



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

FINANCE AND ADMINISTRATION COMMITTEE	
Thursday, October 27, 2022	Boling University Center, Duncan Ballroom
10:30 a.m. CDT/11:30 a.m. EDT	Martin, TN

## AGENDA

- I. Call to Order and Roll Call
- II. Opening Remarks of the Committee Chair
- III. Requests to Address the Board (if appropriate for this Committee)
- IV. Report on Financial Performance – Information ..... Tab 1
  - A. [2022 Fiscal Year-end Financial Summary](#) ..... Tab 1.1
  - B. [Enterprise Resource Planning Project Update](#) ..... Tab 1.2
- V. [FY 2023-24 Operating Budget Appropriations Request for Specialized Units](#)  
 – [Action](#) ..... Tab 2
- VI. [Campus Master Plan Amendment \(UTK\)](#) – [Action](#) ..... Tab 3
- VII. [College of Business Building Project Increase \(UTK\)](#) – [Action](#) ..... Tab 4
- VIII. [UT System Workforce Update](#) – Information ..... Tab 5
- IX. [Consent Agenda](#) – [Action](#) ..... Tab 6
  - A. [Minutes of the Last Meeting](#) ..... Tab 6.1
  - B. [Acquisition of Property at Milan \(UTK\)](#) ..... Tab 6.2
  - C. [Campus Master Plan Boundary \(UTS\)](#) ..... Tab 6.3
  - D. [Voluntary Retirement Incentive Plan \(UTM\)](#) ..... Tab 6.4
  - E. [Report on Uses of FY 2022 Tuition and Fee Revenue](#) ..... Tab 6.5
- X. 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 attention of the Committee Chair or Board Secretary before the meeting.]*

XI. Closing Remarks

XII. Adjournment

**Information Items** ..... Tab 7

A. [Report on Use of Differential Tuition Funds \(UTC\)](#) ..... Tab 7.1

B. [Report on Use of Differential Tuition Funds \(UTK\)](#) ..... Tab 7.2

C. [FY 2022 Annual Flight Operations Report](#) ..... Tab 7.3

D. [Disclosure of Additional Revenue/Institutionally-Funded Capital Projects for ..... Tab 7.4](#)  
[FY 2022-23](#)

E. [FY 2022 Report on Endowment Investment Performance](#) ..... Tab 7.5

F. [Report on FY 2022 Unrestricted Fund Balances](#) ..... Tab 7.6

G. [FY 2022 Composite Financial Index](#) ..... Tab 7.7



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Report on Financial Performance**

Type: Information

Presenter: David L. Miller, Senior Vice President and Chief Financial Officer

### **Background Information:**

The attached materials contribute to the body of financial reports periodically provided to the Board of Trustees. The materials include tables providing detail summarizing the last months of FY 2021-2022 compared to the same time last year and to the FY 2022 operating budget. The information provides revenue and expense data, and overall CFI scores by institution and for the UT System.

The following items are in the PowerPoint Presentation:

- 2022 Fiscal Year-end Financial Summary
- FY 2022 Year-end Fund Balances
- FY 2022 Composite Financial Index
- Enterprise Resource Planning Project Update

The Report on Financial Performance is an information item.



# 2022 Fiscal Year-end Financial Summary

# Synopsis

FY 2022 financial performance was overall positive supported by student growth, increased in-person activities and Higher Education Emergency Relief Fund (HEERF)

Auxiliary revenues rebounded primarily driven by housing, dining and athletics revenue at UTK

Net position increased \$238 million or approximately 6.1%

# FY 2022 Income Statement

All \$ presented in thousands

## Revenues

- Auxiliary revenues increase driven by UTK housing \$27 million and athletics \$21 million
- Investment income down following very strong FY21 returns and FY22 investment returns an estimated -6.55%

## Expenses

- Return to in-person and inflation drove up Supplies \$33 million, Travel \$28 million, and Gas/Electric \$11.2 million
- Non-cash pension entry and strong FY21 investment performance of pension assets drove the decrease in Benefits expense

