



THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

June 25, 2020

Knoxville, Tennessee

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 2:00 p.m. (EDT) on Thursday, June 25, 2020. Following continuing guidance from the U.S. Centers for Disease Control and Prevention (CDC) regarding COVID-19 and in compliance with the Tennessee Pledge and other state and local guidelines, the meeting was held virtually with Committee members participating electronically or by telephone. The meeting was hosted from the University of Tennessee, Knoxville campus.

**I. Call to Order and Roll Call**

Committee Chair Bill Rhodes called the meeting to order. Board Secretary Cynthia Moore called the roll, and the following members of the Committee were present: William (Bill) C. Rhodes III, Committee Chair; John C. Compton, Board Chair; Amy E. Miles; and Kim H. White. In addition, the following trustees were in attendance: Decosta E. Jenkins; Donald J. Smith; and Alan D. Wilson.

Others present included: President Randy Boyd; David Miller, Senior Vice President and Chief Financial Officer; Linda Martin, Vice President for Academic Affairs and Student Success; Tiffany Carpenter, Vice President for Communications and Marketing; Mr. Ron Loewen, Assistant Vice President for Budget and Planning; Mr. Austin Oakes, Executive Director for Capital Projects; Chancellors Angle, Carver, and Plowman; and other members of the UT senior leadership and administrative staff. The meeting was webcast for the convenience of the University community, the general public, and the media.

Ms. Moore addressed the Open Meetings Act requirements for meetings conducted with members participating electronically and announced the presence of a quorum.

**III. Requests to Address the Board**

There were no requests to address the Board that were referred to the Committee.

**IV. CFO's Report on Financial Performance June 2020**

David Miller, Senior Vice President and Chief Financial Officer, reviewed the University's financial performance for the period from July 1, 2019 through May 31, 2020 compared against: (i) the FY 2019-20 Budget, and (ii) the same period for the prior fiscal year. The review focused on variations of revenues and expenses, which were attributable to certain COVID-related impacts (e.g., housing and dining refunds), timing considerations associated with year-end adjustments, and non-recurring items (e.g., one-time state funding for security upgrades).



In addition, Mr. Miller provided background information on the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including an overview of the funding made available to higher education institutions for the benefit of their students and for institutional costs. He highlighted that the University received an aggregate total of approximately \$17.4 million for Student Grants and \$18.2 million for Institutional Costs. To date, the aggregate amount of the COVID-related impacts is estimated to be \$69.4 million, comprised of \$27.8 million in refunds, \$19.9 million of additional expenses, and \$21.6 million in lost revenues. It was explained that the net impact to the University of approximately \$51 million (\$69.4 million less \$18.2 million in CARES funding) does not reflect other operating expense savings of approximately \$21 million.

**V. FY 2020-21 Operating Budget (including Salary Plan, Student Tuition and Fees, and Room and Board Rates)**

Mr. Miller prefaced the discussion on the proposed FY2020-21 Operating Budget by indicating that it has been prepared based on the best information currently available. He stated that, while public higher education institutions in other states are facing significant reductions in state appropriations, the University is fortunate as its state funding for the upcoming year will be essentially flat. Mr. Miller also advised that, at present, it is anticipated that the financial impacts associated with COVID-19 should be manageable through adjustments to non-recurring expenses and the use of reserves, as needed.

Ron Loewen, Assistant Vice President for Budget and Planning, provided an overview of the proposed operating budget. It was noted that the reduction in the budget reflects changes primarily in non-recurring items. In the final state budget, the increases originally provided to UTC, UTK, and UTM through performance funding were eliminated. However, the state reallocated the existing level of funding through the competitive-formula and UT Martin's funding decreased approximately \$1 million.

