>
<td>Residence Halls</td>
<td>43,916,213</td>
<td>45,490,930</td>
</tr>
<tr>
<td>UTK Athletics</td>
<td>37,260,143</td>
<td>38,970,892</td>
</tr>
<tr>
<td>Bookstores</td>
<td>9,647,746</td>
<td>9,993,074</td>
</tr>
<tr>
<td>Parking</td>
<td>6,996,176</td>
<td>7,406,739</td>
</tr>
<tr>
<td>Other (dining, arena, etc.)</td>
<td>5,399,673</td>
<td>5,507,153</td>
</tr>
<tr>
<td><strong>Subtotal: Auxiliary Enterprises</strong></td>
<td>$ 103,219,951</td>
<td>$ 107,368,788</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$ 671,763,233</td>
<td>$ 698,658,619</td>
</tr>
</tbody>
</table>

| **UNRESTRICTED EXPENDITURES**             |                          |        |
| Instruction                               | $ 114,934,870            | $ 116,780,126 | 1.6% |
| Research                                  | 27,752,735               | 28,993,821 | 4.5% |
| Public Service                            | 21,038,294               | 18,628,147 | -11.5% |
| Academic Support                          | 42,403,363               | 47,542,291 | 12.1% |
| Student Services                          | 23,540,906               | 24,834,662 | 5.5% |
| Institutional Support                     | 47,934,362               | 48,201,754 | 0.6% |
| Op/Maint Physical Plant                   | 34,475,420               | 36,638,641 | 6.3% |
| Scholarships/Fellowships (Institutional Funds) | 55,989,231            | 61,605,908 | 10.0% |
| **Subtotal: E&G**                         | $ 368,069,180            | $ 383,225,350 | 4.1% |
| Auxiliary Enterprises                     | 48,252,066               | 59,162,929 | 22.6% |
| **TOTAL**                                 | $ 416,321,246            | $ 442,388,279 | 6.3% |

| **Expenditure per Student**                |                          |        |
|                                          | $ 59,026                  | $ 59,434 | 4.5% |
The University of Tennessee at Martin is presenting the initial component of a five-year strategic financial plan. The initial plan highlights five enrollment scenarios and the estimated financial impact. The presentation includes best, likely high, likely low, zero growth, and worst case scenarios. The associated net revenue projections range from an increase of over $17 million to a decrease of more than a $6 million during fiscal years 2020-21 through 2024-25.

The presentation illustrates key performance indicators such as average tuition revenue, total net tuition revenue, and tuition discount rate. It also demonstrates the freshmen, transfer, and graduate enrollment yield rates for fall 2016 through fall 2019 terms. Essential investments are identified for positions, contracts, and support to supplement the operation as the campus transitions into an improved financial position. The return on investment is outlined for key positions.

The information presented outlines the current enrollment plans for the Martin campus as it embarks upon development of a strategic enrollment plan advised by a Ruffalo Noel Levitz (RNL) consultant. The nine-month process will chart a plan for enrollment populations and programs to pursue during the next five years. The five-year strategic enrollment plan will be provided to the Board upon its completion.
UT Martin Strategic Enrollment Planning Report

Nov. 8, 2019
VIDEO SLIDE
UT Martin
Full-Time Enrollment 5-Year Increases by Scenario

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Increase from F19 to F24</th>
<th>Y1 New FTFY</th>
<th>Annual FTFY Increase</th>
<th>Y1 New Transfers</th>
<th>Annual Transfer Increase</th>
<th>New Graduate Students</th>
<th>Annual Graduate Increase</th>
<th>FTFY Y1-Y2 Retention</th>
<th>In-State Net Revenue Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best</td>
<td>2,716</td>
<td>1,300</td>
<td>8%</td>
<td>425</td>
<td>8%</td>
<td>200</td>
<td>10%</td>
<td>78%</td>
<td>$17,326,800</td>
</tr>
<tr>
<td>Modest growth</td>
<td>1,039</td>
<td>1,175</td>
<td>3%</td>
<td>425</td>
<td>3%</td>
<td>175</td>
<td>3%</td>
<td>75%</td>
<td>$6,671,300</td>
</tr>
<tr>
<td>Worst</td>
<td>-573</td>
<td>975</td>
<td>-2%</td>
<td>350</td>
<td>-2%</td>
<td>125</td>
<td>-2%</td>
<td>70%</td>
<td>$(6,212,900)</td>
</tr>
</tbody>
</table>
# UT Martin
## Best Scenario

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY21 to FY25 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Net Revenue Increase</td>
<td>$103,500</td>
<td>$3,179,400</td>
<td>$3,173,000</td>
<td>$3,369,400</td>
<td>$3,663,200</td>
<td>$3,941,800</td>
<td>$17,326,800</td>
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<tr>
<td>Expense:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary and Benefits</td>
<td>$1,019,000</td>
<td>$1,210,700</td>
<td>$1,190,800</td>
<td>$1,237,500</td>
<td>$1,430,900</td>
<td>$1,531,400</td>
<td>$6,734,800</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$1,015,000</td>
<td>$1,292,600</td>
<td>$188,600</td>
<td>$144,900</td>
<td>$151,500</td>
<td>$158,400</td>
<td>$1,802,500</td>
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<tr>
<td>Contracts</td>
<td>$646,000</td>
<td>$335,000</td>
<td>$875,000</td>
<td>$225,000</td>
<td>$225,000</td>
<td>$225,000</td>
<td>$1,885,000</td>
</tr>
<tr>
<td>Operating</td>
<td>$189,000</td>
<td>$341,100</td>
<td>$344,300</td>
<td>$447,800</td>
<td>$451,400</td>
<td>$530,000</td>
<td>$2,114,600</td>
</tr>
<tr>
<td>Total Expense Increase</td>
<td>2,869,000</td>
<td>3,179,400</td>
<td>2,598,700</td>
<td>2,055,200</td>
<td>2,258,800</td>
<td>2,444,800</td>
<td>12,536,900</td>
</tr>
<tr>
<td>Total Surplus/(Deficit)</td>
<td>(2,765,500)</td>
<td>-</td>
<td>574,300</td>
<td>1,314,200</td>
<td>1,404,400</td>
<td>1,497,000</td>
<td>4,789,900</td>
</tr>
<tr>
<td>Breakeven</td>
<td>2,869,000</td>
<td>3,179,400</td>
<td>2,598,700</td>
<td>2,055,200</td>
<td>2,258,800</td>
<td>2,444,800</td>
<td></td>
</tr>
</tbody>
</table>
UT Martin
Modest Growth Scenario

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY21 to FY25 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Net Revenue Increase</td>
<td>$103,500</td>
<td>$1,886,000</td>
<td>$1,422,100</td>
<td>$1,166,500</td>
<td>$1,077,000</td>
<td>$1,119,700</td>
<td>$6,671,300</td>
</tr>
<tr>
<td>Expense:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary and Benefits</td>
<td>$1,019,000</td>
<td>$868,400</td>
<td>$615,000</td>
<td>$659,500</td>
<td>$775,300</td>
<td>$671,300</td>
<td>$3,589,500</td>
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<tr>
<td>Scholarships</td>
<td>$910,000</td>
<td>$1,185,500</td>
<td>$944,800</td>
<td>$473,800</td>
<td>$277,300</td>
<td>$277,900</td>
<td>$3,159,300</td>
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<tr>
<td>Contracts</td>
<td>$646,000</td>
<td>$335,000</td>
<td>$685,000</td>
<td>$650,100</td>
<td>$523,900</td>
<td>$414,700</td>
<td>$2,608,700</td>
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<tr>
<td>Operating</td>
<td>$294,000</td>
<td>$223,200</td>
<td>$456,800</td>
<td>$341,000</td>
<td>$350,700</td>
<td>$360,500</td>
<td>$1,732,200</td>
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<tr>
<td>Total Expense Increase</td>
<td>$2,869,000</td>
<td>$2,612,100</td>
<td>$2,701,600</td>
<td>$2,124,400</td>
<td>$1,927,200</td>
<td>$1,724,400</td>
<td>$11,089,700</td>
</tr>
<tr>
<td>Total Surplus/(Deficit)</td>
<td>$(2,765,500)</td>
<td>$(726,100)</td>
<td>$(1,279,500)</td>
<td>$(957,900)</td>
<td>$(850,200)</td>
<td>$(604,700)</td>
<td>$(4,418,400)</td>
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<tr>
<td>Breakeven</td>
<td>$2,869,000</td>
<td>$2,612,100</td>
<td>$2,701,600</td>
<td>$2,124,400</td>
<td>$1,927,200</td>
<td>$1,724,400</td>
<td></td>
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</table>
## UT Martin
### Worst Scenario

<table>
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<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 21 to FY25 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projected Net Revenue Increase</strong></td>
<td>$103,500</td>
<td>$(280,300)</td>
<td>$(1,010,400)</td>
<td>$(1,645,900)</td>
<td>$(1,870,200)</td>
<td>$(1,406,100)</td>
<td>$(6,212,900)</td>
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<td><strong>Expense:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary and Benefits</td>
<td>$1,019,000</td>
<td>$771,900</td>
<td>$1,285,400</td>
<td>$1,685,200</td>
<td>$2,059,000</td>
<td>$2,420,300</td>
<td>$8,221,800</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$1,015,000</td>
<td>$1,292,600</td>
<td>$1,405,700</td>
<td>$1,524,400</td>
<td>$1,649,000</td>
<td>$1,779,800</td>
<td>$7,651,500</td>
</tr>
<tr>
<td>Contracts</td>
<td>$646,000</td>
<td>$336,000</td>
<td>$971,000</td>
<td>$971,000</td>
<td>$971,000</td>
<td>$971,000</td>
<td>$4,220,000</td>
</tr>
<tr>
<td>Operating</td>
<td>$189,000</td>
<td>$117,600</td>
<td>$345,900</td>
<td>$124,400</td>
<td>$128,000</td>
<td>$131,700</td>
<td>$847,600</td>
</tr>
<tr>
<td><strong>Total Expense Increase</strong></td>
<td>$2,869,000</td>
<td>$2,518,100</td>
<td>$4,008,000</td>
<td>$4,305,000</td>
<td>$4,807,000</td>
<td>$5,302,800</td>
<td>$20,940,900</td>
</tr>
<tr>
<td><strong>Total Surplus/(Deficit)</strong></td>
<td>$(2,765,500)</td>
<td>$(2,798,400)</td>
<td>$(5,018,400)</td>
<td>$(5,950,900)</td>
<td>$(6,677,200)</td>
<td>$(6,708,900)</td>
<td>$(27,153,800)</td>
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<tr>
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<td>$2,869,000</td>
<td>$2,798,400</td>
<td>$5,018,400</td>
<td>$5,950,900</td>
<td>$6,677,200</td>
<td>$6,708,900</td>
<td></td>
</tr>
</tbody>
</table>
New Investments

Retention Specialist
$107,400

Videographer
$60,500

Out-of-State Recruiter
$45,700

Equity and Diversity Professional Assistance
$89,900

Director of Financial Aid
$107,400

Mental Health Assistance Enhancement
$50,000

Scholarships including UT Promise
$1,160,000

Enrollment Management Contract with EAB
$500,000

Strategic Enrollment Planning Contract with RNL
$96,000
Return on Investment

- Retention Specialist: 58%
- Videographer: 63%
- Out-of-State Recruiter: 116%
- Director of Financial Aid: 955%
Questions?
In early 2019, Interim President Randy Boyd announced the creation of the Task Force on Effective Administration and Management (TEAM) to clarify the roles and responsibilities between the University of Tennessee system administration and the campuses and institutes it serves. The initiative was one of his six priorities. The Task Force explored five departments within the functional expenditure category known as Institutional Support:

- Capital Projects
- Communications and Marketing
- Human Resources
- Information Technology
- Procurement and Contracting

The system administration engaged Deloitte Consulting to assist the Task Force and five working groups in evaluating potential areas for improvement. The Phase I report was presented to the Board of Trustees at the June 2019 meeting and is posted on the UT website at [https://tinyurl.com/y5ql6k8v](https://tinyurl.com/y5ql6k8v). The following pages provide an update on the status of each working group’s recommendations.

Deloitte Consulting was retained to make further detailed recommendations based on industry best practices for efficiency and effectiveness in large multi-institution organizations in the areas of human resources, information technology, and procurement. The final report contains recommendations for organizational structure, where investments may be warranted, and where savings may be achieved.

