



THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

June 25, 2021  
Memphis, Tennessee

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 8:00 a.m. (CDT) on Friday, June 25, 2021, in the Refectory, Mooney Building, located at the University of Tennessee Health Science Center, Memphis, Tennessee.

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

Committee Chair Bill Rhodes called the meeting to order. Board Secretary, Cynthia C. 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. Ms. Moore announced the presence of a quorum.

In addition, the following trustees were in attendance: Bradford D. Box; Leighton Chappell, Student Trustee; Charles Hatcher, Commissioner of the Tennessee Department of Agriculture; Decosta E. Jenkins; Christopher L. Patterson; and Donnie Smith. Others present included: President Randy Boyd; David Miller, Senior Vice President and Chief Financial Officer; Mark Paganelli, Treasurer; Ron Loewen, Assistant Vice President for Budget and Planning; Austin Oakes, Assistant Vice President, Capital Projects; Petra McPhearson, Vice Chancellor of Finance and Administration (UT Martin); Chancellors Carver, Plowman, and Schwab; 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.

**II. Opening Remarks of the Committee Chair**

Committee Chair Rhodes opened the meeting by explaining that five individuals, who had registered to address the Board, were assigned to speak at the Committee's meeting. However, two individuals were unable to attend. He reviewed the two themes associated with the requests to address the Board, which pertain to: (i) employee-related matters involving the UT Health Science Center (UTHSC), and (ii) paid family/sick leave for 9-month faculty.



### III. Requests to Address the Board

#### Santonio Patton, former staff member, UTHSC

Mr. Santonio Patton introduced himself and indicated that he was one of the staff members whose employment was terminated by UTHSC in March, 2021. He highlighted his twenty years of service to the University as an electrician. He shared his frustration and disappointment as to the lack of information provided as to the underlying reason(s) for the recent reduction in workforce at the campus. He commented on the hardships facing many of the former workers and their families, who, like himself, had worked throughout the pandemic as essential workers. Mr. Patton expressed his interest in continuing his employment with the University, obtaining answers on behalf of the individuals who had been terminated, and seeing what could be done to reverse the decision.

In response, Chancellor Schwab described the efforts to retain the entire UTHSC workforce during the pandemic, based on the assumption that the campus would return to its past practices following the conclusion of the pandemic. However, the hybrid learning model has changed the nature of the campus' operations and its future workforce needs. An assessment was performed, and it was determined that certain positions were projected to no longer have any work. He discussed the campus' efforts (e.g., financial and career placement) to assist those individuals impacted. Former employees have been encouraged to apply for other available UTHSC positions. Of the 69 individuals impacted by the workforce reduction, 13 have been re-hired by the campus. Chancellor Schwab stated that the decision was very difficult, but, unfortunately, necessary due to the change in circumstances.

Committee Chair Rhodes thanked Mr. Patton for his comments and his past service to the University.

#### Charlene Simmons, President of UT Chattanooga Faculty Senate

Dr. Charlene Simmons introduced herself and addressed the Committee on the issue of paid family and medical leave for 9-month faculty. She explained that 9-month faculty do not accrue paid sick leave, but faculty may seek a "modified duties assignment" (MDA). These types of arrangements vary widely by campus and are handled on a case-by-case basis. Often, these arrangements are not equivalent to paid leave, but are instead a work from home arrangement. Dr. Simmons reported that other public universities in Tennessee and certain private universities, including Martin Methodist College (MMC), provide sick leave for 9-month faculty similar to what is provided to 12-month employees. Dr. Simmons requested: (i) the development of a paid leave policy for 9-month faculty; (ii) the inclusion of 9-month faculty as part of the policy-making process; and (iii) a deadline for bringing such a policy to the Board for its consideration.

President Boyd shared his desire for the University to be viewed as the "best place" for faculty to work, and he provided an update on his conversations with members of the University Faculty



Council (UFC) at recent meetings regarding this subject. In light of the varying opinions, he asked for a unified proposal from UFC. President Boyd advised that a faculty survey was undertaken and that he hopes to see the leave proposal and survey results very soon. President Boyd shared his intention to engage the University's human resources office and the campus Chancellors once the proposal and survey results become available.