In response to questions and comments from Committee members, Mr. Loewen compared and contrasted the current situation from that of the "Great Recession." He reported that one of the primary differences was that recurring revenues were impacted significantly in connection with the last recession. Over time, the University was able to recover primarily due to federal stimulus funding (under the American Recovery and Reinvestment Act of 2009) and increases in tuition and fees. The pandemic has had a more concentrated impact on auxiliary revenues given that students have returned home for remote instruction (resulting in housing, dining and other refunds) and athletic programs have been disrupted (cancellation of events).

Mr. Loewen confirmed that the proposed FY2020-21 Operating Budget is similar to the prior year's budget. It reflects steady enrollment figures, based on summer enrollment figures and fall enrollment estimates. A cautious approach has been undertaken in preparing the budget, recognizing that it may be a very different year. He reviewed the changes in In-State Undergraduate Tuition and Mandatory Fees over the last three fiscal years. For the upcoming year, no increases in tuition and mandatory fees are planned. He finished his presentation by reviewing



the primary components of recurring revenues and expenses, noting that the composition mix for each has remained fairly consistent over time.

In response to questions from the Committee members regarding options for addressing possible budget shortfalls, Mr. Miller advised that the course of action may vary (by department, school, campus, etc.). He indicated that different strategies could apply based on the individual circumstances and the anticipated duration. In addition to the potential use of unrestricted reserves, the University's primary focus would be eliminating, reducing, or postponing nonrecurring expenses (travel, professional development, supplies, etc.) in order to protect the instructional side of the University.

The Committee members encouraged the Administration to examine where permanent changes might be appropriate as part of a new "normal" post-pandemic and to act on opportunities that may result in savings or allow for reallocation of funds to strategic priorities. President Boyd highlighted that there may be certain changes (i.e., space needs) through the adoption of more flexible alternative work practices. The Committee members requested further detail pertaining to the amount of reserves being used to address COVID-related impacts for more insight as to the level of reserves should the pandemic continue for an extended period of time.

Mr. Miller reminded the Committee members that a revised budget is presented to the Committee each year at the winter meeting. Given the circumstances, it is anticipated that a budget update will be presented at the upcoming fall meeting. Upon further discussion, it was determined that a financial update should also be presented to the Executive Committee at its next meeting given the fluid nature of the situation. Mr. Miller and others then responded to individual clarifying questions associated with the proposed budget.

Upon motion duly made and seconded, a roll call vote was taken, and the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the FY 2020-21 Operating Budget (as presented in Tab 2 of the meeting materials).

## **VI. Capital Projects**

Mr. Miller introduced Austin Oakes, Executive Director for Capital Projects, who reviewed the Administration's Capital Budget recommendations. The presentation focused on the following items:

- Capital Outlay Funding Requests (FY 2021-22 through FY 2025-26);
- Capital Maintenance Funding Requests (FY 2021-22 through FY 2025-26); and
- Revenue/Institutionally-Funded Capital Projects (FY 2020-21 and FY 2021-22).

In addition, Mr. Oakes provided an historical summary of the University's approved funding requests and the actual appropriations received for the last five fiscal years. In this regard, he emphasized that the level of funding provided for both capital outlays and capital maintenance has varied widely from year-to-year.



Upon motion duly made and seconded, a roll call vote was taken, and the Committee approved a recommendation that the Board of Trustees adopt the three Resolutions pertaining to the Capital Outlay Funding Requests, the Capital Maintenance Funding Requests, and the Revenue/Institutionally-Funded Capital Projects (as set forth in Tabs 3-5 of the meeting materials).

## **VII. Report of UT Martin Five-Year Plan**

Chancellor Keith Carver provided a progress update on the strategic enrollment planning efforts for UT Martin. As a guiding principle, all new initiatives being considered must align with UT Martin's Mission Statement and its Core Values. Working with an external consultant (Ruffalo Noel Levitz), there has been a very intentional, phased approach to the project, including the following:

- Phase 1 - Preparation and Data Analysis
- Phase 2 - Strategy Development
- Phase 3 - Plan Formation and Goal Setting
- Phase 4 - Track Progress Toward Goals

As a result of this work, 11 critical strategies have been identified, and each strategy has its own financial projections and implementation plan. Chancellor Carver shared the compilation of the financial analysis, which considers possible duplications and a risk/fail factor (15%). The figures for the upcoming FY 2020-21 will need to be monitored and reviewed based on COVID-19. Chancellor Carver concluded his remarks discussing the differential in cumulative net revenue (approximately \$9 million), depending on the type of marketing employed.