A summary of this Phase II report follows the working group updates. The full report from Deloitte is in the F&A Appendix at Tab 1 (Business Case) and Tab 1.1 (Operating Framework). Consultants Scott Friedman, Principal, and Kim Dunham, Manager of Strategy and Operations, will present the Deloitte recommendations.
### Capital Projects – Working Group - Prioritization of Working Group Recommendations

#### Recommendations that can be implemented within the UT System

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Action to be Taken</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP2 Increase campus/unit office involvement in Construction Services Process</td>
<td>1</td>
<td>Office of Capital Projects (OCP) to revise project close-out checklist to include campus sign-off.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>close-out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP3 Increase campus/unit office involvement in Team Evaluations</td>
<td>2</td>
<td>OCP Project Managers will include campus representatives on evaluations.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>CP10 Revise the Conflict of Interest form to define what is allowable context</td>
<td>3</td>
<td>OCP will consult with Audit and Compliance and General Counsel.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>for bidders to know</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP1 Increase system administration role in supporting campus/unit offices on</td>
<td>4</td>
<td>OCP will schedule monthly and/or quarterly meetings with campuses to discuss strategies and needs.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>State Building Commission approvals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP8 Implement a project management system with automated and standardized</td>
<td>5</td>
<td>OCP exploring software systems to determine capabilities and estimated cost.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>processes rather than manual workflows and spreadsheets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP9 Implement a standardized project reporting framework</td>
<td>6</td>
<td>See action on CP8.</td>
<td></td>
</tr>
<tr>
<td>CP12 Design a risk management process with appropriate mechanisms to identify</td>
<td>7</td>
<td>This action was recommended by the consultant.</td>
<td></td>
</tr>
<tr>
<td>, quantify and mitigate potential conflicts and issues</td>
<td></td>
<td>OCP will work with campuses to determine if this action is needed.</td>
<td></td>
</tr>
</tbody>
</table>

#### Recommendations that will require State Approval/Involvement -

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Action to be Taken</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP4 Submit recommendations to modify capital outlay, maintenance, and lease</td>
<td>1</td>
<td>UT Interim President to discuss with state.</td>
<td>Initial discussion held.</td>
</tr>
<tr>
<td>disposal approval thresholds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP5 Clarify definitions of capital outlay vs maintenance projects</td>
<td>2</td>
<td>OCP has developed definitions.</td>
<td>Sent to campuses and Office of State Architect for review.</td>
</tr>
<tr>
<td>CP6 Submit recommendations to revise the matching fund percentage requirement</td>
<td>3</td>
<td>UT Interim President/OCP to discuss with THEC.</td>
<td>Future</td>
</tr>
<tr>
<td>and sources that can be used to fulfill this requirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP7 Implement a system in conjunction with the state to streamline,</td>
<td>4</td>
<td>Will require coordination between UT, THEC, F&amp;A, and OSA.</td>
<td>Future</td>
</tr>
<tr>
<td>standardize, and automate the project approval process and flow of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP11 Revise the existing designer selection process for minor projects.</td>
<td>5</td>
<td>TBD</td>
<td>Future</td>
</tr>
</tbody>
</table>
## Communications and Marketing – Working Group: Prioritization of Working Group Recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Action to be Taken</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CM4 Review public records request policies and procedures and identify any potential change recommendations.</td>
<td>1</td>
<td>UT System Office of Communications and Marketing (SOCM) is piloting a shared records request intake model for UTIA, IPS, UTM and UTHSC. UTC and UTK opted to manage requests at the campus level. SOCM is finalizing a contract with a vendor for a portal that will standardize the intake process and establish standards to be used systemwide.</td>
<td>Complete</td>
</tr>
<tr>
<td>CM7 Share innovative ideas and risks/failures across the system at biannual in-person communications meetings with campus communicators.</td>
<td>2</td>
<td>SOCM facilitates discussions among all campuses/institutes biannually. Next discussion Nov. 13, 2019. SOCM also conducts a survey among campus/institute colleagues every six months to identify training opportunities re risks/failures.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>CM6 Conduct an annual communications strategic planning workshop to define collaborative communications activities.</td>
<td>3</td>
<td>First workshop held June 5, 2019; follow-up session Nov. 13-14. Workshop will be held each year during existing gathering of campus/institute colleagues.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>CM1 Select an annual communications theme that is reinforced throughout the year by various communications stakeholders and media across the system.</td>
<td>4</td>
<td>Discussion scheduled for Nov. 13, 2019, to finalize plans for executing 2020 communications theme. Themes will be added to system/campus strategic communications and marketing plans each year.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>CM9 Clarify or develop further guidance regarding information transparency and preservation standards.</td>
<td>5</td>
<td>SOCM is developing best practices to share with campus/institute colleagues Nov. 13, 2019.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>CM2 Gain clarity on the distinctive brand identity and key representatives for the Knoxville campus versus the system administration.</td>
<td>6</td>
<td>SOCM facilitated a workshop Aug. 15-16, 2019. Campuses/institutes reviewed/revised visual identities (wordmarks) and brand statements articulating roles within the system. Plans will be presented to the One UT Leadership team.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>CM11 Explore opportunities for common resource sharing, including technology and contracts.</td>
<td>7</td>
<td>SOCM facilitated a discussion June 5, 2019. Ideas—ranging from centralized contracting with media buyers, stock photography and music (for video) subscriptions to centralized lists of recommended vendors—are being explored. Next steps will be discussed Nov. 13, 2019.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>CM3 Establish standards of terminology and references to individual campuses, institutes and the system.</td>
<td>8</td>
<td>SOCM is reviewing and revising current system-level brand, graphic identity and editorial style guidelines with input from One UT Leadership team, campuses/institutes. Plans will be presented to the One UT Leadership team.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>CM8 Streamline public record request processes by enhancing system communications and coordination.</td>
<td>9</td>
<td>SOCM is working with a third-party provider to implement a central online portal for all public records requests to allow for tracking, coordination and streamlining response efforts. The system will be available for use by all campuses/institutes.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>CM5 Expand professional development programming to include external opportunities including conferences and industry associations.</td>
<td>10</td>
<td>SOCM will draft a proposal—with required funding—for expanding programming to conferences and outside speakers. In the interim, SOCM purchased the Ragan Professional Development Library for use by campus/institute colleagues.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>CM10 Establish strategic community relations functions at all campuses/institutes (where such a function does not exist) and at the system level in order to achieve key organization goals within the strategic plan.</td>
<td>11</td>
<td>SOCM will conduct an audit to determine which campuses/institutes have dedicated community relations positions as well as the scopes of work, reporting structures, goals and measures of success. Findings will drive next steps.</td>
<td>January 2020</td>
</tr>
<tr>
<td>CM12 Conduct a shared audience research initiative.</td>
<td>12</td>
<td>SOCM would like to re-administer the March 2018 Public Opinion Awareness study among Tennesseans, in coordination with campuses/institutes. Budget approval will be needed to proceed.</td>
<td>March 2021</td>
</tr>
</tbody>
</table>
### Human Resources Working Group – Prioritization of Recommendations

<table>
<thead>
<tr>
<th>Priority</th>
<th>Action Item(s)</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR 3</td>
<td>Explore existing employee engagement tools and determine objectives and how to administer activities for each local unit</td>
<td>December 2019, January 2020</td>
</tr>
<tr>
<td></td>
<td>Collect information on what each campus/institute is doing as it relates to engagement activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Determine if we want to have a system-wide engagement tool/strategy or if it makes sense to keep this campus/institute level</td>
<td></td>
</tr>
<tr>
<td>HR 7</td>
<td>Formalize leadership development succession planning practices across the system</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Using the tools developed for succession planning by the system, identify campuses/institutes to train and implement the current tools.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Check with campuses/institutes on what other tools might be employed.</td>
<td></td>
</tr>
<tr>
<td>HR 9</td>
<td>Develop system-level resources to support training curriculum development, instructional design, and training system needs</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Train Campus Level Administrators to manage K@TE training system-wide</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Determine through TAG survey and meetings what system-wide training we can leverage to support everyone more effectively</td>
<td></td>
</tr>
<tr>
<td>HR 10</td>
<td>Implement electronic time reporting process across the system.</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Continue implementation of electronic time reporting across the system. Complete rollout to all campuses/institutes.</td>
<td></td>
</tr>
</tbody>
</table>

Remaining Priorities will addressed when the next Chief Human Resources Officer is on board and through the ERP planning and implementation process.

- HR-1 Codify and document resources available to employees for all HR areas.
- HR-4 Continued dedicated attention at the system level to equity and diversity, including ensuring that resources are easily accessible.
- HR-5 As part of the ERP initiative, standardize the transactional parts of the employee onboarding electronic processes.
- HR-6 Codify standard data entry practices for all systems.
- HR-8 Develop resources for managers who create job descriptions using similar language of tasks for similar positions in the new ERP.
- HR-11 Invest greater resources into system-wide analytic capabilities, including dashboard drilling down to unit views.
- HR-12 Explore organizational alignments and functions to enhance collaboration among the system and local units.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Action to be Taken</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT 6  Active Directory, Identity Management, and Authentication Initiative</td>
<td>1</td>
<td>Consolidate into a single AD to streamline identity management processes.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>IT 8  Security Standards and Policies Initiative</td>
<td>2</td>
<td>Work towards compliance with newly adopted security standards and policies.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>IT 5  Data Governance Initiative</td>
<td>3</td>
<td>Modify policy to identify Information Owners of data access approach.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>IT 12 Pre-ERP Planning Initiative</td>
<td>4</td>
<td>Evaluate ERP market, identify readiness consultant, perform readiness analysis.</td>
<td>In-Progress</td>
</tr>
<tr>
<td>IT 1  IT / Business Mission Alignment</td>
<td>5</td>
<td>Convene CIO/CBO forum to identify and prioritize most pressing system-wide business issues for IT.</td>
<td></td>
</tr>
<tr>
<td>IT 7  Business Intelligence and Reporting Initiative</td>
<td>6</td>
<td>Revisit BI Strategy developed by BI CoP.</td>
<td></td>
</tr>
<tr>
<td>IT 10 Network and Infrastructure</td>
<td>7</td>
<td>Review policies, standards, capabilities, and existing architecture across campuses and institutes, develop system-wide strategy.</td>
<td></td>
</tr>
<tr>
<td>IT 3  Strategic Planning</td>
<td>8</td>
<td>Identify system level priorities and plans for implementation across campuses including establishment of governance structure.</td>
<td></td>
</tr>
<tr>
<td>IT 9  Cloud Migration and Management Strategy</td>
<td>9</td>
<td>Develop systemwide cloud strategy and framework, identify cloud migration opportunities.</td>
<td></td>
</tr>
<tr>
<td>IT 2  Formalize IT Governance Structure</td>
<td>10</td>
<td>Determine roles and charges of existing groups, retire or establish groups as necessary based on results of other recommendations.</td>
<td></td>
</tr>
<tr>
<td>IT 4  IT Talent Budget</td>
<td>11</td>
<td>Ensure campuses have funding to hire/retain IT talent and establish career ladders.</td>
<td></td>
</tr>
<tr>
<td>IT 11 Academic and Instructional Technology</td>
<td>12</td>
<td>Identify portfolio of technology services and solutions that support the academic mission. Develop guiding principles, standards, and strategy for integrating across the system.</td>
<td></td>
</tr>
</tbody>
</table>
## Procurement and Contracts – Working Group Recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Action to be Taken</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC 1 Implement a Procurement Leadership Council that would comprise of campus and system procurement leadership who would gain consensus on motions</td>
<td>Establish procurement leadership council.</td>
<td>Future</td>
</tr>
<tr>
<td>PC 2 Provide system procurement leadership with more formal access to the system and institutional leadership – as a regular agenda item at the CBO meeting – to increase the visibility and influence of the procurement function</td>
<td>Add procurement as a regular item to the CBO meetings.</td>
<td>Future</td>
</tr>
<tr>
<td>PC 3 Clearly define guidelines for when a purchase order versus contract ought to be used – for example, purchase orders for goods and contracts for services</td>
<td>Revise FI0405.</td>
<td>Future</td>
</tr>
<tr>
<td>PC 4 Streamline procurement operations/data entry within a smaller group of dedicated experts</td>
<td>Unknown whether the University will implement.</td>
<td>Unknown</td>
</tr>
<tr>
<td>PC 5 Make finding and navigating online policy easier for departmental users</td>
<td>This was beyond the scope of Procurement and Contracts, but the UTSA ITS office has improved the policy website.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>PC 6 Provide greater levels of training to purchasing staff and develop a certificate program to ensure consistency and quality of staff and services</td>
<td>Identify or develop training and implement standard training across the system</td>
<td>Future</td>
</tr>
<tr>
<td>PC 7 Reduce departments’ abilities to buy outside of purchase orders</td>
<td>Restructure procurement process to reduce departments’ abilities to buy from vendors other than vendors that have established framework orders with UT</td>
<td>Unknown</td>
</tr>
<tr>
<td>PC 8 Implement feedback loops into the procurement process to improve the customer experience</td>
<td>Establish a standardized feedback process for procurement to reach out to end users</td>
<td>Ongoing and future</td>
</tr>
<tr>
<td>PC 9 Evaluate the current staff size and adjust staff, as needed</td>
<td>Add staff, where needed</td>
<td>Future</td>
</tr>
<tr>
<td>PC 10 Evaluate contract and PO signature policies and practices to streamline minor approvals</td>
<td>We can evaluate as part of the FI0405 revision, but this will impact FI0420</td>
<td>Future</td>
</tr>
<tr>
<td>PC 11 Update procurement policy to provide greater clarity, reduce procedural aspects, eliminate ambiguity</td>
<td>We will evaluate as part of the FI0405 rewrite</td>
<td>Future</td>
</tr>
<tr>
<td>PC 12 Standardize processes in each procurement and contract area</td>
<td>Establish standard processes in both areas, procurement and contracts</td>
<td>Future</td>
</tr>
</tbody>
</table>
University of Tennessee System
HR, IT & Procurement Roadmap | Presentation to the Board of Trustees
November 8, 2019
# Table of Contents

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<td>Key Observations</td>
<td>4</td>
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<tr>
<td>Operating Model Frameworks</td>
<td>7</td>
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<tr>
<td>Business Case Findings</td>
<td>11</td>
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<tr>
<td>Q&amp;A</td>
<td>15</td>
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</tbody>
</table>
Project Summary

• Moving forward from the findings of the President’s Task Force on Administrative Effectiveness, the University of Tennessee sought to pursue best-practice operating model frameworks for the Human Resources, Information Technology, and Procurement functions.

• The objectives of this next phase included:
  • To draft initial operating model frameworks, inspired by industry best-practice and informed by the outputs of the previous engagement
  • To develop a business case for the new operating models
  • To solicit perspectives from the Board of Trustees, System-level leadership, and campus leaders across the three functions to inform the operating model development process
  • As part of this effort, 29 stakeholders representing the Board of Trustees, system leadership and campus-level functional leaders were interviewed.
Key Observations
Key Themes and Observations

There were several key themes that emerged throughout the project that have informed the operating model framework development process and will be equally important moving forward.

- Decentralization, Duplication, and Underinvestment
- Dependency on “Heroes” not Process
- Insufficient University-level Governance and Oversight
- Generalist Staff Model and Limited Training Creates Skill Gaps
Key Themes and Observations (cont’d)

There were several key themes that emerged throughout the project that have informed the operating model framework development process and will be equally important moving forward.

- Legacy of Failed Coordination and Centralization Efforts
- Lack of Performance Metrics and Continuous Improvement
- Inconsistent Levels of Service Across Units
- Risks and Non-Compliance
Operating Model Frameworks
Wireframe Operating Models | **Division of Activity/Responsibility**

UT should seek to maximize what is done centrally, while acknowledging there are practical and strategic reasons for some activity to reside locally.

**System**
- Ubiquitous services that do not vary across the system
- Transactional activities that are best optimized in a standardized operation
- Activities that are administered for collective benefit of the whole system
- Activities that enable all campuses and institutes

**Local**
- Services that are unique to a campus or department
- High constituent-interaction activities that are specialized, complex, and variable among campuses and institutes
- Activities that are administered for the singular benefit of a specific campus, institute, or department

**Hybrid/Exception**
There may be practical and strategic justifications for departures from the system vs. local bifurcation of activities. Any hybrid structures (of shared activity/accountability) or exceptions to the framework should be founded on a clear benefit and be mutually agreed upon by both system and campus stakeholders.