	FY22	FY21	FY22 Prelim. vs. FY21	
	Preliminary	Audited	Variance (\$thousands)	Variance (%)
<b>REVENUES</b>				
Net Tuition & Fees	572,465	536,072	36,393	6.8%
Grants & Contracts	888,717	823,391	65,326	7.9%
Auxiliaries	286,604	224,720	61,884	27.5%
State & Local Appropriations	750,786	659,473	91,313	13.8%
Investment Income	(86,199)	264,917	(351,116)	-132.5%
All Other Revenue	311,257	254,123	57,133	22.5%
<b>Total Revenues</b>	<b>2,723,629</b>	<b>2,762,695</b>	<b>(39,066)</b>	<b>-1.4%</b>
<b>EXPENSES</b>				
Salaries	1,253,355	1,182,616	70,738	6.0%
Benefits	346,549	397,841	(51,292)	-12.9%
Utilities, supplies & other	585,855	497,422	88,433	17.8%
Other expenses	300,332	288,149	12,183	4.2%
<b>Total Expenses</b>	<b>2,486,090</b>	<b>2,366,028</b>	<b>120,062</b>	<b>5.1%</b>
<b>Impact on Net Position</b>	<b>237,539</b>	<b>396,667</b>	<b>(159,128)</b>	<b>-40.1%</b>

# FY 2022 Balance Sheet

## Assets

- Beginning Net Position increased \$12.1 million with UT Southern addition
- Receivables increased \$41 million with GASB 87 (lease accounting implementation)
- Investments decreased in line with markets
- All Other Assets increased \$177 million due to non-cash pension entry

## Liabilities

- All Other Liabilities increase due to GASB 87 and new lease payables of \$34 million

