Minutes of the Finance and Administration Committee
February 25, 2022

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 8:00 a.m. (CST) on Friday, February 25, 2022. The meeting was held in the Gault Fine Arts Center (Art Gallery) on the UT Southern campus located in Pulaski, Tennessee.

Committee Members Present: William (Bill) C. Rhodes III, Committee Chair; John C. Compton, Board Chair; Christopher L. Patterson; and David N. Watson.

Others in Attendance:
Trustees: Decosta E. Jenkins; Shanae A. McKinney; and Donald J. Smith.

University Administration: President Randy Boyd; David Miller, Senior Vice President and Chief Financial Officer; Cynthia Moore, Board Secretary and Special Counsel; Chancellor Steve Angle (UT Chattanooga); Chancellor Peter Buckley (UTHSC); Chancellor Keith Carver (UT Martin); Chancellor Mark LaBranche (UT Southern); and Chancellor Donde Plowman (UT Knoxville).

Ms. Moore announced the presence of a quorum. The meeting was webcast for the convenience of the University community, the general public, and the media.

Committee Chair Rhodes opened the meeting and welcomed new Trustee David Watson as a member of the Committee.

CFO’s Report on Financial Performance

David Miller, Senior Vice President and Chief Financial Officer, reviewed the second quarter results (July 1 through December 31) for FY 2021-22 as compared to the prior period. Mr. Miller noted that, unlike other years, the year-to-year comparison is not very meaningful due to the impact of COVID-19. For this reason, additional information is being provided that shows a year-end projection against the year-end budget figures. For the fiscal year ending June 30, 2022, unrestricted educational and general (E&G) revenues are currently projected to be above the budget (by approximately 2.7%), while E&G expenses are anticipated to be below the budget (by approximately 8.5%). Ron Loewen, Assistant Vice President for Budget and Planning, explained that the increase in E&G revenue is primarily the result of the increase in enrollment associated with the UT Knoxville and UT Southern campuses.

Committee Chair Rhodes expressed his gratitude to the senior leadership team for their discipline and fiscally prudent and conservative approach to budgeting and managing
expenses during the pandemic. Mr. Miller also indicated that the University was deeply appreciative of the financial support provided by the State of Tennessee. Unlike most higher education institutions, the University was one of the few university systems nationally that didn’t see a state budget reduction.

Mr. Miller then provided an update on the status of the enterprise resource planning (ERP) system project, which has been named DASH (Dynamic Administrative Systems for Higher Education). In January 2022, Oracle was selected through a competitive process. The minimum cost of the new system will be approximately $25 million over the first 10 years, representing an increase of approximately $1.3 million per year over the current cost. Mr. Miller reported that the state will be providing $50 million to the University and $20 million to each Tennessee locally-governed institution (LGI) for the implementation costs. Five of the six LGI institutions plan on using the Oracle contract. The implementation process is on track to start in July 2022.

Committee Chair Rhodes thanked President Boyd and members of the leadership team for pursuing a joint approach with the LGI’s on this initiative, which should provide increased standardization and a more efficient approach for all the institutions involved. In response to questions raised by the Committee members, Mr. Miller confirmed that the system integration expert will be tasked with documenting workflow reductions, improvements in internal controls, and enhancements of risk mitigation efforts to capture the benefits associated with transitioning to the new cloud-based platform, along with other related cost savings.

**Annual Report on Finances of the Intercollegiate Athletics Programs**

Mr. Miller noted that an annual report on the finances of the intercollegiate athletics programs is required by the Board’s policy on Oversight of Intercollegiate Athletics. The annual reports were provided for UT Chattanooga, UT Knoxville, and UT Martin. He highlighted certain key information (operating budget, year-end fund balances, student fees, outstanding debt, and annual debt service) for each of the athletics programs for the prior fiscal year. Copies of the full reports are included under Tab 2 of the meeting materials and filed with these minutes. In response to questions raised regarding the student fees assessed for the benefit of the athletics departments, Mr. Miller explained the differing approaches applied by the campuses. Chris Cimino, Senior Vice Chancellor for Finance and Administration at UT Knoxville, advised that the flat payment of $1 million is used to reduce the cost of athletics tickets for students. Mr. Miller also provided further clarification as to the outstanding debt balance associated with the Finley Stadium at UT Chattanooga.

**Revised FY 2021-22 Operating Budget**

Mr. Loewen presented the revised FY 2021-22 Operating Budget. He indicated that the University is required to provide a mid-year revision of the Operating Budget to the Tennessee Higher Education Commission (THEC), which provides baseline information for
preparing the Governor’s budget proposal for the next fiscal year. The revised Unrestricted Educational and General Operating Budget represents an increase of 0.8% over the original budget, and the revised Unrestricted Auxiliary Operating Budget represents an increase of 0.4% from the original budget. Restricted Funds increased by approximately 6.7%, which was driven primarily due to federal COVID-relief grants. A copy of the full presentation is included with these minutes.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Revised FY 2021-22 Operating Budget (as set forth in Tab 3 of the meeting materials).