In response to the questions from Committee members, Chancellor Carver, President Boyd and Dr. Martin discussed the periodic review of underperforming programs by the University and by the Tennessee Higher Education Commission (THEC). President Boyd also highlighted that UT Martin's enrollment strategy encompasses product development, competition assessment, advertising, and student recruitment. He further discussed how the campus has undertaken structural, cost-cutting reforms and that future strategy for success is based on growth. The Committee members expressed their desire to learn more about the new academic programs under consideration and thanked Chancellor Carver and his leadership team for their efforts.

## **VIII. Use of UHS Proceeds**

Mr. Miller advised that under an existing Lease and Transfer Agreement with University Health System, Inc. (UHS), the University receives annual payments that can be used at the discretion of the Board. The Administration is recommending that up to \$12.6 million of the outstanding balance of \$16.8 million in UHS proceeds be used to support three capital projects associated with the UTHSC Campus Master Plan. Upon motion duly made and seconded, a roll call vote was taken, and the Committee approved a recommendation that the Board of Trustees adopt the



Resolution approving the allocation of the UHS proceeds (as set forth in Tab 7 of the meeting materials).

#### **IX. Review of Committee Work Plan**

Committee Chair Rhodes thanked Ms. Moore for her efforts in preparing work plans for the Board committees. Mr. Miller advised that the work plans are intended to capture key reports, special focus topics, and action items that will come before the Committee over the next year. The work plan was placed on the meeting agenda in order to solicit feedback from the Committee members as to any other items that they would like to consider for future meetings. Committee Chair Rhodes stated that the work plan provides a framework that should serve as a useful guide in shaping the work of the Committee.

#### **X. Consent Agenda**

Committee Chair Rhodes 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, upon motion duly made and seconded, a roll call vote was taken, and the Committee approved: (i) the Resolution to adopt the minutes of the February 19, 2020 meeting of the Committee, and (ii) the Resolutions pertaining to the other action items included on the Consent Agenda. (A complete list of the approved items appears at the end of these minutes.)

#### **XI. Other Business**

Mr. Miller stated that the endowment investment performance report for March 31, 2020 shows a fair market balance for the consolidated investment pool (CIP) of approximately \$943 million. As of April 30, 2020, the CIP has rebounded to \$992 million. Committee Chair Rhodes indicated that he has been impressed with the University's investment advisor, Cambridge Associates.

#### **XII. Adjournment**

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

Respectfully Submitted,

A handwritten signature in blue ink that reads "Cynthia C. Moore".

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Cynthia C. Moore  
Secretary and Special Counsel



### Approved Consent Agenda Items

- Minutes of the Last Meeting (February 19, 2020)
- Distribution of Corpus from Haslam College of Business Quasi-Endowment
- Ratification of Quasi-Endowments Created during FY 2019-20
- Granting of Easements
- FY 2020-2021 President Emeritus Agreement with Joseph E. Johnson
- Procedures Governing Compensation Increases during FY 2020-21

### List of Information Items Presented to the Committee

- Annual Report of Naming Interior Spaces and Grounds
- Report on Use of Student Programs and Services Fee Funds
- Endowment Investment Report
- Disclosure of Additional Revenue/Institutionally-Funded Capital Projects for FY 2019-20 and 2020-21

Attachments. Copies of the following documents are filed with the official minutes of this meeting.

- Presentations:
  - Financial Performance (July 1, 2019 through May 31, 2020)
  - FY2020-21 Proposed Operating Budget
  - Capital Budget Recommendations
  - Strategic Enrollment Planning at UTM: Progress Update