All \$ presented in thousands

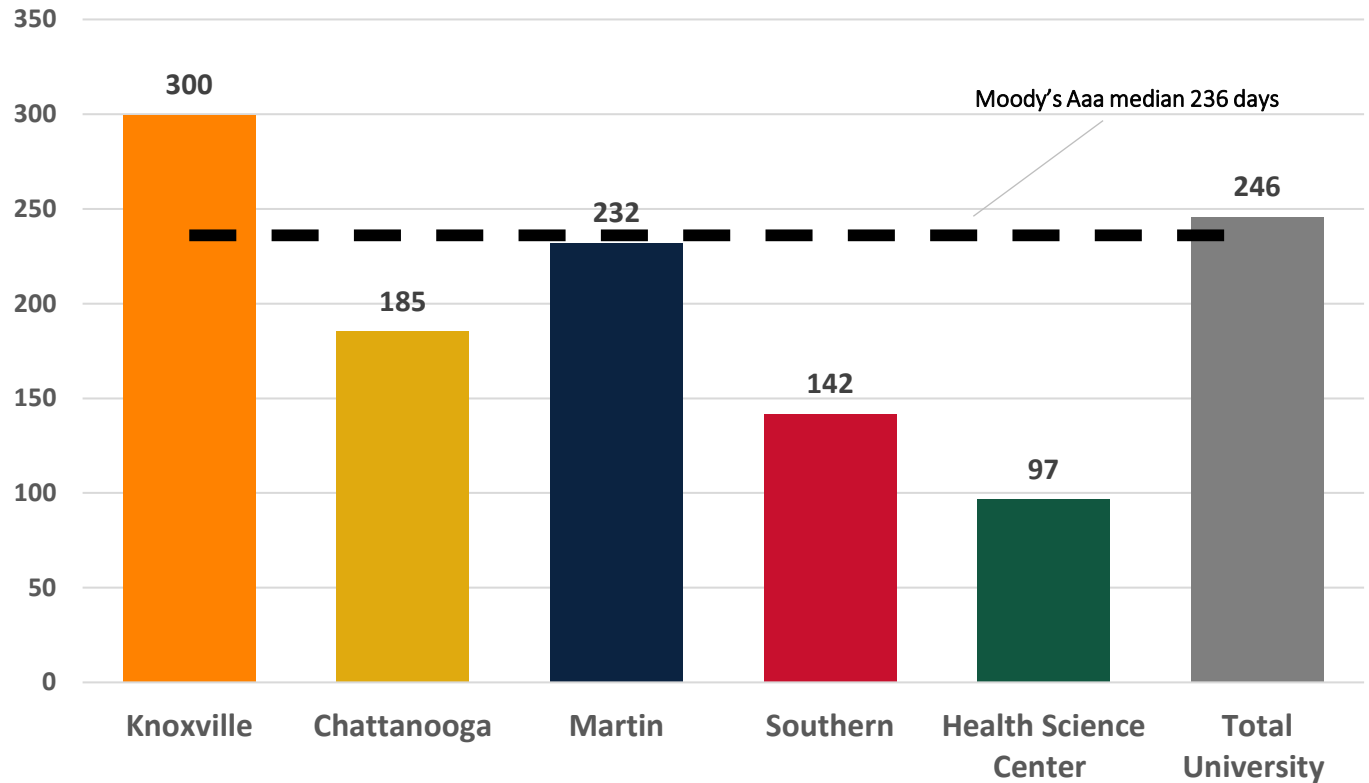
	FY22	FY21	FY22 Prelim. vs. FY21	
	Preliminary	Audited	Variance (\$thousands)	Variance (%)
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>				
Cash & Cash Equivalents	1,542,559	1,484,473	58,086	3.9%
Investments	1,340,314	1,377,600	(37,285)	-2.7%
Capital Assets	3,104,342	2,981,646	122,696	4.1%
Receivables	290,218	240,979	49,240	20.4%
All Other Assets	339,613	165,152	174,461	105.6%
<b>Total Assets</b>	<b>6,617,046</b>	<b>6,249,849</b>	<b>367,197</b>	<b>5.9%</b>
<b>LIABILITIES</b>				
Bonds, Notes & Credit Facility	1,070,523	1,099,336	(28,813)	-2.6%
Pension Oblig. & Def. Inflows	429,868	324,856	105,012	32.3%
Act Payable & Accrued Liab.	230,634	221,701	8,933	4.0%
Unearned Revenue	73,353	69,371	3,982	5.7%
All Other Liabilities	693,291	664,845	28,446	4.3%
<b>Total Liabilities</b>	<b>2,497,669</b>	<b>2,380,109</b>	<b>117,560</b>	<b>4.9%</b>
<b>NET POSITION</b>				
<b>Total Net Position</b>	<b>4,119,378</b>	<b>3,869,740</b>	<b>249,637</b>	<b>6.5%</b>

# Liquidity Analysis

## Key notes

- Total University of 246 days is slightly above median
- UTK only campus above median
- UT HSC campus with least liquidity

## Days of Cash on Hand





# Bottomline Impacts for Fiscal Year 2022

## Key notes

- Revenues down 1.4% driven by investment income which declined \$351 million
- Excluding investment income revenues would be up \$312 million or 12.5% due to student growth and in-person activities
- Expenses up 5.1% driven by increased in-person activities

All \$ presented in thousands

	FY22	FY21	FY22 Prelim. vs. FY21	
	Preliminary	Audited	Variance (\$thousands)	Variance (%)
REVENUES	2,723,629	2,762,695	(39,066)	-1.4%
LESS EXPENSES	2,486,090	2,366,028	120,062	5.1%
Impact on Net Position	237,539	396,667	(159,128)	-40.1%



# FY22 Year-end Fund Balances



## FY 2022 Year-end Cash Fund Balances

<b>Annual Operating Funds</b>	<b>In Millions</b>
Working Capital	\$46.3
Revolving Fund	\$9.0
Encumbrances	\$5.8
Reappropriations	\$8.7
Unallocated Auxiliaries	\$10.6
Unallocated E & G	\$70.3
<b>Total</b>	<b>\$150.9</b>