**EXAMPLES**
- IT Security Strategy
- Requisition Processing
- Benefits Administration

- Student/Faculty HelpDesk
- Procurement Support
- Departmental HR Planning

- IT Applications
- Purchasing Category Management
Wireframe Operating Models | **Division of Activity/Responsibility**

**Illustrative Reporting Structures**

### Current State

John, Jane, Jack, and Jennifer are located in Martin and all report to the UT Martin HRO. They serve the HR needs of the UT Martin community only.

This reporting structure is organized by geography. All campuses and institutes have a parallel structure, creating redundant activities in each location.

### Future State

John, Jane, Jack, and Jennifer are located in Martin. Jennifer reports to the UT Martin HRO and serves only the Martin community. John, Jane, and Jack report to the leadership for their functional area and serve the entire UT System.

This reporting structure is organized by activity or function. Transactional and ubiquitous services are delivered by a common organization all campuses and institutes, streamlining activities across the system.
Future State Operating Model Frameworks

Operating model components are intended to outline sufficient information to enable the distributed leadership of the campuses to understand the future state and build out the detailed content. The wireframe operating model outlines the core features of the future state organization but leaves room for campus and institute input on key details.
Business Case Findings
For each of the three functional areas, a high level business case was developed to serve as the rationale for moving toward more strategic, standardized, and centralized operating models for HR, IT, and Procurement and Contracting.

For each business case, a variety of data sources and information were leveraged to create a hypothesis in support of the operating model transformation. In addition, the business case considered organizational staffing capacity and/or potential savings opportunities.

The business case output should be socialized with UT stakeholders and supplemented with additional analysis to confirm high-level hypotheses.

- Functional Area Benchmarking Surveys
- Individual Peer Benchmarking
- Analysis of University of Tennessee Provided Data
- Subject Matter Expert Input
- Interviews with University of Tennessee System, Campus, and Institute Stakeholders (Spring 2019, Summer 2019)
Compared to peers and industry benchmarks, the UT system staffing levels fall below the average for Information Technology organizations. Levels of staffing across domains vary widely from campus to campus. Underinvestment in IT is commonly observed at major public institutions in higher education and could diminish the competitiveness of institutions in attracting and retaining high quality faculty and students.

**Hypothesis:** The UT system has underinvested in IT. Strategic investments and a transformation of the operating model could result in improved service levels and quality, innovation, enhanced data quality and business intelligence, and risk mitigation. Operating model shifts and innovation could yield long-term gains in efficiency, effectiveness, and enterprise security.

High level benchmarking places the UT System below cross-industry medians and selected Higher Education peers for HR staffing metrics. In addition, estimated UT HR spending lags behind all-industry benchmark.

Recent trends show organizations investing in the HR organization by creating Communities of Expertise and transactional teams to optimize processing/administrative activities and enable local HR Business Partners to focus on more strategic work.

**Hypothesis:** the University of Tennessee system has underinvested in the HR organization. Targeted investment in a more centralized operating model could improve quality and consistency of employee experience, avoid compliance risk, attract/retain talent needed for the future, and prioritize strategic initiatives.

UT system staffing levels appear adequate for the existing operation. However, as systems mature, they can handle greater spend volume as staffing mix evolves to be weighted toward strategic procurement rather than transactional activity.

Underinvestment in Procurement qualifications and talent is commonly observed in higher education which places a challenge on coordinating system level strategy.

**Hypothesis:** Opportunities to better manage spend exist in focused and addressable categories accounting for $138M of UT spend. In higher education, center-led procurement operating models with an emphasis on strategic sourcing and category management have yielded savings in a conservative range of 3 to 5% in key categories.
UT System Operating Model Business Case | Additional Benefits of Transformation

By further defining and ultimately implementing the wireframe operating models, the University of Tennessee will position itself to accomplish the following:

**Rationalize and Invest in Technology**
- Rationalize reduction of duplicative applications to reduce support costs and improve data sharing
- Invest in modern technologies for core platforms and applications

**Define Services, Roles & Responsibilities**
- Establish clear roles and responsibilities between campuses and the system
- Define responsibilities at the staff level to ensure the right people are performing the right activities

**Enhance University Governance**
- Enhance existing or create new governance structures for each function
- Empower governance structures to make decisions and set priorities
- Establish stronger forums or communities of practice for knowledge sharing, best practices, and coordination

**Consolidate Transactional Processes**
- Explore ways to standardize high-volume, non-specialized administrative transactions across the system
- Reduce the time campus staff spend on transaction processing to allow them to focus on more mission-critical support for faculty and students

**Further Invest in University of Tennessee Staff**
- Enhance existing and create new training and development programs for staff to better support faculty and students
- Create clear paths for career development and growth within Units and across campus
- Find new ways to attract and retain talented staff

**Better Measure Performance**
- Define service levels and performance metrics within each function to measure performance
- Increase visibility on operational performance to both campus and system leadership
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: Analysis of the Enterprise Resource Planning System
Type: Information
Presenter: David L. Miller, Chief Financial Officer

The University of Tennessee implemented a systemwide enterprise resource planning (ERP) system in 2001 on a Systems Applications and Products (SAP) platform. The implemented software (called IRIS) has served UT very well in managing financial and payroll operations. However, the on-premise software will cease to be supported by SAP in 2025.

Leading ERP platform vendors are ending support of on-premise software in order to focus on developing state-of-the-art cloud-based systems. University staff have been researching the best practices available to facilitate this comprehensive transition. Staff have interviewed consulting experts, staff of other universities, higher education and information technology associations, and vendors about their transition experience.

Advanced cloud ERP systems offer complete packaged solutions to the full range of business operations. However, the systems are expensive to launch and involve high risks. The University leadership and staff will take an informed and cautious approach to planning. The first step was to engage a consultant with expertise in ERP planning. The Tambellini Group prepared a report to guide the initial planning steps and evaluate costs. A summary of the report follows, and the full report is in the F&A Appendix at Tab 2.

In early 2020 the University will engage a “readiness assessment” consultant to evaluate the state of financial and human capital management operations and how best to prepare for vendor selection and the transition to a cloud system.
Enterprise Resource Planning
ERP System
Path to Progress

THE UNIVERSITY OF TENNESSEE
The system’s **future technology modernization** may help to alleviate the pain points identified in the current state, but will require significant resources and staff focus to implement.

--Deloitte Consulting TEAM Report, June 2019

**MODERNIZATION PLANNING**

- Current SAP platform – IRIS
  - Financials – live in 2001
  - HR/Payroll – live in 2002
  - 8 subsequent upgrades

- Current SAP platform – end of life 2025

- New platform will be a cloud-based implementation
  - Even if SAP is the platform

- Enter the marketplace – Goals
  - Determine whether one integrated vendor solution is possible
    - Financials, HCM, and Student
  - Determine “best of breed” technology solutions

- Student Information System
  - Banner platform
  - Separate instances at each campus
Evolving Technology

- **1980s**: Landline voice
- **Early 2000s**: Mobile voice
- **2007 forward**: Voice, data, internet, camera
  - Android or iOS

You are here
Benefits of Change

• A single system of record across Finance, HR, and ultimately Student provides a single user experience and facilitates cross functional reporting.

• Ability to keep pace with the latest software updates and state of the art technology, such as artificial intelligence (AI), machine learning, and blockchain, with less complexity, risk and shorter implementation timelines.

• Realize the operational efficiencies of standardized industry-leading business processes across the UT System. UT will adapt its business processes to the selected software, not vice-versa.

• Provide a consistent, consumer-grade user experience that is accessible across devices (workstation, mobile, laptop, tablets) and available 24 x 7.

• Free IT from mundane tasks thereby allowing them to configure and deliver more impactful functionality to the University.

-THE TAMBELLINI GROUP, October 2019
## Licensing

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>On-Premise ERP</th>
<th>Cloud ERP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial licensing cost</td>
<td>Large up-front investment in 2001</td>
<td>None</td>
</tr>
<tr>
<td>Annual subscription fee</td>
<td>maintenance fee $1.2M for SAP ERP this year</td>
<td>Subscription fee $2.5M to $3.5M is typical</td>
</tr>
<tr>
<td>Operating System, databases</td>
<td>Enterprise licenses ($)</td>
<td>Included</td>
</tr>
<tr>
<td>Hardware replacement, Upgrades</td>
<td>Capital expenditure every 7 to 10 years</td>
<td>Included</td>
</tr>
<tr>
<td>Supporting software</td>
<td>Backup software, Disaster recovery contract, Monitoring, Security software</td>
<td>Included</td>
</tr>
</tbody>
</table>
## A Different Cost Structure

### Hardware/System Support Team

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>On-Premise ERP</th>
<th>Cloud ERP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backup and recovery of data</td>
<td>UTSA Basis Team (3 people)</td>
<td>Included</td>
</tr>
<tr>
<td>Operating system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Database patching</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Server upgrades</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting software</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Recovery</td>
<td>OIT Support plus UTSA Basis Team</td>
<td>Included</td>
</tr>
<tr>
<td></td>
<td>2 – 10 people part-time for 3 months</td>
<td></td>
</tr>
</tbody>
</table>
## A Different Cost Structure

### ERP Support Team

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>On-Premise ERP</th>
<th>Cloud ERP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERP System Configuration</td>
<td>Initial implementation costs Approximately $15M in 2001</td>
<td>Initial implementation costs $15M to $40M depending on scope</td>
</tr>
<tr>
<td>Enhancements to existing features and adding new features</td>
<td>IRIS Team configures, develops new functionality and coordinates change management and training</td>
<td>Baseline Included IRIS team coordinates new functionality, change mgmt. and training</td>
</tr>
<tr>
<td>Testing</td>
<td>IRIS Team coordinates with stakeholders: • Payroll, • Controllers Office, etc.</td>
<td>IRIS team coordinates or uses automated tool.</td>
</tr>
</tbody>
</table>
ERP Planning and Implementation

- January 2020 - June 2020
  Readiness Assessment

- Fall 2020 - End of 2020
  Vendor Selection
  Requirements
  Evaluation
  Selection

- Early 2021 - Mid 2022
  Configuration
  Implementation

Vendor + Implementation Partner = Success
QUESTIONS?
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: Acquisition of Office Space by Sub-easement
Type: Action
Presenter(s): David L. Miller, Chief Financial Officer

The system administration proposes to consolidate Knoxville area functions from multiple locations into the TVA East Tower, 400 W. Summit Hill Drive in Knoxville.

If approved by the Knox County Commission, TVA will grant an easement to Knox County for use of the entire 12-story building, and if approved by the Board of Trustees and the State Building Commission, Knox County will grant a sub-easement to the University for six (6) floors or approximately 105,554+/- square feet. The sub-easement will allow for the consolidation of system administration staff and possibly other UT entities to one location to create greater collaboration, synergy and efficiency; vacate a portion of the UT Conference Center for the Audiology and Speech Pathology move from Neyland Stadium; avoid temporarily relocating system administration staff for the renovation of Andy Holt Tower (AHT); and provide additional space for UT Knoxville in AHT. The system administration estimates that the cost of relocating to TVA East Tower [for 20 years] is about half of the cost of finding alternative rental space for personnel at UT Conference Center and performing necessary renovations to AHT.

The sub-easement would be granted for fifteen (15) years with five (5) options to extend for an additional five (5) years, each for a cumulative term of forty (40) years. The base rate would be $1.00 per square foot per year, escalated at 1% per year. In addition, the University would pay actual annual operating expenses estimated to be less than $5.00 per square foot in 2019. Approximately three hundred (300) parking spaces would be available at the Summer Place Garage. The space would require tenant improvements at the cost of approximately $125 or less per square foot. The sub-easement would contain terms that protect the University in the event that Knox County does not want to continue the easement past the initial term or if the TVA East Tower were sold.

The administration recommends approval of the proposed sub-easement in principle as outlined in the meeting materials and, upon approval by the Knox County Commission of the easement from TVA to Knox County, authorization for the Chief Financial Officer to move forward with negotiation of the necessary agreements, which would be submitted to
the Board or the Executive Committee for approval, after which they would be submitted to the State Building Commission for final approval before execution.

Committee Action

The Committee Chair will call for a motion to recommend adoption of the following Resolution by the Board of Trustees:

Resolved: The Board of Trustees approves in principle the proposed sub-easement from Knox County to the University of six (6) floors of office space in the TVA East Tower, 400 W. Summit Hill Drive, Knoxville, Tennessee; and

Further Resolved: Upon approval by the Knox County Commission of the easement from TVA to Knox County, the Board of Trustees authorizes the Chief Financial Officer to move forward with negotiation of the necessary agreements, which will be submitted to the Board or the Executive Committee for approval, after which the Chief Financial Officer shall submit the agreements to the State Building Commission for final approval prior to execution.
Each year the University has the opportunity to present a state appropriations budget request for improvement funding at its specialized units—the Health Science Center, Institute of Agriculture, Space Institute, Institute for Public Service, and System Administration. The Tennessee Higher Education Commission (THEC) formula funding model generates funding recommendations for the Chattanooga, Knoxville, and Martin campuses.

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 improvement request for FY 2020-21 follows this memorandum.

The Operating Budget Submission Guidelines approved by the Board of Trustees in June 2005 state that the Finance and Administration Committee shall review, approve, and recommend to the Board the improvement request submitted to THEC. To meet THEC deadlines, however, the request had to be submitted before the Fall Meeting of the Board. If the Board votes to change the request, the administration will be permitted to submit an amended request to THEC for consideration.

As requested by the Committee Chair, the requests and outcomes for the past four fiscal years appear in the table on the following page.