Committee Chair Rhodes asked President Boyd to report on the status of this item at future Committee meeting, and he thanked Dr. Simmons for her comments.

Christina Vogel, Faculty at UT Chattanooga

Christina Vogel, Associate Professor in the Department of Art at UT Chattanooga, joined the meeting virtually. Although she serves as the Faculty Representative on the Education, Research and Service Committee, Professor Vogel addressed the Board in her individual capacity as a tenured, 9-month faculty member. She is offering her personal experience to further illustrate the points raised by Dr. Simmons.

Professor Vogel discussed the ambiguities she encountered in reviewing the UTC Faculty Handbook and other University policies during the past year in advance of the birth of her child. She voiced her appreciation for the newly adopted six-week paid family leave benefit, which is slated to become effective on July 1. She conveyed that she is ineligible for the paid leave (based on the date her child was born) and that she does not have any accrued sick leave (as a 9-month faculty member). After eight years of service to the University, her only available option was to seek an MDA. Professor Vogel expressed concerns arising from individual determinations and inconsistent interpretations, as well as the challenges that arise in negotiating the terms of an MDA (especially in terms of expectations pertaining to research and/or service). Professor Vogel advocated for the need to provide a more transparent and equitable process for 9-month faculty seeking family/medical leave.

Committee Chair Rhodes extended his gratitude to Professor Vogel for her service and for sharing her personal experience. President Boyd also thanked Professor Vogel for her comments and restated his interest in receiving the requested proposal from UFC.

#### **IV. CFO's Report on Financial Performance June 2021**

David Miller, Senior Vice President and Chief Financial Officer, reviewed the University's financial performance for the period from July 1, 2020 through April 30, 2021 compared against: (i) the FY 2020-21 Budget, and (ii) the same period for the prior fiscal year.

Mr. Miller advised that with 83% of the year complete, total revenue is 89.7% of budget and total expenditures are 80.7%. For the fiscal year-end, total revenue is projected to exceed the budget by 3.6%. He explained that sustained state support, available federal funding, and strong enrollment were the primary revenue drivers. Mr. Miller underscored how fortunate the University is to be



located in the State of Tennessee. While many other public institutions of higher education suffered severe reductions in their state appropriations due to the pandemic, the University's appropriations remained consistent with the prior year. For the upcoming fiscal year, the state's approved budget provides unprecedented financial support for the University. Mr. Miller noted that Tennessee's commitment to higher education is truly unique and the University is most grateful. Total expenditures through the end of the year are forecasted to be 2.9% below budget. Expenditures decreased as a result of the reduced level of travel during the past year.

As mentioned at previous meetings, auxiliary operations (i.e., housing, dining, parking, and UT Knoxville athletics) were adversely impacted by the COVID-19 pandemic. For FY 2020-21, an 11% reduction in auxiliary revenue is projected. Trustee Miles inquired as to the projected auxiliary revenues for the upcoming fiscal year, noting that it appears to be a return to 2019 figures (pre-COVID). Mr. Miller stated that the campuses are projecting for on-campus housing to return to near full capacity, which assumption is also reflected in the dining estimates. This assumption may need to be adjusted based on prevailing health conditions when the academic year begins.

Committee Chair Rhodes thanked the leadership team for their efforts to ensure that the University operated in a fiscally responsible manner during an unprecedented period of time.

#### **V. FY 2021-22 Operating Budget (including Salary Plan, Student Tuition and Fees, and Room and Board Rates)**

Ron Loewen, Assistant Vice President for Budget and Planning, provided an overview of the proposed operating budget. He reflected on the fact that last year's operating budget was unusual due to the pandemic, and, similarly, this year's operating budget is unusual given the proposed acquisition of MMC. The following items were highlighted —

- UT Southern, first new campus in over half a century;
- Largest salary pool in UT history (\$46 million; largest percentage increase since 1994);
- Largest state funding increase in UT history (\$54 million; 8.3% increase)\*;
- State funding for 32 new Extension agents to serve at-risk counties; and
- Resuming full campus operations.