<b>Accrued Fund Balances</b>	<b>In Millions</b>
Renewal and Replacement	\$663.2
Unexpended Plant Funds	\$326.4
Debt Service	\$57.0
Quasi-endowments	\$14.7
<b>Total</b>	<b>\$1,061.3</b>



## FY 2022 Renewal & Replacement Fund Balances

### By Institution and Level of Commitment

Institution	Obligated	Planned	Reserved	Discretionary	Total
Chattanooga	\$ 20,260,757	\$ 15,081,107	\$ 29,727,222	\$ 2,458,604	\$ 67,527,690
Knoxville	\$ 18,919,084	\$ 311,905,226	\$ 112,950,233	\$ 23,093,594	\$ 466,868,137
Martin	\$ 1,050,411	\$ 9,345,669	\$ 26,761,108	\$ 238,957	\$ 37,396,146
Health Sciences					\$ -
Southern	\$ 652,613	\$ 2,740,000	\$ 792,387	\$ -	\$ 4,185,000
IPS		\$ 13,548,762	\$ 1,365,766		\$ 14,914,528
System Admin.	\$ 29,974,710	\$ 6,600,000	\$ 35,687,177	\$ -	\$ 72,261,887
	<b>\$ 70,857,576</b>	<b>\$ 359,220,763</b>	<b>\$ 207,283,894</b>	<b>\$ 25,791,155</b>	<b>\$ 663,153,388</b>
Percent	10.7%	54.2%	31.3%	3.9%	100.0%



# FY22 Composite Financial Index October 27, 2022



Measure	Campus Average	Benchmark	Watch
Primary Reserve Weight 35%	47%	40%	13%
Net Operating Revenue Weight 10%	5.3%	2%-4%	0%
Return on Net Assets Weight 20%	4.6%	11.3%	8.3%
Viability Weight 35%	1 : 1.30	1 : 1.25	1 : 0.4