Committee Action

The Committee Chair will call for a motion to recommend adoption of the following Resolution by the Board of Trustees:

Resolved: The Board of Trustees approves the FY 2020-21 Operating Budget Appropriations Request for Specialized Units as presented in the meeting materials, which shall be attached to this Resolution after adoption, with authorization for the President and Chief Financial Officer to revise or add to these requests in response to (1) developments related to state funding priorities that may arise during the upcoming legislative session or (2) modified requests by the Chancellor/Vice President of a specialized unit.
## Specialized Unit Initiative Funding Requests
### FY 2016-17 through FY 2020-21

<table>
<thead>
<tr>
<th>FY</th>
<th>UT Request</th>
<th>THEC Recommendation</th>
<th>Actual Appropriations</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>$18,859,510</td>
<td>$4,353,500</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>$41,424,436</td>
<td>$1,400,000</td>
<td>-</td>
<td>Does not include $6M non-recurring received by UTK for the Bredesen Center, which was received through a different process.</td>
</tr>
<tr>
<td>2018-19</td>
<td>$6,299,872</td>
<td>$3,000,000</td>
<td>$860,000</td>
<td>Genomics Center (UTIA)</td>
</tr>
<tr>
<td>2019-20</td>
<td>$14,857,020</td>
<td>$4,849,600</td>
<td>-</td>
<td>Does not include $10M non-recurring received for campus safety, which was received through a different process.</td>
</tr>
<tr>
<td>2020-21</td>
<td>$16,095,400</td>
<td>$6,595,100</td>
<td>TBD</td>
<td>Does not include the request for general operating fund increases.</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$97,536,238</td>
<td>$20,198,200</td>
<td>TBD</td>
<td></td>
</tr>
</tbody>
</table>
The University requests additional appropriations for five priorities in its specialized units. Each proposal is summarized below and listed in priority order. Additional details on each can be found in the following pages. These requests do not include appropriations allocated to UTC, UTK, and UTM through the THEC funding formula or state funding for salary pools and fringe benefits inflation.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Specialized Units</th>
<th>Proposal Summaries</th>
<th>Amount Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Institute of Agriculture (UTIA)</td>
<td>Increases UTIA faculty salaries, which have fallen far behind the competition in surrounding states, and adds Extension agents to address the challenges of Tennessee's distressed rural counties. This funding is vital to the success of the recently announced strategic alignment between UTIA and UT Knoxville.</td>
<td>$ 6,595,000</td>
</tr>
<tr>
<td>2</td>
<td>Health Science Center (UTHSC)</td>
<td>Needed for unfunded cost increases experienced over several years related to a 13.7% increase in enrollment and the rapidly increasing costs of instructional technology in medicine. These costs include simulation center equipment replacement, information technology replacement and enhancement, library acquisition costs, growth in accreditation costs, and the operation and maintenance of new spaces required to accommodate higher enrollments.</td>
<td>$ 8,500,000</td>
</tr>
<tr>
<td>3</td>
<td>Institute for Public Service (UTIPS)</td>
<td>Expand IPS Center for Industrial Services assistance to Tennessee business &amp; industry. The program has a well-documented track record of supporting job growth and retention in Tennessee communities.</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>4</td>
<td>Institute for Public Service (UTIPS)</td>
<td>Increase jail management consulting and technical assistance to counties to address recidivism and reduce jail populations. Adds one public safety consultant and one consultant for inmate education and training.</td>
<td>$ 500,400</td>
</tr>
<tr>
<td>5</td>
<td>All Specialized Units</td>
<td>Funding for normal growth in non-personnel operating expenditures needed to sustain current specialized unit programs, services, and operations. Discussions are ongoing with THEC to determine a model to determine the amount of this funding for FY 2020-21 and future years.</td>
<td>TBD</td>
</tr>
</tbody>
</table>

TOTAL UT SPECIALIZED UNIT REQUESTS $ 16,095,400
FY 2020-21 Operating Budget Appropriations Request for Specialized Units

1. The University of Tennessee Institute of Agriculture (UTIA)
$6,595,000 recurring for competitive salaries and extension agents for distressed rural counties.

UTIA has identified several areas where additional funding is needed to more fully realize UTIA’s potential value to Tennessee. These needs are categorized into three levels ranging from a minimal level that is vital to sustaining UTIA’s current programs to more strategic levels required to fully support the needs of Tennessee agriculture and communities. The University of Tennessee formally requests the Tennessee Higher Education Commission (THEC) to include the “minimal level” in its recommendations for funding in FY 2020-21, which is described below. The full proposal with details of all three levels of funding needs, plus two critical non-recurring funding requests, follows this section as an attachment in order to provide context of the full scope of UTIA funding needs.

Minimal Level

Meeting our responsibility to the land-grant mission is tied directly to the professional quality of our faculty and staff, but we often find ourselves losing this talent to our competitors. No peer veterinary college pays its faculty less than UT. Over the past 5-8 years, we have found ourselves replacing roughly 10 of our existing 110-115 College of Veterinary Medicine faculty, annually. We are concerned we may be hiring the “best of the rest,” after our peers capture top talent. To improve our prospects of attracting and retaining the best scientific talents, and further our contributions to The University of Tennessee's goal of becoming a true comprehensive research-extensive institution, it is imperative that our salaries for research faculty also be increased to a level on par with other land-grant institutions. A compensation study conducted by Sibson (4/30/2019) indicates that $2.3M is needed to retain and recruit competitively with our veterinary college peers and $2.1 million is needed for research salaries. (It would require $1.0M just to meet the average faculty salary of our peer colleges. We suspect our staff salaries are also below those of our peer institutions by $1.3M.)

UT Extension plays a critical role in addressing the challenges found in Tennessee's distressed rural counties. An additional investment of $2.19 million to the UT Extension budget would allow UT Extension to provide at least one full-time UT Extension county agent in the 4-H, family and consumer sciences and agriculture and natural resources program area to the citizens of every county in Tennessee. The requested budget would support the hire of 32 additional county agents that would fully implement a three-county agent model in each of Tennessee’s 95 counties.
FY 2020-21 Operating Budget Appropriations Request for Specialized Units

2. The University of Tennessee Health Science Center (UTHSC)
$8,500,000 recurring for unfunded increases in operating expenditures.

The University of Tennessee Health Science Center provides academic instruction and encourages research exploration to improve human health through disciplines in Dentistry, Health Professions, Nursing, Medicine, and Pharmacy. The University intends to be the preeminent research and teaching university linking the people of Tennessee to the nation and the world. The campus is growing programs to meet these goals as shown in the table below of enrollment and degrees awarded over the past 6 years.

<table>
<thead>
<tr>
<th></th>
<th>Enrollment</th>
<th>Degrees Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>2,859</td>
<td>780</td>
</tr>
<tr>
<td>2014-15</td>
<td>2,976</td>
<td>858</td>
</tr>
<tr>
<td>2015-16</td>
<td>3,075</td>
<td>929</td>
</tr>
<tr>
<td>2016-17</td>
<td>3,097</td>
<td>942</td>
</tr>
<tr>
<td>2017-18</td>
<td>3,199</td>
<td>987</td>
</tr>
<tr>
<td>2018-19</td>
<td>3,280</td>
<td>1,014</td>
</tr>
</tbody>
</table>

Utilities: $1,000,000
With this growth, it is critical the campus maintain pace with increasing costs such as utilities and library acquisitions; which has been difficult over the past few years. The campus has implemented an energy management program that is showing some control over utility cost increases, yet with new spaces and cost factors, expenditures rose by 6% over the last 5 years.

<table>
<thead>
<tr>
<th></th>
<th>Utilities</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>$592,277</th>
<th>6.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>$9,365,971</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>$10,454,795</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>$9,462,697</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>$9,958,248</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Library Acquisitions: $1,000,000
At the same time, the HSC must also insure a solid academic base on which students and faculty can rely. Library acquisition costs continue to increase at a pace greater than other consumer products. Over the past several years, the HSC library has reviewed and reduced the number of subscriptions in order to maintain costs as best possible. Even with these efforts, costs have increased nearly 20%.

<table>
<thead>
<tr>
<th></th>
<th>Library Acquisitions</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>$348,701</th>
<th>18.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>$1,897,735</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>$2,032,408</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>$2,230,392</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>$2,246,436</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FY 2020-21 Operating Budget Appropriations Request for Specialized Units

2. The University of Tennessee Health Science Center (UTHSC)

Operational Funding for New Facilities: $2,000,000
Over the past several years, the HSC has opened new or significantly remodeled facilities (including the Translational Science Research Building and Simulation Center) requiring operations funding for utilities, maintenance, janitorial services, etc. to keep the facilities operating at proper levels. In the coming year, totally renovated office and lab space in the Crow, Nash, and Mooney buildings will be complete and require standard services to maintain these newly renovated spaces. In coming years, the Delta Dental Building will also be opening.

Simulation Center Equipment Replacement: $2,000,000
With growing programs across all disciplines and to foster an environment of learning and innovation, the academic facilities need to support the students' efforts with classroom settings and research laboratories which will take advantage of improved technology and will enhance research productivity. Such facilities will enable students to enter the workforce with the ability to access all available resources to deliver premium healthcare. Instructional delivery greatly impacts the learning and retention of information. UTHSC needs to enhance the classrooms and research laboratories with innovations that will make them more conducive to learning. Recognizing this need, the State generously funded a $25 million state-of-the-art multi-disciplinary simulation center.

But the HSC funded $15 million in medical, technical and communications technology. Over time these equipment (such as high-tech simulators and “cadavers”) will require enhancement and replacement. To that end, the campus initiated a student fee to generate $1 million per year but assuming a 5-year life for most of this high-tech equipment, the annual budget will require an additional $2 million per year.

Information Technology Replacement and Enhancement: $2,000,000
The HSC is fast approaching a crisis in obsolescence of its technology equipment. For many years, a facility “Master Plan” and “Deferred Maintenance” program have been used to schedule preventative or planned repair and replacement of equipment and property before deterioration. A technology replacement program will help the HSC establish a predictable and reliable fleet of technology equipment. If left further unaddressed this crisis will impact the ability to achieve university’s missions and ultimately become a detriment to best practices and student learning at one of the state’s most critical university campuses, the Health Science Center.
2. The University of Tennessee Health Science Center (UTHSC)

Technology is a key component of the academic and research platform of an academic medical center like UTHSC. In some cases, technology is used as an accelerant to learning, engaging students and informing educators like never before; transforming the very process of learning that helps create relevant 21st century experiences. In other cases, technology has become a requirement; necessary and fundamental to perform certain clinical and research tasks. The technology environment is instrumental for staff and faculty in maintaining records, communication, procurement, state and federal reporting, assessments, and professional development. These digital tools in some cases help drive revenue, and in others are necessary simply to remain contemporary and relevant. It is reasonable to state that just about every staff member relies on technology equipment to do their job, and/or perform it effectively; and every student deserves frequent access to technology to receive a relevant learning experience. When technology is unreliable, there are two typical results: 1) it is abandoned—hindering progress; or 2) it becomes a liability—with lost productivity, or students missing learning opportunities.

Accreditation Costs: $500,000

In 2014, SACS required that the Health Science Center achieve independent accreditation from other campuses of the University of Tennessee. There are significant requirements in order to achieve accreditation.
3. The University of Tennessee Institute for Public Service (UTIPS)
$500,000 recurring for assistance to Tennessee business and industry.

The IPS Center for Industrial Services will expand consulting, technical assistance and training services across Tennessee, particularly in rural, distressed counties. Based on current performance metrics, the increased funding will produce an additional $1 billion in customer reported economic impact, above the $1.4 billion reported in the previous fiscal year. Customer reported economic impact includes increased sales, retained sales, capital investment, new and retained jobs, and cost savings resulting from performance improvement.

4. The University of Tennessee Institute for Public Service (UTIPS)
$500,400 recurring for jail management assistance to Tennessee counties.

Delivery of a program to address the recidivism of inmates housed in local county jails. Many counties are having to expand jail facilities to meet the demanding growth of inmate populations. This program would work with county sheriffs, county legislative bodies, state and local education organizations, mental health facilities, to offer alternatives to the inmates enabling the inmates to improve their ability to function in society effectively and not resort to criminal activity. The cost to the county and the state for housing inmates is much greater than the cost of education for students in vocational or local high schools. This program would need a public safety consultant familiar with the jail operations, legal compliance with inmate management and public safety knowledge. In addition to the public safety staff a consultant who was familiar with the various educational, mental health and addiction treatment organizations able to serve local inmates. The pay back for the program would be the reduction of inmate costs, and a more productive work force.
5. All University of Tennessee Specialized Units
Recurring funds sufficient to sustain current programs, services, and operations.

UT’s specialized units include the Health Science Center (UTHSC), Institute of Agriculture (UTIA), Institute for Public Service (UTIPS), Space Institute (UTSI), and System Administration (UTSA). They are facing challenges to long-term financial sustainability due to a lack of reliable funding streams to offset recurring growth in non-personnel operating costs.

UT “formula units” (UTC, UTK, UTM) receive state appropriations through the THEC performance-based funding formula. In most years, state funding growth, along with modest tuition increases, are sufficient to fund salary increase pools, employee benefits inflation, non-personnel operating cost increases, and enhancements to high-priority programs. UT’s specialized units also receive state funding for salary increase pools and benefits inflation, but they do not receive state funding for needs that go beyond this.

Each specialized unit has a unique financial model, but all share similar constraints regarding funding streams for operating expenditure increases.

- Combined operating costs at UT specialized units increased by $27.7 million from FY 2013-14 to FY 2018-19. The average annual increase was over 5% a year.

- Each unit has a few key operating cost drivers that are increasing at rates that exceed general inflation as measured by HEPI or CPI. Major areas include medical technology, scientific equipment, and regulatory compliance.

- There is little potential to use revenue growth as an offset. Less than 20% of specialized unit unrestricted operating revenues come from student tuition & fees, compared to 62% for UT’s formula units. The pricing environment for these units is very competitive.

- Efficiency efforts have been, and continue to be, used to reallocated resources, but these are not sufficient to offset all unavoidable cost increases.

- Cost escalations for large, enterprise-wide IT system and software contracts have been significant. While UT negotiates the best possible rates by consolidating system-wide contracts, we have limited bargaining power regarding cost escalations when it comes to companies like Adobe, Oracle, Microsoft, and SAP.

- Unfunded operating cost increases have resulted in recurring operating deficits at UTHSC and significantly reduced reserves.
5. Recurring Funds for Operations

UT Health Science Center

Without a reliable source of annual funding growth to offset increases in non-personnel operating costs, the UT Health Science Center faces an unsustainable financial future.

Since FY 2013-14:

- Annual unrestricted E&G operating fund deficits have averaged -$9.8 million, ranging from a “high” of -$2.1 million to a low of -$14.2 million.
  - Annual deficits = unrestricted E&G revenues less expenditures, transfers for mandatory debt service, System Charge, and UTRF funding.
- Unrestricted net asset fund balances have declined by over 75%.
  - Unrestricted balances = current unrestricted net assets + renewal & replacement funds.
  - Some of these reductions were to fund large projects, but much of the reduction has been to absorb the annual operating deficits experienced each of the last six years.
- Enrollments have increased 13.7%.

Costs for medical supplies and technology are growing at much higher rates than general inflation.

- Constantly evolving medical procedures and technology is driving some operating costs up at rates much higher than general inflation as measured by HEPI or CPI. For example, the funds that will be needed to keep pace with cutting edge technology for UTHSC’s $25 million medical simulation center will be higher than other types of operating costs.
- Below are annual cost increases experienced in key operating categories since FY 2013-14:
  - Library acquisitions: up $1,519,199 (average annual rate of 41.3%)
  - Laboratory supplies: up $630,714 (average annual rate of 4.0%)
  - General supplies & equipment: up $3,004,459 (average annual rate of 5.9%)
- These kinds of cost increases show no signs of slowing in the near future.