---

*(\*) The state funding increase includes \$5.1 million recurring and \$1 million non-recurring support for the proposed UT Southern campus.*

Additionally, the University will be the indirect beneficiary of an \$8 million grant to the UT Oak Ridge Innovation Institute, along with the \$4 million in recurring funding approved to support graduate medical education.

Mr. Loewen then reviewed the main components of the FY 2021-22 Operating Budget, including the proposed tuition and mandatory fees for the campuses. A copy of the presentation is attached to these minutes. Mr. Miller remarked that, with respect to the tuition and mandatory fee increases



proposed for UT Chattanooga and UT Martin, only a portion of the 4% salary pool (55%) is covered by the state. The remaining 45% is a recurring expense incurred by the campuses.

In response to questions from members of the Committee, Mr. Loewen addressed the projected auxiliary revenues for the upcoming year. He explained that the proposed budget tracks closely to the actual revenues received during 2020 and that it is a fairly conservative estimate. Committee Chair Rhodes remarked on the smaller amount of revenues received and projected for dining as compared to parking. In this regard, Mr. Loewen reviewed the dining services model. As a contracted service, the vendor's balance sheet reflects the revenues and expenses associated with providing the services. The University receives a fee in connection with the contract.

Committee Chair Rhodes asked the Chancellors to share their expectations on auxiliary revenues post-COVID. Chancellor Plowman (UT Knoxville) reported that the campus expects increased enrollment and strong demand for on-campus housing. A large amount of uncertainty exists with respect to the athletics program (i.e., whether ticket holders return to the stadium). Chancellor Plowman advised that concerts are being scheduled. She is cautiously optimistic that there will not be any permanent reductions in auxiliary revenues post-pandemic. Chancellor Carver indicated that UT Martin is closely monitoring enrollment figures, which will influence the demand for on-campus housing.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the FY 2021-22 Operating Budget (as presented in Tab 2 of the meeting materials).

## **VI. Capital Projects**

Austin Oakes, Assistant Vice President, Capital Projects, began his presentation by highlighting four active capital projects (Dentistry, UTHSC; Nursing, UTK; Dining, UTK; and McKenzie Arena, UTC). Mr. Oakes stated that there are currently 89 projects under construction, totaling approximately \$1.1 billion in project costs.

### Capital Outlay Funding Requests (FY 2022-23 through FY 2026-27)

The following five capital outlay priorities identified for FY 2022-23 were reviewed:

- Health Sciences Building to support the College of Nursing, UTC;
- Tennessee Entrepreneurial Science and Technology (TEST) Hub, UTM;
- Nash Vivarium Basement Renovation, UTHSC;
- 540 McCallie Renovation, UTC; and
- Cancer Research Building (Renovations, Fourth Floor) and Holiday Inn (Demolition), UTHSC.



For FY 2022-23, the capital budget request for the aforementioned capital outlay priorities totals \$162 million (\$153.5 million in State Appropriations). The five-year schedule reflects approximately \$578.5 million in requested state funding for capital outlay projects.

Capital Maintenance Funding Requests (FY 2022-23 through FY 2026-27)

Mr. Oakes advised that all of the University's capital maintenance requests for FY 2021-22 were approved (12 projects; approximately \$59.9 million), which represents a historical record amount of capital maintenance funding from the State of Tennessee for the University. He reviewed future capital maintenance funding priorities, which contemplates a capital maintenance request for UT Southern (assuming that the acquisition of MMC is approved) for safety upgrades that were identified as part of the due diligence assessment. The five-year maintenance projection totals approximately \$278 million for 38 projects. For FY 2022-23, the capital maintenance funding request is for \$68.7 million, representing 23 projects.

Revenue/Institutionally-Funded Capital Projects (FY 2022-23)

For FY 2022-23, the proposed capital budget includes \$115.3 million for 10 institutionally-funded capital projects. The two most significant projects are located on the UT Knoxville campus -- Melrose Hall (\$60 million) and Presidential Court Building (\$30 million).