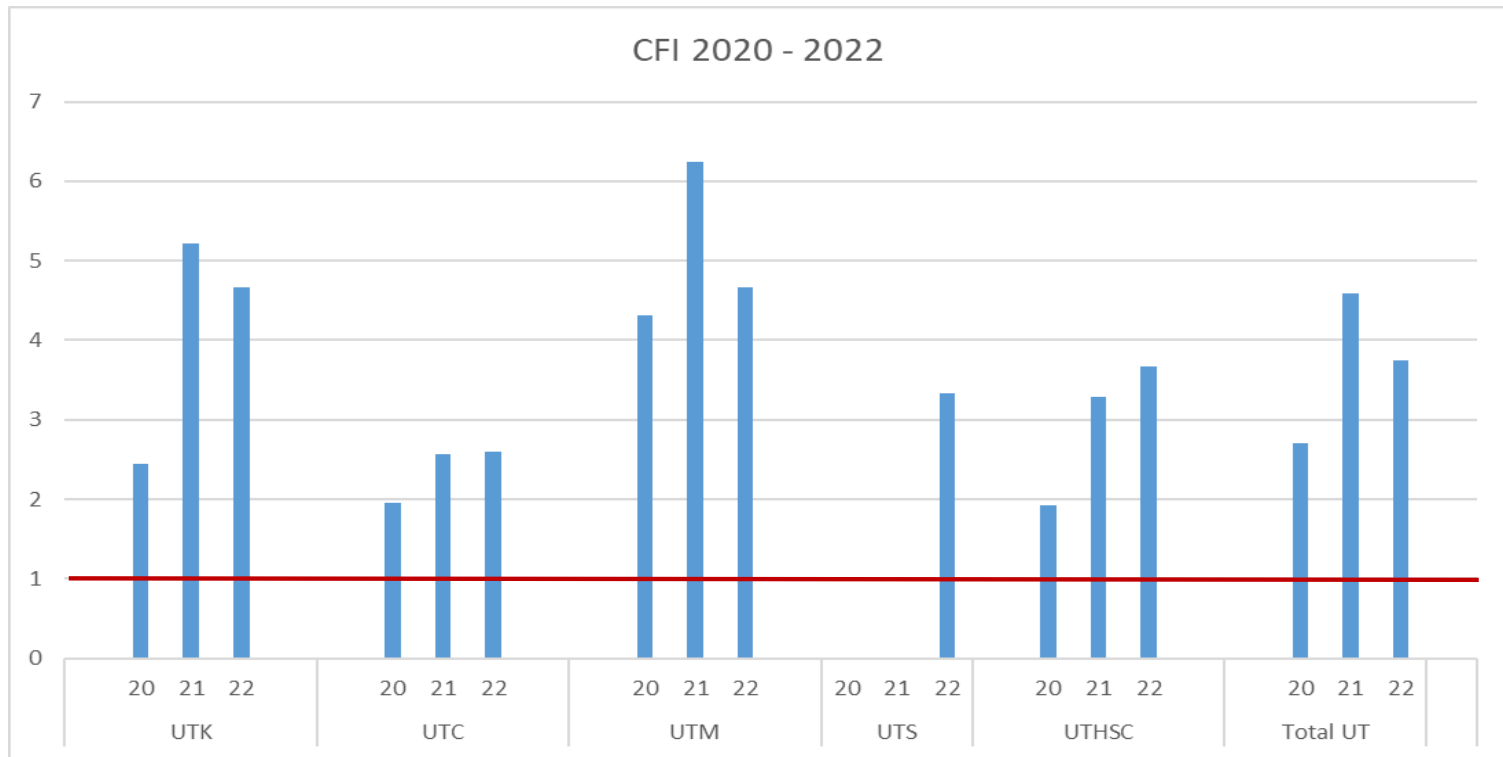


## FY22 CFI Scores

	<b>Knoxville</b>	<b>Chattanooga</b>	<b>Martin</b>	<b>Southern</b>	<b>Health Science Center</b>	<b>Total University</b>
<b>STRENGTHS AND WEIGHTS WORKSHEET</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>
Primary Reserve	<b>2.09</b>	<b>0.94</b>	<b>1.58</b>	<b>0.77</b>	<b>0.81</b>	<b>1.62</b>
Net Operating Revenue	<b>0.56</b>	<b>0.30</b>	<b>0.33</b>	<b>0.60</b>	<b>0.27</b>	<b>0.25</b>
Return on Net Assets	<b>0.77</b>	<b>0.71</b>	<b>1.66</b>	<b>1.30</b>	<b>0.78</b>	<b>0.61</b>
Viability	<b>1.24</b>	<b>0.64</b>	<b>1.08</b>	<b>0.66</b>	<b>1.81</b>	<b>1.27</b>
<b>CFI SCORE</b>	<b>4.66</b>	<b>2.60</b>	<b>4.66</b>	<b>3.34</b>	<b>3.67</b>	<b>3.75</b>



# Three-Year Trend: CFI Scores





University of Tennessee



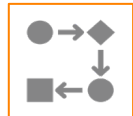
# DASH Implementation Approach

October 27, 2022

# Project Guiding Principles



**Governance, Transparency & Inclusion**



**Simplification & Standardization**



**Measurable Improvements**



**Integrating Technology**

# DASH ERP Progress

- ✓ Executed multiple contracts(Oracle) and implementation partner (Accenture).
- Chart of Accounts (CoA):
  - ✓ Pre-implementation project designed structure with 9 segments, 1 reserved for future use.
  - Finalizing definitions, confirming purpose of each segment, and creating values and mappings.
- Project Mobilization:
  - ✓ Project planning, mobilization and kickoff complete. Established governance processes.
  - ✓ Finance team started workshops in September.
  - ✓ Mobilized human resource team to define Org Structure in advance of workshops.
  - ✓ Timeline established for mobilization of human resource and budget/planning teams.
- Design:
  - Introduce standard Oracle functionality and configuration considerations.
  - Make key decisions for configuration of chart of accounts, org structure, and processes.
  - Change and business analysts engaged to identify areas that have greatest change impact. Information will be used to inform change management, communication and training plans.