Efficiency efforts can only go so far in offsetting these kinds of cost increases.

- An aggressive energy management program has resulted in significant efficiencies, but overall utilities expenditures have not declined.
- Energy efficiency gains have been offset by the growth in square footage required by enrollment growth and the need for additional space to house and utilize sophisticated instructional technology.
5. Recurring Funds for Operations (UTHSC)

Most UTHSC programs are in a competitive pricing environment.

- There is little flexibility to use tuition & fee increases to offset cost increases resulting from growing enrollments, normal operating cost inflation, and the need to invest in new medical and instructional technologies that are critical to educating medical professionals.
- UTHSC tuition & fee increases have been very low for several years. It has been common to see no increases for most UTHSC programs over the last six years.
- Due to competitive pressures, UTHSC has received Board approval to reduce some out-of-state tuition rates in order to attract the best students. This has not reduced revenue, but neither has it increased revenue. More programs will be considered in the future.
- UTHSC derives less than one-third of its unrestricted E&G revenues from tuition & fees.

In summary:

- UTHSC has insufficient recurring funds to support current operations, let alone fund the kinds of cost increases being experienced in the medical field.
- It is approaching the point where it can no longer sustain current operations with reserves.
- Enrollments are increasing, but the revenue gains from tuition & fees do not fully offset cost increases.
- UTHSC is making significant efficiency gains in some areas, but these cannot keep up with rapidly growing costs of medical technology and instructional materials.
- A competitive pricing environment greatly limits the potential for revenue gains from tuition & fee increases.
- Without an additional revenue stream to fund these kinds of cost increases, UTHSC will be faced with reducing programs and services that have never been more vital to the health and welfare of all Tennesseans.
5. Recurring Funds for Operations

UT Institute for Public Service

The UT Institute for Public Service (IPS) is unique in higher education. IPS is the university’s source of outreach for public service entities. The consulting and training that it provides to state and local governments, law enforcement, manufacturers and small businesses and those seeking language instruction and services makes a big difference in the communities of rural Tennessee where professional expertise in specialized disciplines is lacking.

IPS cost drivers do not look like a typical campus. It does not have the kinds of facilities and equipment found at a complex medical center like UTHSC. Key operating areas include consultant travel, IT systems supporting online training and knowledge databases, leases for office space, training venues and materials, and supplies for client materials.

Travel
- Many IPS consultants and trainers are on the road four to five days a week.
- The typical county government management consultant covers an eight-county territory and spends most of their working time in county offices. Municipal management consultants cover similar territories. Most of their travel consists of mileage reimbursements.
- Consultants in specialized fields such as Six-Sigma lean manufacturing, jail management, fire safety and water treatment may cover half the state or even the entire state. Their travel costs often include lodging and per diems in addition to mileage.
- Total travel costs increased by nearly $320,000 since FY 2014-15, around $80,000 per year. That is an average annual growth rate of nearly 8 percent a year.

Information Technology
- In addition to basic IT hardware, software and support for staff, IPS uses IT to deliver many of its services and resources to clients across the state. Examples include online training for government officials and manufacturers, a sophisticated online knowledgebase for municipal officials, an e-library for county officials covering every aspect of county government, and a registration system to manage events from small training sessions to major conferences.
- IT costs increased by nearly $170,000 since FY 2014-15, around $43,000 per year. That is an average annual growth rate of over 11 percent a year.
5. Recurring Funds for Operations (UTIPS)

Leases
- In order to serve a diverse, statewide client base, IPS leases office and training space in 14 locations across the state of Tennessee.
- Lease costs increased by over $267,000 since FY 2014-15, around $53,000 per year. That is an average annual growth rate of nearly 9 percent a year.

Training
- IPS delivers a wide range of training to each client group, ranging from safety compliance training required by TOSHA for Tennessee manufacturers, to certification programs for local economic development professionals, to one of the nation’s most highly regarded forensic training programs for crime scene investigators.
- Training costs include rental of training venues, contractual payments to curriculum specialists and instructors, and training materials (these can be especially costly for crime scene training).
- Training costs increased by nearly $515,000 since FY 2014-15, around $129,000 per year. That is an average annual growth rate of nearly 35 percent a year.

Supplies
- The bulk of IPS supply costs are driven by materials provided to external clients in the course of providing consulting, technical assistance, and training services.
- Supply costs increased by nearly $235,000 since FY 2014-15, around $59,000 per year. That is an average annual growth rate of nearly 12 percent a year.

IPS lives on a fixed income
- Most IPS unrestricted funding comes from state appropriations and local appropriations (the majority from a share of municipal sales taxes and a share of TVA in-lieu of property tax payments to counties). There are some fee revenues, but many IPS services are considered pre-paid services by local government clients.
- The average annual cost increases described above total $363,000. While this may look fairly small, it represents 5 percent of IPS FY 2018-19 operating expenditures.
- While IPS is relatively well funded for current operations today, it is not well positioned to absorb future cost increases. It needs a recurring revenue stream to offset at least part of these recurring cost increases to avoid program reductions in the future.
FY 2020-21 Operating Budget Appropriations Request for Specialized Units

5. Recurring Funds for Operations

UT Institute of Agriculture

The UT Institute of Agriculture (UTIA) consists of three units with distinct business models. Much about its needs related to operating costs are included in the special funding request being made for UTIA this year and will not be repeated here. Below are a few major points on the need for recurring funds related to non-personnel operating costs in future years.

College of Veterinary Medicine (UTCVM)

- Most of the points made about rapidly growing costs of medical technology and instructional materials regarding the UT Health Science Center (UTHSC) apply to the UTCVM. Costs for these items are growing much more rapidly than general inflation.
- In addition to this, UTCVM operates a large, complex teaching hospital. Costs for operations, maintenance, repair, and equipment are very different than the typical academic building.
- UTCVM expenditures for laboratory supplies and scientific equipment grew by nearly $2 million since FY 2014-15. That is an average annual growth rate of over 8% a year.
- Like UTHSC, UTCVM faces a very competitive pricing environment that limits its flexibility to use tuition & fee increases to offset these costs. UTCVM derives less than 22% of its unrestricted funding from tuition & fees.

UT Extension and UT AgResearch

- AgResearch operates ten (10) research and education centers across the state. In addition to the normal operation and maintenance costs that come from large facilities, there are unique cost drivers related to scientific equipment, farm machinery, crops, and livestock that exceed the general rate of inflation. For example, the average rate of growth in expenditures for vehicles and heavy equipment has averaged 8.4% since FY 2013-14.
- Like IPS, travel expenditures are an important cost driver for Extension. County agents are on the road almost every day. Each regional specialist serves several counties. State specialists cover the entire state (bear in mind that Mountain City, Tennessee is closer to Windsor, Ontario than it is to Memphis). Travel expenditures grew by over $400,000 since FY 2013-14 (4% per year).
- Like IPS, these two units live on fixed incomes. They have no tuition revenue. Fee-based services are growing, but the potential for these to become a major revenue stream is limited.
5. Recurring Funds for Operations

UT System Administration

UT System Administration (UTSA) combines three types of operations: executive leadership (President and university officers), strategic university-wide initiatives, and consolidated university-wide administrative functions. The following information applies to the consolidated administrative functions, which account for roughly 75% of UTSA expenditures.

Overview

- UT’s basic administrative functions such as accounting, payroll, accounts payable, investments, legal services, capital projects, and ERP operations are centralized. This is far more efficient than a decentralized model.
- Much of the funding for these operations are allocated to UT’s campuses and institutes through a “system charge.” When UTSA costs go up, it puts pressure on campus and institute revenues, further increasing their need for operating cost funding.
- In recent years, the biggest cost drivers in these operations has come from needs to continuously enhance information technology (IT) systems and new resources needed for compliance efforts in an increasingly complex regulatory environment. Below are examples of additional recurring costs. It is not a comprehensive accounting of all cost increases in these areas.

Examples

- Expenditures for computer services and software increased more than $1.6 million since FY 2013-14. The annual growth rate in these costs averaged more than 33% a year.
- Title IX compliance office: $143,667
- Contract and procurement software (ESM and Docusign): $225,000
- Concur travel management system: $260,000
- Procurement card monitoring staff and software: $120,000
- ERP-related software (TALEO HR, space management, Fiori Cloud Developer, SAP Learning Hub, BSI Tax Factory): $234,400
- VM server storage: $44,195

Future Outlook

- The types of cost increases will continue. While each looks small, they add up over time.
- UT is beginning the process of evaluating options for a next-generation ERP system. The total costs for implementation and development are conservatively estimated at $20 to $40 million over a four- to five-year period. (These costs have been much higher at some universities.) Recurring costs for a new cloud-based solution are expected to be significantly higher than current licensing costs.
FY 2020-21 Appropriations Request: UTIA Attachment

University of Tennessee Institute of Agriculture

Specialized Unit FY 2020-21 Appropriations Request
UTIA FY 2020-21 Budget Request

The University of Tennessee Institute of Agriculture creates and provides Real. Life. Solutions. to some of society’s most pressing issues through teaching, discovery, and service. UTIA is home to UT Extension, UT AgResearch, the UT College of Veterinary Medicine, and the Herbert College of Agriculture, and has a presence in all 95 Tennessee counties. The Herbert College of Agriculture is funded through the University of Tennessee, Knoxville, while the remaining three specialized units receive direct state appropriations through the University of Tennessee System as specialized, non-formula units.

Increased investments in UTIA provide an excellent return to the state and its’ local communities. This is evident in the annual estimated economic impact that results from UT Extension programs, which has grown to $620 million in 2019. Or it can be observed in the ratio of research grant and contract expenditures relative to UT AgResearch state appropriations in the eight agricultural departments of the Institute, which averaged 3.8:1 for the past 5 years. In other words, for every state dollar allocated to these departments, the research faculty produced $3.80 in external research funding to address challenges and issues faced by Tennessee farmers and natural resource managers. Another source of evidence supporting increased investment is a lengthy history of research studies, with the most recent published in 2016, which estimated the real annual social internal rate of return to investments in productivity-oriented public agricultural research to be 67% for the period 1970-2004\(^1\).

Since 2010, state appropriations for UTIA have increased modestly, but the increases have been appropriated specifically for salary adjustment pools and associated benefit costs. A salary pool, with no increase for general operations and a single new initiative/program approved for genomics over the past 10 years, creates annual funding shortfalls due to faculty promotions, staff career ladder adjustments, faculty certifications, staff certifications, staff position reclassifications, faculty and staff retention issues, and increases associated with new hires. The combined FY19 shortage due to these unfunded salary and benefit expenses was approximately $750,000 for the three specialized units. Other costs that have increased annually include:

- Rising utility costs—electricity, gas, water, and other utilities paid by the Institute have increased 24% in the past 10 years. In 2019, annual utilities expenses were $734,316 greater than 2009;
- Basic operating increases due to inflation, especially travel expenses—in-state travel expenses to serve Tennessee farmers, families, youth and communities have increased by $312,405 annually compared to 2009, a 29% increase;

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FY 2020-21 Appropriations Request: UTIA Attachment

- Yearly routine building maintenance expenditures beyond the scope of budgeted capital maintenance projects, which totaled $551,341 more in 2019 compared to 2009;
- Periodic large, unscheduled maintenance and repair expenditures, such as the $500,000 expense incurred in 2017 by the College of Veterinary Medicine when a critical HVAC system failed mid-year; and
- Program enhancement and the creation of new programs essential to our mission.

The specialized units have managed these annual shortfalls by increasing student tuition and fees, increasing client fees, and making difficult choices regarding salaries for new hires. These decisions have not been made lightly. The debt burden of our students and our ability to successfully compete for out-of-state applicants is of great concern. For example, 76 percent of UT’s most recent College of Veterinary Medicine graduating class incurred a mean student debt of $196,000. In addition, new technologies and equipment are needed to conduct cutting-edge research, educate our students, and transfer knowledge to our stakeholders, but these investments are often deferred in order to maintain staffing.

In spite of the modest salary adjustments that have been provided, UTIA salaries lag our peers and aspirational peers. The Sibson Study completed in 2018 estimated that salaries in the Institute were 93% of market median salary compared to peers. National data from peer veterinary colleges show that UT salaries are the lowest on average among all our peers. Finally, an analysis in August, 2019 shows that agricultural faculty overall are at 88% of our aspirational peer salary levels, with some departments averaging as low as 73%. Salary funds to close these gaps are critical to attracting and retaining outstanding faculty.

To truly achieve the Institute’s strategic goals, competitive funding is imperative to overcome shortfalls and position the specialized units as leaders among peer institutions. The increased funding can be categorized as minimal, essential, and strategic investments, and the three specialized units have identified specific needs at each of these levels.

The minimal level of additional funding requested is $6,595,094, which includes salary increases to bring faculty and staff salaries to the market median level of UTIA peer institutions for the College of Veterinary Medicine and AgResearch, as well as making critical investments in additional UT Extension agent positions in Tennessee’s rural counties. Distressed rural counties often lack the wide range of education and lifelong learning opportunities that are available to residents of more affluent counties, and UT Extension is positioned to offer critical assistance to farmers, families, and youth in these communities that are in the greatest need. More agents means more educational contacts and greater economic impacts in these counties.

An essential level of funding, $16,305,094, would provide an additional $9,710,000 in funds and move salaries in the specialized units to market competitive levels while also
FY 2020-21 Appropriations Request: UTIA Attachment

increasing teaching, research, and Extension capacity to better meet new and emerging needs of students and stakeholders. Increased capacity for the specialized units will support expanded research and associated technology transfer in the form of patents, licenses, and start-ups; more direct contacts with farmers to increase food production and profitability; increased educational opportunities for youth and families to improve health, financial literacy, and leadership capacity; and more veterinary graduates to serve animal owners and protect public health.

To be recognized among the top land-grants in the fields of agriculture, natural resources, and veterinary medicine will require strategic funding investments at a total of $22,800,094, providing expanded enrollment in the College of Veterinary Medicine, new cutting-edge research in collaboration with UT Knoxville and ORNL and the planned Oak Ridge Institute, enhanced 4-H youth programming with a focus on STEM workforce development, and new outreach programs to address grand challenges across the state and globe.