In concluding his remarks, Mr. Oakes reviewed historical results regarding the University's funding requests and the actual amount of funding received from the state. In response to questions from Committee members, Mr. Oakes explained the full process for seeking capital funding and confirmed that the funding requests being presented are for the fiscal year beginning July 1, 2022. President Boyd clarified that unfunded projects may be resubmitted, but priorities/requests are re-evaluated each year.

Upon motion duly made and seconded, 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. UT Martin Master Plan Amendment**

Petra McPhearson, Vice Chancellor of Finance and Administration at UT Martin, presented the proposed UT Martin Master Plan Amendment. The amendment contemplates —

- Expansion of the Campus Boundary to include the acquisition of property (commonly referred to as the UT Martin Rodeo and Equine Center), which is anticipated to be gifted from the University of Tennessee Foundation (UTFI) to the UT Martin campus later in the year;



- The construction of an outdoor classroom space (Blaylock Inspiration Oracle);
- Renovation and expansion of the Bob Carroll Football Facility;
- A new Beef Cattle Teaching and Demonstration Facility; and
- A new indoor baseball batting facility.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the UT Martin Master Plan Amendment to revise the Campus Boundary and update the project list (as set forth in Tab 6 of the meeting materials).

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

Committee Chair Rhodes noted that the Committee's work plan was included in the materials. He inquired as to whether any of the members had any suggested revisions. Mr. Miller stated that the timing associated with when certain items come before the Committee is largely a reflection of the deadlines set by THEC and other state agencies. He also acknowledged that the number of reports presented at the fall meeting is very heavy, but it is the first meeting following the fiscal year-end. Mr. Miller advised that the Committee Charter is required to be reviewed annually to determine whether any revisions should be presented to the Committee for its consideration. No proposed Charter revisions were identified. Mr. Miller provided a brief status update on the Enterprise Resource Planning (ERP) project.

### **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, the Committee approved: (i) the Resolution to adopt the minutes of the February 25, 2021 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.)

### **X. Other Business**

Committee Chair Rhodes requested that Mr. Miller provide an update on the performance of the University's consolidated investment pool (commonly referred to as the endowment). For the 12-month period ended March 31, 2021, the University received \$62 million in new gifts. Spending distributions totaled approximately \$49 million. For the preceding 12-month period, the investment return was 35.5%, and the current value of the endowment is almost \$1.3 billion. Mr. Miller indicated that the University will be adjusting its peer group for the endowment. Committee Chair Rhodes reminded the Committee members that markets do not move in a straight line. While performance has been exceptional during the last 12-months, endowment performance should be measured on a long-term basis. He noted that the rebalancing changes being implemented by Cambridge Associates, the University's investment advisor, are not yet complete; however, good progress is being made.



## XI. 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".

---

Cynthia C. Moore  
Secretary and Special Counsel

### Approved Consent Agenda Items

- Minutes of the February 25, 2021 Meeting
- Ratification of Quasi-Endowments Created during FY 2020-21
- Procedures Governing Compensation Increases during FY 2021-22
- Highland Rim AgResearch and Education Center Transfer to the City of Springfield (UTIA)
- Milan AgResearch and Education Center Greenway Easement (UTIA)
- UT Research Foundation/UT Research Park Lease Amendment
- UT Research Foundation/UT Research Park Master Plan Update
- Sale of Gift Property Below Appraised Value (UTSA)
- FY 2021-2022 President Emeritus Agreement with Joseph E. Johnson

### List of Information Items Presented to the Committee

- Annual Report of Naming Interior Spaces and Grounds
- President's Report on Use of Student Programs and Services Fee Funds
- Endowment Investment Report
- Disclosure of Additional Revenue/Institutionally-Funded Capital Projects for FY 2020-21 and 2021-22

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

- Presentations:
  - Financial Performance (July 1, 2020 through April 30, 2021)
  - FY2021-22 Proposed Operating Budget
  - Capital Budget Recommendations
  - UT Martin Master Plan Amendment