**FY 2021-22 Tuition and Fees for UT Health Science Center**

Committee Chair Rhodes indicated that the UT Health Science Center is presenting its proposed FY 2022-23 student tuition and fee schedules at this meeting as its academic year begins earlier than the other UT campuses. Mr. Miller advised that no changes are being proposed for the upcoming fiscal year.

Committee Chair Rhodes inquired as to the impact of the changes that were made last year that reduced tuition for out-of-state students for certain programs and suggested that this might be useful information to share with the Committee at a future meeting. Additional information was requested regarding the General and Transitional DDS programs.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the FY 2022-23 Tuition and Fees for the UT Health Science Center (as set forth in Tab 4 of the meeting materials).

**Master Plan Housing and Campus Boundary Amendments**

Mr. Cimino reviewed the history of the UT Knoxville campus master plan, which was originally adopted in 2011, was refreshed slightly in 2016. He indicated that the master plan is being revised and will be brought to the Board. Until such time, certain amendments are necessary to address needs of the campus at this time. Mr. Cimino explained that there are two items being brought forward for the Committee’s consideration, the first is an adjustment to the campus boundary and the second pertains to the construction of two new residence halls. These housing projects must be reflected in the master plan in order to start the design process, subject to obtaining state approval.

Mr. Cimino and Chancellor Donde Plowman answered questions raised by the Committee pertaining to the amount of total beds and the amount of demand for on-campus housing. There was strong support voiced for the expansion of the campus boundary. If developed, the pedestrian bridge could provide a real opportunity to take better advantage of both sides of the river. As a general observation, a request was made for the University administration to conduct and holistic review of the advantages/disadvantages of the University’s current
approach currently to owning and managing housing, parking facilities, etc. or whether other models should be considered.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution to amend the UT Knoxville Master Plan to (i) update the Master Plan project list to include new and renovated housing projects and (ii) expand the Campus Boundary to include the acquisition of property on the southeastern side of the Tennessee River (as set forth in Tab 5 of the meeting materials).

Additional Revenue/Institutionally-Funded Capital Projects, FY 2022-23

Mr. Miller discussed the process for working with the state on revenue/institutionally-funded projects. He explained that no state funds are requested for the projects being presented, but disclosure is required. It was noted that the projects identified will not all be pursued as the list includes certain alternatives (option a versus option b). Mr. Miller thanked the Committee members for the questions on this particular topic, noting that the list is much larger than prior years. Chancellor Plowman extended her gratitude to the Committee for allowing the UT Knoxville campus the opportunity to submit the additional projects with the hope of reducing the overall timeframe associated with moving these projects to completion.

 Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Additional Revenue/Institutionally-Funded Capital Projects, FY 2022-23 (as set forth in Tab 6 of the meeting materials).

Proposed Acquisitions of Real Property (Pulaski, TN)

Robby Shelton, Executive Vice Chancellor and Chief Operating Officer, UT Southern, presented two property acquisitions for the Committee’s consideration. The first property is located on the southern edge of campus, which would be used to house its Student Resource Center allowing the current center to be repurposed for office space for faculty and staff. The second property is a strategic priority as the campus owns all of the property on the block (Madison Street) except for this one parcel. Mr. Shelton explained that the house located on the property is poor condition and would be demolished. He indicated that the property would be used for additional parking in the short-term and as new residential or office space in the long-term. Mr. Shelton confirmed that the properties are being presented to the Committee for approval as a campus master plan is yet to be developed. UT Southern is working on a new strategic plan and the master plan will follow it. He also provided additional information regarding the acquisition prices associated with each property, noting that, in each instance, the price is not above the appraised value.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the acquisitions of real property located at 409 W. Flower Street and 600 W. Madison Street in Pulaski, Tennessee for the benefit of UT Southern (as set forth in Tab 7 of the meeting materials).
Consent Agenda

Committee Chair Rhodes asked if there were any requests to remove an item from the agenda. He then asked Chancellor Plowman to share her thoughts on the proposed naming of the School of Advertising and Public Relations in the College of Communication and Information at UT Knoxville. It was noted that the Tombras family and the Tombras Advertising Agency have been long-time supporters of the University. She expressed her strong support for the proposed naming. There being no requests to remove an item from the consent agenda, upon motion duly made and seconded, the Committee approved: (i) the Resolution to adopt the minutes of the last 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.)

With no further business to come before the Committee, the Chair adjourned the meeting.

Respectfully Submitted,

Cynthia C. Moore
Secretary and Special Counsel

Approved Consent Agenda Items
• Minutes of the Last Meeting (October 21, 2021)
  Amendment of Ground Lease Agreement and Grant of Easements – Housing Development (UTHSC)
  Grant of Easement to Tennessee Department of Transportation – ETREC Plant Science Unit (UTIA)
• Proposed School Naming (Tombras School of Advertising and Public Relations, UT Knoxville)

List of Information Items Presented to the Committee
• Disclosure of Additional Revenue/Institutionally-funded Capital Projects for FY 2021-22
• Report on Endowment Investment Performance
• Composite Financial Index Report for FY 2020-21

Presentation(s)
• FY 2021-2022 Revised Operating Budget