<table>
<thead>
<tr>
<th>Funding Level</th>
<th>UT College of Veterinary Medicine</th>
<th>UT AgResearch</th>
<th>UT Extension</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal</td>
<td>$2,300,000</td>
<td>$2,105,094</td>
<td>$2,190,000</td>
<td>$6,595,094</td>
</tr>
<tr>
<td>Essential</td>
<td>$5,100,000</td>
<td>$2,300,000</td>
<td>$2,310,000</td>
<td>$16,305,094</td>
</tr>
<tr>
<td>Strategic</td>
<td>$3,000,000</td>
<td>$1,385,000</td>
<td>$2,110,000</td>
<td>$22,800,094</td>
</tr>
<tr>
<td>Total Recurring Request by Unit</td>
<td>$10,400,000</td>
<td>$5,790,094</td>
<td>$6,610,000</td>
<td></td>
</tr>
</tbody>
</table>

The Veterinary Medical Center has provided healthcare to more than 1 million patients since opening its doors in the late 1970s. Although our electronic medical records system works, the system is terribly cumbersome and requires various inefficient work-arounds to manage patient data. The system also does not allow the faculty, staff, and students to perform scholarly research. At this time, we are unaware of any college of veterinary medicine that has an ideal electronic medical record system, but it is time for the college to investigate available products and to purchase that system that provides our medical center (which is vastly different than the human medical record systems) with a contemporary electronic medical record system.

We all believe in evidence-based medical care, and to achieve that we need a fully functional, turn-key, efficient medical record system that allows the practice of evidence-based medicine with easy-access biomedical parameter search capacity. The system must integrate seamlessly with diagnostic laboratories and the direct data entry from automated chemical analyzers, tie directly to pharmacy prescription needs, and process owner billing for services to their animals whether they are processed during offsite farm
visits or during in-patient hospital visits. This upgrade need is essential to move the veterinary medical center forward and will be essential to complete prior to our next scheduled American Veterinary Medicine Association Council on Education accreditation site visit which occurs during the 2022 spring semester. We estimate the non-recurring costs associated with acquiring this new system to total $3.1 million.

AgResearch must continually invest in machinery and equipment to conduct research at the ten Research and Education Centers located across the state. With new plot harvest equipment requiring investments of $500,000 or more, a non-recurring investment of funds to upgrade the research equipment and infrastructure at the RECs is a fundamental requirement. These costs of equipment and infrastructure upkeep/upgrade are estimated to be $4.5 million per year for the next five years.
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: Annual Report on Tuition and Fee Revenues, Academic Year 2018-19
Type: Action
Presenter: David L. Miller, Chief Financial Officer

The Tuition Transparency and Accountability Act, enacted by the General Assembly in 2018 and codified at Tennessee Code Annotated § 49-7-1604, requires each governing board of Tennessee public universities to submit to the Office of Legislative Budget Analysis, for distribution to the General Assembly, a report including the following information:

- expenditures of revenues derived from any increases to in-state undergraduate tuition and mandatory fees in the previous full academic year;
- how revenues were used;
- effect on student financial aid; and
- effect on the average total cost of attendance per student.

The report must be filed by February 1 of each year. The University’s report for Academic Year 2018-19 is presented for approval by the Board prior to submission to the Office of Legislative Budget Analysis.

Committee Action

The Committee Chair will call for a motion to recommend adoption of the following Resolution by the Board of Trustees:

Resolved: The Board of Trustees approves the Annual report on Tuition and Fee Revenues for Academic Year 2018-19 as presented in the meeting materials, which shall be attached to this Resolution after adoption.
Fall 2018 was the third year in a row of historically low tuition and fee increases at all UT campuses statewide. Increases for in-state undergraduate tuition and mandatory fees were 3.0% at UT Martin, 0.3% at UT Knoxville, 0.7% at the UT Health Science Center, and did not change at UT Chattanooga. All were within the 3.0% cap set by THEC for 2018-19. Detailed schedules of tuition and fee changes at each UT campus can be found online in UT’s 2018-19 Budget Document beginning on page C-10:

All in-state students pay a “maintenance fee,” which is commonly referred to as “in-state tuition,” as well as other mandatory fees. The terms “tuition” and “in-state tuition” are used in this report to refer to the “maintenance fee.”

How Revenues Were Used
Revenue from tuition and mandatory fee increases for in-state undergraduate students in 2018-19:

<table>
<thead>
<tr>
<th>Campus</th>
<th>Change</th>
<th>Revenue Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>UT Chattanooga (UTC)</td>
<td>None</td>
<td>-</td>
</tr>
<tr>
<td>UT Knoxville (UTK)</td>
<td>$36</td>
<td>$803,412</td>
</tr>
<tr>
<td>UT Martin (UTM)</td>
<td>$258</td>
<td>$1,119,900</td>
</tr>
<tr>
<td>UT Health Science Center (UTHSC)</td>
<td>$0 to $100</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

Does not include revenue gains from graduate students, out-of-state students, enrollment growth, or non-mandatory fees such as course fees, lab fees, housing, meal plans, and other fees that depend on student choice. UTHSC has 297 undergraduates in four specialized programs, each with a unique tuition/fee structure.
The University of Tennessee
Annual Report on Tuition and Fee Revenues
Academic Year 2018-19

Tuition and fee revenues and state appropriations are the two major sources of funding for general campus operations. It is not always possible to identify precisely which expenditures are paid for with which revenue source, but it is possible to produce accurate estimates. UTK allocated $803,412 generated by a Student Programs & Services Fee (SPSF) increase to the opening of the new student union, including employees for the expanded space and facilities, furniture, and equipment costs, and for use for the 2.5% merit pool increase for student services employees who are paid from the SPSF fee. UTM generated $929,400 from an increase in tuition and $190,500 from increases in student activity fees. UTHSC generated $30,000 from a fee increase dedicated to the student counseling center.

<table>
<thead>
<tr>
<th>Uses of Revenue Growth</th>
<th>UT Chattanooga</th>
<th>UT Knoxville</th>
<th>UT Martin</th>
<th>UT Health Science Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutionally funded scholarships and financial aid</td>
<td>$226,400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portion of 2.5% salary pool not funded by the state</td>
<td>$329,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty/staff positions, promotions, and start-ups</td>
<td>$373,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student services and instructional support</td>
<td>$490,974</td>
<td>$190,500</td>
<td>$30,000</td>
<td></td>
</tr>
<tr>
<td>Facilities, equipment, debt, grounds, etc.</td>
<td>$312,438</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$0</strong></td>
<td><strong>$803,412</strong></td>
<td><strong>$1,119,900</strong></td>
<td><strong>$30,000</strong></td>
</tr>
</tbody>
</table>

The Effect on Financial Aid

Few UT students pay the full level of tuition and fees without some kind of financial aid. Most receive one or more scholarships, grants, waivers, or discounts. Well over 80% of UT undergraduate students receive some form of financial aid. Scholarships and fellowships for all students increased from $295.3 million in 2017-18 to $306.7 million in 2018-19, an increase of $11.4 million or 3.9%.

The Effect on Total Cost of Attendance

A student’s total cost of attendance includes tuition and mandatory fees, housing, meals, books, supplies, transportation, and various incidental expenditures. These costs can vary widely from one student to another based on choices they make regarding living arrangements, meal plans, commuting, and academic programs. Below is a summary of how increases to in-state tuition and mandatory fees affected the total cost of attendance in 2018-19.
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: FY 2019 Report on Endowment Investment Performance
Type: Information
Presenter: 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 and recommends to the Board any actions deemed necessary. The FY 2019 Report on Endowment Investment Performance follows.
Investment Summary as of June 2019

- Consolidated Investment Pool (CIP) Cash-flow Activity for 12-month Period:
  - $60 million in New Gifts
  - $45 million in Spending Plan Distributions
  - $10 million in Administrative Support

- Consolidated Investment Pool (CIP)* and Benchmark 1-year Returns:
  - Trailed CPI+5.5% (Inflation + Spend): +2.74% (prelim.) vs. +7.50%
  - Trailed Broad Policy B-mark (60/40 stock & bond mix): +2.74% (prelim.) vs +5.40%

  *CIP private-investment returns (roughly 30% of the portfolio) are held at 0% for the most recent quarter due to lagged reporting.

*FY 2019 value is preliminary due to lagged manager reporting.

CIP Market Value at Fiscal Year-end

- $475 in 2010
- $531 in 2011
- $619 in 2012
- $601 in 2013
- $791 in 2014
- $822 in 2015
- $820 in 2016
- $820 in 2017
- $911 in 2018
- $1,025 in 2019

*FY 2019 value is preliminary due to lagged manager reporting.
As of June 30, 2019

University of Tennessee performance dashboard

Notes: Performance is preliminary as of June 30, 2019. Totals may not sum due to rounding. 90% of Private investment performance is as of March 31, 2019. Private investment market values have been updated with capital calls and distributions through the current month. A 0% return is assumed for all private investments for the current quarter. Returns provided by FEG through October 31, 2018.

¹Broad Policy Benchmark consists of 60.0% MSCI ACWI IMI Index, 39.0% Bloomberg Barclays Global Agg Index, and 1.0% U.S. 91-Day Treasury Bills. Please note that CA uses CPI – All Urban Consumers as a measure of inflation. The primary data source for information is the investment manager and/or fund administrator, therefore data may not match custodial or other client records due to differences in data sourcing, methodology, valuation practices, etc. Estimated values may include prior quarter end data adjusted by a proxy benchmark or by subsequent cash flows. CA makes no representations that data reported by unaffiliated parties is accurate.
Index/Benchmark Summary

**Broad 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.

**MSCI ACWI IMI Index**
This index captures large, mid, and small cap stock market exposure across 23 Developed Markets and 23 Emerging Markets countries.
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: Committee Consent Agenda
Type: Action

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 shown below, a second, and a voice vote. If the motion passes, the items requiring Board approval will go forward to the Consent Agenda of the full Board meeting.

I move that:

1. Minutes of the June 21, 2019 meeting of the Finance and Administration Committee are 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 are recommended for adoption by the Board of Trustees.
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

Page 6
Finance and Administration Committee
June 21, 2019
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
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 Treasurer. The current resolution bears the name and signature of James R. Maples as Treasurer.

Mr. Maples will cease active service as Treasurer on December 3, 2019. By appointment of the Chief Financial Officer, Mark A. Paganelli will assume the duties of the office of Treasurer on an interim basis on December 4, 2019. Therefore, the Board must adopt a new resolution authorizing the University’s bank depositories to honor the signature of Mr. Paganelli on and after December 4, 2019. The necessary formal Resolution follows.
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 November 8, 2019 in Knoxville, Tennessee, approved authorization for check signature by Mark A. Paganelli, who will serve as Interim Treasurer of The University of Tennessee, effective December 4, 2019 upon the cessation of active service by Treasurer James R. Maples.

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 December 4, 2019 and until superseded by a subsequent resolution adopted by the Board of Trustees. The Secretary shall deliver to each depository notice of this authorization bearing the digitized signatures of Randy Boyd, President, and Mark A. Paganelli, Interim Treasurer.

Adopted the 8th day of November, 2019

* Number will be inserted after adoption.
The following Resolution is required solely for the purpose of including current titles for the two University Officers whom the Board has previously authorized to execute written instruments for the assignment and transfer of securities held by the University.

RESOLVED: That the Chief Financial Officer and the Secretary of this Corporation be and hereby are fully authorized and empowered to transfer, convert, endorse, sell, assign, set over and deliver any and all shares of stocks and bonds, debentures, notes, subscription warrants, stock purchase warrants, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by this Corporation and to make, execute and deliver, under the corporate seal of this Corporation, any and all written instruments of assignment and transfer necessary or proper to effectuate the authority hereby conferred; and

FURTHER RESOLVED: That whenever there shall be annexed to any instrument of assignment and transfer, executed pursuant to and in accordance with the foregoing resolution, a certificate of the Secretary of this Corporation in office at the date of such certificate, and such certificate shall set forth these resolutions and shall state that these resolutions are in full force and effect and shall also set forth the names of the persons who are then officers of this Corporation, then all persons to whom such instrument with the annexed certificate shall thereafter come, shall be entitled, without further inquiry or investigation and regardless of the date of such certificate, to assume and to act in reliance upon the assumption that the shares of stock or other securities named in such instrument were theretofore duly and properly transferred, endorsed, sold, assigned, set over and delivered by this Corporation, and that with respect to such securities the authority of these resolutions and of such officers is still in full force and effect.
Since at least 1955, the Board of Trustees has periodically adopted a Statement of Treasury Policy to govern the deposit, disbursement, and investment of University funds.

The current version of the Statement of Treasury Policy was adopted by the Board on February 9, 1997. The Chief Financial Officer and the Treasurer have reviewed the 1997 version and recommend adoption of the following revised statement to conform to current state law provisions concerning eligible investments and collateralization for public funds and to make needed housekeeping revisions. A version tracking changes to the 1997 statement is included for the Board’s information.

WHEREAS, pursuant to Article VII, Section 7.8 of the Bylaws of the Board of Trustees, the Treasurer is duly designated as the official custodian of all University funds and responsible for the proper handling of all funds in accordance with applicable state law and Board or University policies; and

WHEREAS, the Board of Trustees last adopted a Statement of Treasury Policy to govern the deposit, disbursement, and investment of University funds on February 7, 1997, and revisions to the 1997 statement are necessary to conform to current state law and accomplish other needed updates.

NOW, THEREFORE, BE IT RESOLVED: The Board of Trustees adopts the Statement of Treasury Policy as presented in the meeting materials, which shall be attached to this Resolution after adoption.
BOARD OF TRUSTEES
STATEMENT OF TREASURY POLICY

SECTION 1. PURPOSE

This policy shall govern the deposit, disbursement, and investment of University funds.

SECTION 2. DEPOSIT OF UNIVERSITY FUNDS

A. It shall be the duty of all University officials, including the Treasurer, who receive University funds of any description, to deposit them immediately to the account of the University in commercial banks or savings and loan associations located in the State of Tennessee.

B. The Treasurer, President, and Chief Financial Officer (CFO) shall designate the institutions to serve as University depositories with the approval of the Board of Trustees. The number of depository accounts will be kept to a minimum consistent with good business practice, convenience of the University's campuses and units, and safety.

C. The University may deposit funds in institutions so designated without requiring security therefor to the extent that such deposits are insured under the provisions of an Act of the Congress of the United States or any amendment thereto. When the amount of University funds in any designated depository institution exceeds the amount of insurance provided, the depository institution shall be required to pledge securities as collateral for University deposits. The face value of the collateral so deposited shall be a sum ten percent (10%) in excess of the deposit to be secured thereby, less so much of any such amount as is protected by insurance. In lieu of pledging collateral securities as described herein, depositories may secure University deposits through the State of Tennessee Collateral Pool for Public Deposits. Collateral securities acceptable to secure University deposits shall be limited to the following:

1. Bonds of the United States or any of its agencies;

2. Obligations guaranteed by the United States or any of its agencies, the payment of which are insured by it and which are fully guaranteed both as to principal and interest by the United States;

3. Bonds of the State of Tennessee, including revenue bonds issued by any agency of the State of Tennessee;

4. Obligations of The University of Tennessee;
5. Bonds issued in the name of the Tennessee State School Bond Authority;
6. Bonds of any county or municipal corporation of the State of Tennessee;
7. Loans to students guaranteed 100% by the Tennessee Student Assistance Corporation;
8. Any other collateral security which is acceptable to the Secretary of the Treasury to secure the United States for deposits of public money in tax and/or loan accounts; provided, that such collateral shall not include state or municipal bonds from other states or from municipalities in other states; and
9. Any other security instruments defined as “eligible collateral” in Tennessee Code Annotated § 9-4-103.

The Treasurer is authorized to establish escrow accounts at the Federal Reserve Bank, Federal Home Loan Bank, or any commercial bank for the deposit of collateral pledged to secure University deposits which provides for the transfer of the collateral to the University in the event of failure or refusal of any University depository to return any deposit plus earned interest in accordance with the terms of the deposit contract. The Treasurer shall periodically value securities pledged as collateral for University deposits to determine that the market value of such securities exceeds the amount of the deposits less so much of any such amount as is protected by deposit insurance.

D. All deposits shall be evidenced by a deposit certification in accordance with procedures established by the Treasurer. Deposits of University funds that result from transfers of funds within the banking system utilizing electronic transfer of funds shall be evidenced by those documents and advices as are used within the banking system to execute such fund transfers.

E. The University shall compensate banks for the maintenance of accounts and other services by maintaining sufficient collected balances in depository accounts or by direct payment for services provided.

F. Whenever interest bearing accounts are established by the University, reasonable service charges may be deducted from interest income pursuant to procedures established by the Treasurer.

G. With the approval of the President and the Chief Financial Officer, the Treasurer is authorized to establish accounts for deposit of funds received by the University in the
capacity of agent for said funds. The Treasurer shall establish procedures for the operation and maintenance of said depository account.

SECTION 3. DISBURSEMENT OF UNIVERSITY FUNDS

A. University funds shall be disbursed by the Treasurer by check drawn on any of the depositories of the University, to be signed by the Treasurer and countersigned by the President. However, electronic transfer of funds, in lieu of a check, may be utilized when such use is deemed by the Treasurer to be in the best interest of the University.

B. Transfer of funds between depositories, in order to facilitate a concentration of funds for immediate investment, shall be made by an electronic transfer of funds.

C. A petty cash account shall be allowed by the Treasurer to each University campus, unit or department, which shall in the Treasurer’s opinion require such account, and said accounts so established shall be reimbursed only upon statements and bills audited by the Office of Accounts Payable.

SECTION 4. TEMPORARY INVESTMENT OF IDLE CASH FUNDS

A. The Treasurer is authorized to invest all idle University cash funds in excess of amounts required for immediate cash needs and amounts required to compensate banks for services provided to the University.

B. Investments of cash funds shall be limited to the following:

1. Certificates of deposit of banks and savings and loan associations located in the State of Tennessee, which shall be secured by deposit insurance, or pledged collateral in the same manner as depository accounts;

2. Bonds, notes, and treasury bills of the United States;

3. United States agency securities and United States instrumentality securities;

4. Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself;

5. Prime commercial paper which shall be rated in the highest category by at least two commercial paper rating services;
6. Prime bankers acceptances that are eligible for purchase by the Federal Reserve System; and

7. Any other security instruments deemed appropriate as authorized under Tennessee Code Annotated § 9-4-602.

C. Investment obligations, when so purchased, shall be turned over to the Treasurer, who shall be responsible for the safekeeping thereof. In lieu of actual physical delivery of such obligations so purchased, the Treasurer may accept trust receipts.

D. The Treasurer is specifically authorized to purchase investments by a check signed by the Treasurer and countersigned by the President or by electronic transfer of funds.

E. The selection of investments and the maturities thereof shall be synchronized in such a manner that the needs of the University for liquidity will not be handicapped.

F. The Treasurer is authorized to execute or cause to be executed such certificates, advices, agreements, or other documents in behalf of the University which may be required to carry out this Statement of Treasury Policy.

G. Revenues resulting from interest earned on University funds will be credited to the general revenues of the University, except in the case of endowment, quasi-endowment, and life income funds or funds specially designated for investment, in which case revenue will be credited to the appropriate fund.

SECTION 5. OPERATING POLICIES AND PROCEDURES

The Treasurer shall have the responsibility for establishing such operating policies and procedures as may be needed to carry out this Statement of Treasury Policy. Such operating policies and procedures will be subject to the approval of the Chief Financial Officer.

Related Policies:

FI0310 Receiving and Depositing Money
FI0505 Accounts Payable
FI0930 Payroll
FI0525 Petty Cash

History:

Adopted November 8, 2019
STATEMENT OF TREASURY POLICY
February 7, 1997

SECTION 1. PURPOSE

This policy shall govern the deposit, disbursement, and investment of University funds.

SECTION 2. DEPOSIT OF UNIVERSITY FUNDS

A. It shall be the duty of all University officials, including the Treasurer, who receive University funds of any description, to deposit them immediately to the account of the University in commercial banks or savings and loan associations located in the State of Tennessee.

B. The Treasurer, President, and Vice President for Business & Finance Chief Financial Officer (CFO) shall designate the institutions to serve as University depositories with the approval of the Board of Trustees. The number of depository accounts will be kept to a minimum consistent with good business practice, convenience of the University’s outlying campuses and units, and safety.

C. The University may deposit funds in institutions so designated without requiring therefor to the extent that such deposits are insured under the provisions of an Act of the Congress of the United States or any amendment thereto. When the amount of University funds in any designated depository institution exceeds the amount of insurance provided, the depository institution shall be required to pledge securities as collateral for University deposits. The market face value of the required collateral must equal, or exceed, 105% of the amount deposited shall be a sum ten percent (10%) in excess of the value of the University deposit to be secured thereby, less so much of any such amount as is protected by insurance. In lieu of pledging collateral securities as described herein, depositories may secure University deposits through the State of Tennessee Collateral Pool for Public Deposits. Collateral securities acceptable to secure University deposits shall be limited to the following:

1. Bonds of the United States or any of its agencies;

2. Obligations guaranteed by the United States or any of its agencies, the payment of which are insured by it and which are fully guaranteed both as to principal and interest by the United States;
5.3 Bonds of the State of Tennessee, including revenue bonds issued by any agency of the State of Tennessee;

6.4 Obligations of The University of Tennessee;

7.5 Bonds issued in the name of the Tennessee State School Bond Authority; and

8.6 Bonds of any county or municipal corporation of the State of Tennessee.

7. Loans to students guaranteed 100% by the Tennessee Student Assistance Corporation;

8. Any other collateral security which is acceptable to the Secretary of the Treasury to secure the United States for deposits of public money in tax and/or loan accounts; provided, that such collateral shall not include state or municipal bonds from other states or from municipalities in other states; and

9. Any other security instruments defined as “eligible collateral” in Tennessee Code Annotated § 9-4-103.

The Treasurer is authorized to establish escrow accounts at the Federal Reserve Bank, Federal Home Loan Bank, or any commercial bank for the deposit of collateral pledged to secure University deposits which provides for the transfer of the collateral to the University in the event of failure or refusal of any University depository to return any deposit plus earned interest in accordance with the terms of the deposit contract. The Treasurer shall periodically value securities pledged as collateral for University deposits to determine that the market value of such securities meets or exceeds the required amount as described earlier in this section. In lieu of pledging individual securities to secure University deposits, authorized depositories can elect to participate in the state collateral pool as described in the "Collateral Pool for Public Deposits Act of 1990". Public depositories must apply to the Bank Collateral Pool Board for permission to participate in the collateral pool.

D. All deposits shall be evidenced by a deposit certification in accordance with procedures established by the Treasurer. Deposits of University funds that result from transfers of funds within the banking system utilizing electronic transfer of funds shall be
evidenced by those documents and advices as are used within the banking system to execute such fund transfers.

E. The University shall compensate banks for the maintenance of accounts and other services by maintaining sufficient collected balances in depository accounts or by direct payment for services provided.

F. Whenever interest bearing accounts are established by the University, reasonable service charges may be deducted from interest income pursuant to procedures established by the Treasurer.

G. With the approval of the President and the Vice President for Business and FinanceChief Financial Officer, the Treasurer is authorized to establish accounts for deposit of funds received by the University in the capacity of agent for said funds. The Treasurer shall establish procedures for the operation and maintenance of said depository accounts.

SECTION 3. DISBURSEMENT OF UNIVERSITY FUNDS

A. University funds shall be disbursed by the Treasurer by check drawn on any of the depositories of the University, to be signed by the Treasurer and countersigned by the President. However, electronic transfer of funds, in lieu of a check, may be utilized when such use is deemed by the Treasurer to be in the best interest of the University.

B. Transfer of funds between depositories, in order to facilitate a concentration of funds for immediate investment, shall be made by a check signed by the Treasurer and countersigned by the President or by an electronic transfer of funds.

C. A petty cash account shall be allowed by the Treasurer to each University campus, unit or department, which shall in the Treasurer’s opinion require such account, and said accounts so established shall be reimbursed only upon statements and bills audited by the Office of the TreasurerAccounts Payable.

SECTION 4. TEMPORARY INVESTMENT OF IDLE CASH FUNDS

A. The Treasurer is authorized to invest all idle University cash funds in excess of amounts required for immediate cash needs and amounts required to compensate banks for services provided to the University.

B. Investments of cash funds shall be limited to the following:
1. Certificates of deposit of banks and savings and loan associations located in the State of Tennessee, which shall be secured by deposit insurance or pledged collateral in the same manner as depository accounts;

2. Bonds, notes, and treasury bills of the United States;

   - Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes and debentures, Federal Intermediate Credit Bank debentures, Banks for Cooperative debentures, or any other agencies or obligations guaranteed as to principal and interest by the United States or any of its agencies;

3. United States agency securities and United States instrumentality securities;

4. Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself;

5. Prime commercial paper which shall be rated in the highest category by at least two commercial paper rating services;

6. Prime bankers acceptances that are eligible for purchase by the Federal Reserve System; and

   - Money market mutual funds which are invested in any of the investment instruments authorized herein. To be eligible for investment, the portfolio of such funds shall consist of instruments with maturities of one year or less and have a dollar weighted average maturity of 180 days or less.

7. Any other security instruments deemed appropriate as authorized under Tennessee Code Annotated § 9-4-602.

C. Investment obligations, when so purchased, shall be turned over to the Treasurer, who shall be responsible for the safekeeping thereof. In lieu of actual physical delivery of such obligations so purchased, the Treasurer may accept trust receipts.

D. The Treasurer is specifically authorized to purchase investments by a check signed by the Treasurer and countersigned by the President or by electronic transfer of funds.

E. The selection of investments and the maturities thereof shall be synchronized in such a manner that the needs of the University for liquidity will not be handicapped.
F. The Treasurer is authorized to execute or cause to be executed such certificates, advices, agreements, or other documents in behalf of the University which may be required to carry out this Statement of Treasury Policy.

G. Revenues resulting from interest earned on University funds will be credited to the general revenues of the University, except in the case of endowment, quasi-endowment, and life income funds or funds specifically designated for investment, in which case revenue will be credited to the appropriate fund.

SECTION 5. OPERATING POLICIES AND PROCEDURES

The Treasurer shall have the responsibility for establishing such operating policies and procedures as may be needed to carry out this Statement of Treasury Policy. Such operating policies and procedures will be subject to the approval of the Vice President for Business and Finance/Chief Financial Officer.

Related Policies:

FI0310 Receiving and Depositing Money
FI0505 Accounts Payable
FI0930 Payroll
FI0525 Petty Cash

History:

Adopted November 8, 2019
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Type: Action

In accordance with the Board Policy on University Aircraft, the following FY 2019 Annual Flight Operations Report is presented for review and approval to file.

Resolved: The Board of Trustees approves the FY 2019 Annual Flight Operations Report for filing as presented in the meeting materials, which shall be attached to this Resolution after adoption.
Annually, the University of Tennessee Flight Operations report, in accordance with university Fiscal Policy 735, University Aircraft, is presented to the Board of Trustees. Listed below is the FY2019 report.

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 FY2019, the UT airplane was flown 195.6 flight hours, a 37% decrease from FY2018.

The past year the usage of the King Air has decreased due mainly because it was offline for maintenance and inspections. In addition, fewer flights were taken during the presidential leadership transition. Finally, UT leased an aircraft primarily for UTK athletics to reduce reliance on costly charters.

The airplane was flown 217 separate legs, a 32% decrease over FY2018. A total of 74 flights or 81% were flown between Knoxville and other UT entities and the state capitol in Nashville. A total of 348 passengers were transported, a 33% decrease compared to FY2018.

In FY2019, the total UT Flight Operations Department expenditure was $994,836, a 33% increase over FY2018. Expenditures for pilot salaries and benefits were $425,467. The fuel expense was $77,615. On the cost per flight hour basis, the FY2019 fuel cost of $396.80/hour was 3% lower than the $/hour in FY2018. The cost of Routine Maintenance & Inspections was $154,792.

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

The leased plane flew 211.9 hours with a total of 86 flights, 255 legs, and 270 passengers. Most of these trips were for Athletics, except for 13 trips for administration. The one-year lease has now expired.

The flyUT, aircraft scheduling, program has been more fully utilized during the year. It provides effective and timely flight schedule information sharing as intended. The OIT staff is working with Flight Operations to fully integrate a Crew Scheduling component into the program.
The operating cost of the UT airplane is funded from department recoveries and support from the system. In 2019, University departments paid $950 per flight hour, and athletics paid $2,000 per flight hour. These charges fund the variable operating and routine maintenance costs of the airplane. The system funds pilots salaries, benefits, insurance and extraordinary maintenance.

In FY2019, the university hired pilots, Doug Pierce and Brandon Hughett to complete Flight Operations staffing. In addition, several well qualified, local, contract pilots were identified and employed as needed

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.

For the UT Flight Operations Department, FY2019 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 2019-2015**

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<td>3,449</td>
<td>3,580</td>
<td>3,009</td>
<td>-</td>
</tr>
<tr>
<td>Phone &amp; Postage</td>
<td>115,120</td>
<td>68,026</td>
<td>32,900</td>
<td>15,060</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pilot Training</td>
<td>5,488</td>
<td>8,398</td>
<td>5,756</td>
<td>1,498</td>
<td>1,562</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,989</td>
<td>1,838</td>
<td>1,683</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Computer Services</td>
<td>24,412</td>
<td>23,702</td>
<td>27,332</td>
<td>25,236</td>
<td>25,236</td>
<td>-</td>
</tr>
<tr>
<td>Office and Hangar Rent</td>
<td>817</td>
<td>1,255</td>
<td>1,216</td>
<td>1,281</td>
<td>1,281</td>
<td>-</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>96,522</td>
<td>76,569</td>
<td>19,914</td>
<td>10,099</td>
<td>10,076</td>
<td>-</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>817</td>
<td>1,255</td>
<td>1,216</td>
<td>1,281</td>
<td>1,281</td>
<td>-</td>
</tr>
<tr>
<td>Misc Operational Exp</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>1,090,237</strong></td>
<td><strong>994,836</strong></td>
<td><strong>746,381</strong></td>
<td><strong>775,746</strong></td>
<td><strong>706,181</strong></td>
<td><strong>715,414</strong></td>
</tr>
<tr>
<td><strong>Net Gain/(Loss)</strong></td>
<td>-</td>
<td>-</td>
<td>$ 746,381</td>
<td>$ 775,746</td>
<td>$ 706,181</td>
<td>$ 715,414</td>
</tr>
<tr>
<td><strong>Total Flight Hours</strong></td>
<td>211.90</td>
<td>195.60</td>
<td>315.00</td>
<td>390.90</td>
<td>387.90</td>
<td>373.60</td>
</tr>
<tr>
<td><strong>Capital Maintenance</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cost per hour to operate (3)</strong></td>
<td>5,145.06</td>
<td>5,086.07</td>
<td>2,369.46</td>
<td>1,984.51</td>
<td>1,820.52</td>
<td>1,914.92</td>
</tr>
</tbody>
</table>

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(1) System Support covers salaries, benefits, and capital maintenance/enhancements.
(2) Direct support from Knoxville athletic department.
(3) Without capital maintenance
The University of Tennessee Institute of Agriculture (UTIA) seeks approval to acquire by gift 2.71+/- acres of vacant property located at 0 Delrose Drive in Knoxville, Tennessee. The property adjoins property at 2705 Riverside Drive that was previously gifted to the University for institutional use as an arboretum and education center. The Delrose Drive property will allow for an additional entrance and provide other options for pedestrian and vehicular circulation.

The administration requests approval to accept this property by gift for institutional use. The University also seeks authorization to revise the UT Knoxville/Institute of Agriculture Master Plan to include this property. Upon approval by the Board, the administration will seek all required state government approvals.

Resolved: The Board of Trustees authorizes the administration to acquire by gift real property consisting of 2.71+/- acres located at 0 Delrose Drive in Knoxville, Tennessee, for institutional use; and

FurtherResolved: The Board of Trustees approves amendment of the UT Knoxville/UTIA Facilities Master Plan to include the real property located at 0 Delrose Drive in Knoxville, Tennessee.
WHEREAS, for several years, the City of Knoxville has been in the process of transferring ownership of streets within the UT Knoxville campus to the University; and

WHEREAS, in quitclaiming the City’s interest in the street known as Melrose Avenue to the University, the City requires that an easement be granted to St. John’s Episcopal Church, a private property owner along Melrose Avenue; and

WHEREAS, acquisition of this street benefits UT Knoxville by allowing the campus to control street parking; to respond more effectively to sidewalk complaints, safety issues, and pedestrian crossings; and to include streetscape improvements in implementation of the facilities master plan for the campus.

NOW, THEREFORE, BE IT RESOLVED: The Board of Trustees approves granting an easement to St. John’s Episcopal Church in Knoxville, Tennessee, of up to 0.35+/- acres located along Melrose Avenue on the campus of The University of Tennessee, Knoxville that will allow access to Lake Avenue from Melrose Avenue; provided that the University’s right to relocate the easement in the future at the University’s expense shall be reserved; and provided that because the easement will benefit UT Knoxville, no further consideration shall be required.
AGENDA ITEM SUMMARY

Meeting Date: November 8, 2019
Committee: Finance and Administration
Item: Fiscal Year 2019 Report on Year-end Fund Balances
Type: Information

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.
- 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.

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>% Chg. FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>$33,663,961</td>
<td>$30,269,859</td>
<td>$29,104,516</td>
<td>$28,771,229</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Revolving Fund</td>
<td>13,095,645</td>
<td>14,434,335</td>
<td>24,571,945</td>
<td>23,886,170</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Encumbrances</td>
<td>5,097,097</td>
<td>4,427,733</td>
<td>3,436,957</td>
<td>3,510,353</td>
<td>2.1%</td>
</tr>
<tr>
<td>Reappropriations</td>
<td>12,257,820</td>
<td>12,232,441</td>
<td>11,890,693</td>
<td>2,244,809</td>
<td>-81.1%</td>
</tr>
<tr>
<td>Unallocated Auxiliaries</td>
<td>10,361,765</td>
<td>9,871,218</td>
<td>10,324,635</td>
<td>9,964,429</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Unallocated E&amp;G</td>
<td>45,898,716</td>
<td>46,926,158</td>
<td>56,306,804</td>
<td>58,607,852</td>
<td>4.1%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$120,375,004</td>
<td>$118,161,744</td>
<td>$135,635,551</td>
<td>$126,984,842</td>
<td>-6.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>% Chg. FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewal and Replacement</td>
<td>$478,984,943</td>
<td>$553,567,335</td>
<td>$515,054,687</td>
<td>$579,540,620</td>
<td>12.5%</td>
</tr>
<tr>
<td>Unexpended Plant Funds</td>
<td>46,309,851</td>
<td>54,607,375</td>
<td>138,317,754</td>
<td>133,471,370</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>29,752,074</td>
<td>32,630,910</td>
<td>44,346,627</td>
<td>35,227,491</td>
<td>-20.6%</td>
</tr>
<tr>
<td>Quasi-Endowments</td>
<td>13,380,327</td>
<td>13,964,620</td>
<td>14,107,006</td>
<td>13,985,044</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$568,427,195</td>
<td>$654,770,240</td>
<td>$711,826,074</td>
<td>$762,224,525</td>
<td>7.1%</td>
</tr>
<tr>
<td>Total Year-end</td>
<td>$688,802,199</td>
<td>$772,931,984</td>
<td>$847,461,625</td>
<td>$889,209,367</td>
<td>4.9%</td>
</tr>
<tr>
<td>Less Investment in Plant and Interest Payable</td>
<td>-6,682,846</td>
<td>-6,161,641</td>
<td>-8,381,080</td>
<td>-7,200,416</td>
<td>-14.1%</td>
</tr>
<tr>
<td>Less Benefits Liability</td>
<td>-288,343,738</td>
<td>-314,847,503</td>
<td>-420,261,497</td>
<td>-387,926,710</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$393,775,615</td>
<td>$451,922,840</td>
<td>$418,819,048</td>
<td>$494,082,241</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

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.

Beginning last year, and annually at each fall meeting, the Chief Financial Officer presents a report on the amount and purpose of all unrestricted carry forward funds. This report includes 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. Following the initial report, the definitions were refined for clarity.

**OBLIGATED**
Balances held to cover a legal liability/binding agreement with a party external to the University.

**Examples:**
- Signed contract for services with an external agency or business.
- Purchase order or invoice.
- Signed contract for an employee for whom recurring resources are not currently available.
- Awarded scholarships.
- Statutory mandate.

**Level of commitment:**
Institutions must not use obligated balances for other purposes because rescinding such commitments creates the risk of significant cost, legal action, or reputational damage.

**PLANNED**
Balances held for a specific purpose as approved by an appropriate University official (president, vice presidents, chancellors, vice chancellors, deans, directors, or designees in accordance with institutional policies or practices). The purpose for which funds are held can range in degree of specificity from a narrowly defined purpose, such as “replacement of the ERP system,” to a broad category, such as “future technology needs.”

**Examples:**
- Required cash deposit for a capital project.
- Plans for new faculty and staff, who are not replacing existing staff.
- Funds for institutional cost-sharing.
- Spending directive from an authorized University official.
- Documented institutional priorities or strategic plans.
- Financial aid funding that has not yet been awarded.
- Annual, ongoing operations, including the salaries of existing staff, for up to three years for which recurring resources are not currently available.
- Expenditures to launch or to support academic programs or student programs for which recurring resources are not currently available.
**Level of commitment:**
Institutions may use planned balances for other purposes if the use can be modified without significant cost or reputational damage and complies with any funding source requirements.

**RESERVES**
Balances purposefully held for contingencies that must be addressed to ensure the continuation of operations. Reserves are not held to fund known future expenses, but rather to mitigate risks that may result from unexpected funding shortfalls or unanticipated needs.

Examples:
- 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.

**Level of commitment:**
Institutions may use reserves to manage temporary financial shortfalls resulting from emergencies or other unforeseen circumstances. Reserves are not for routine use (e.g., annual debt service payments) or for a specific purpose (e.g., academic initiative, faculty salaries).

**DISCRETIONARY**
Balances, with no funding source requirements, held to take advantage of strategic opportunities that emerge during the year.

Examples:
- Chancellors’ or institutional discretionary funds

**Level of commitment:**
Institutions may use discretionary funds for any appropriate business purpose.

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 initial report completed last year was reviewed by the Office of Internal Audit for compliance with the definitions. This review led to a better understanding of the application of the definitions and clarification of those definitions.
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 2019 institutions reported the following levels of commitment for the renewal and replacement fund.

All institutions combined:
- Obligated: 14.6%
- Planned: 47.4%
- Reserved: 31.2%
- Discretionary: 6.8%

100%

The report for each campus, institute, and the system administration is included in the F&A Appendix at Tab 3.
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 Chattanooga 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, an annual report is presented to the Finance and Administration Committee on how Differential Tuition revenues were used. The report for Fiscal Year 2018-19 appears in the F&A Appendix at Tab 4.

The table below illustrates the annual revenue less expenses for the last five years and the June 30, 2019 year-end balance.

### University of Tennessee Chattanooga

**Differential Tuition Five-Year Trend Summary**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>$451,183</td>
<td>$862,638</td>
<td>$391,469</td>
<td>$719,627</td>
<td>$427,954</td>
<td>$1,281,732</td>
</tr>
<tr>
<td>Engineering</td>
<td>$1,222</td>
<td>$149,361</td>
<td>$417,854</td>
<td>$418,535</td>
<td>$244,536</td>
<td>$764,070</td>
</tr>
<tr>
<td>Nursing</td>
<td>($23,423)</td>
<td>$35,522</td>
<td>($2,864)</td>
<td>$22,118</td>
<td>$13,410</td>
<td>$521,192</td>
</tr>
<tr>
<td>Occupational Therapy</td>
<td>-</td>
<td>-</td>
<td>$17,781</td>
<td>$33,917</td>
<td>$47,254</td>
<td>$148,146</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>-</td>
<td>-</td>
<td>$77,204</td>
<td>$80,386</td>
<td>$94,438</td>
<td>$241,751</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$428,982</td>
<td>$1,047,521</td>
<td>$901,444</td>
<td>$1,274,583</td>
<td>$827,592</td>
<td>$2,956,891</td>
</tr>
</tbody>
</table>
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 to the Finance and Administration Committee on how Differential Tuition revenues were used. The report for Fiscal Year 2018-19 appears in the F&A Appendix at Tab 5.

The table below illustrates the annual revenue less expenses for the last five years and the June 30, 2019 year-end balance.

University of Tennessee Knoxville
Differential Tuition Five-Year Trend Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>$69,967</td>
<td>$2,044,052</td>
<td>$2,509,140</td>
<td>$899,776</td>
<td>($751,635)</td>
<td>$2,953,545</td>
</tr>
<tr>
<td>Engineering</td>
<td>$92,130</td>
<td>$236,340</td>
<td>$81,616</td>
<td>$74,121</td>
<td>($362,539)</td>
<td>$485,153</td>
</tr>
<tr>
<td>Nursing</td>
<td>$124,578</td>
<td>-</td>
<td>$91,228</td>
<td>$201,745</td>
<td>($106,481)</td>
<td>$671,249</td>
</tr>
<tr>
<td>Architecture &amp; Design</td>
<td>-</td>
<td>$240,235</td>
<td>$60,843</td>
<td>($20,453)</td>
<td>($118,796)</td>
<td>$161,831</td>
</tr>
<tr>
<td>Total</td>
<td>$286,675</td>
<td>$2,520,027</td>
<td>$2,742,827</td>
<td>$1,155,189</td>
<td>($1,339,451)</td>
<td>$4,271,778</td>
</tr>
</tbody>
</table>
The University administration has identified additional revenue/institutionally-funded projects for FY 2019-20. The projects, totaling $19,522,500, are listed below:

1. UTC – Football Practice Renovation - $1,360,000.
2. UTC – Fletcher Hall Addition - Programming - $150,000
3. UTHSC – SAC Wellness Center - $352,000
4. UTIA – West TN REC Bridge Replacement - $315,000
5. UTIA – CVM Storage Building - $12,500
6. UTK – Andy Holt Chilled Water Plant Roof Replacement - $150,000
7. UTK – Art and Architecture Improvements - $1,000,000
8. UTK – Athletics Master Plan - $200,000
9. UTK – Conference Center Upgrades - $600,000
10. UTK – Haslam Business Improvements - $1,000,000
11. UTK – Melrose Hall Addition & Renovation - Programming - $1,000,000
12. UTK – Nielsen Air Handler Replacements - $250,000
13. UTK – Panhellenic Improvements - $755,000
14. UTK – Second Creek Rehabilitation - $800,000
15. UTK – Security Upgrades - $5,700,000
16. UTK – Steam Plant Repairs - $300,000
17. UTK – Stokely Mgt Center Improvements - $1,000,000
18. UTK – Strong Hall Lab Renovation - $1,950,000
19. UTK – UT Visitor Center Creamery - $752,000
20. UTM – Cooper Hall Roof Replacement - $965,000
21. UTM – Browning Hall Roof Replacement - $628,000
22. UTM – Visitor Bleacher Partial Demolition - $283,000
These projects are in addition to the list of FY 2019-20 revenue/institutionally-funded projects approved by the Board on June 22, 2018.

The Board’s action in June 2018 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 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 June 22, 2018 authorization, these additional projects are reported for information, and no action is required.