# DASH Implementation Timeline

## Design/Blueprint

- 65 sessions identified, anticipate more
- About 230 employees engaged
- Held over 7 months

## Adopt & Adapt

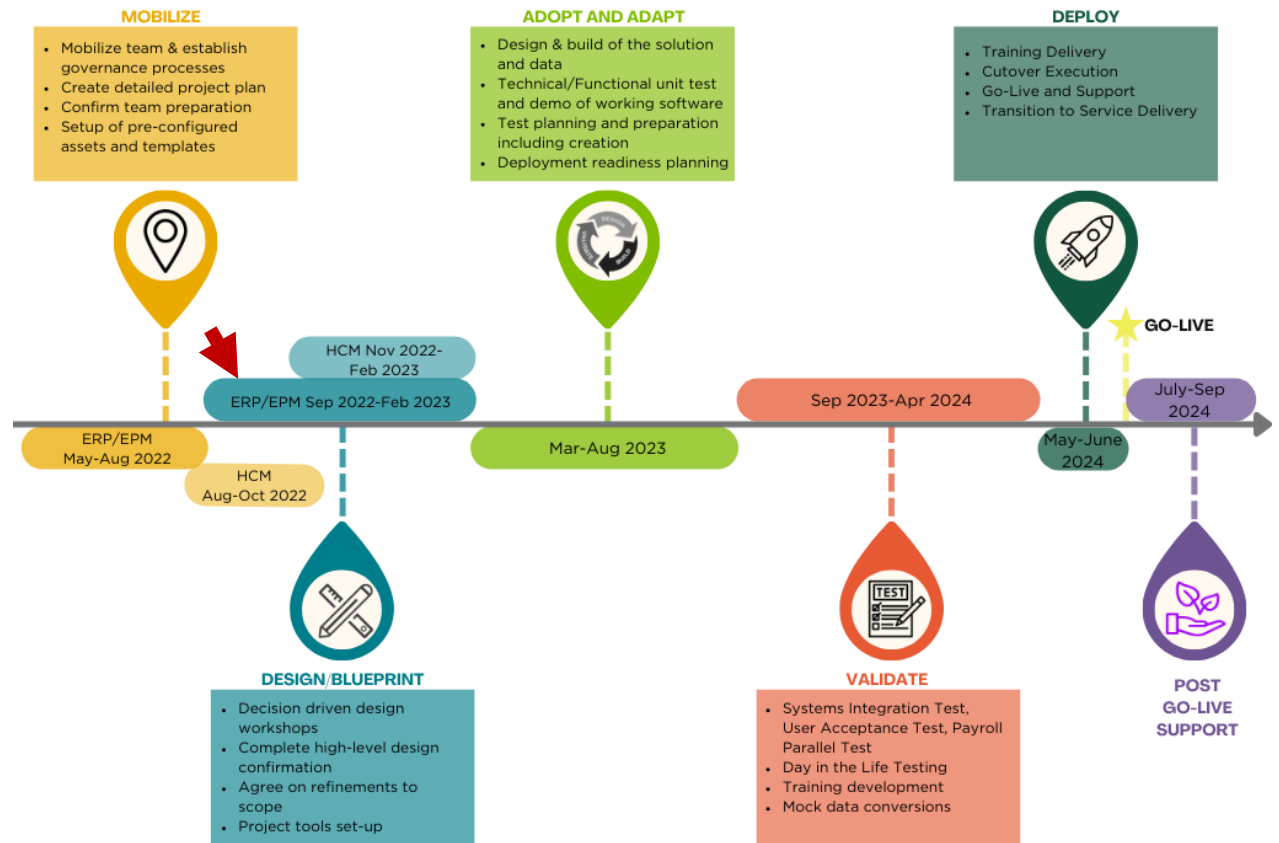
- Expand employees to include hi-touch users
- Repeat 3 rounds config and prototype demos

## Validate

- Repeat 3 rounds of mock cutover, testing and parallel payroll runs
- User Acceptance Testing

## Deploy

- Practice cutover during a month of dress rehearsal



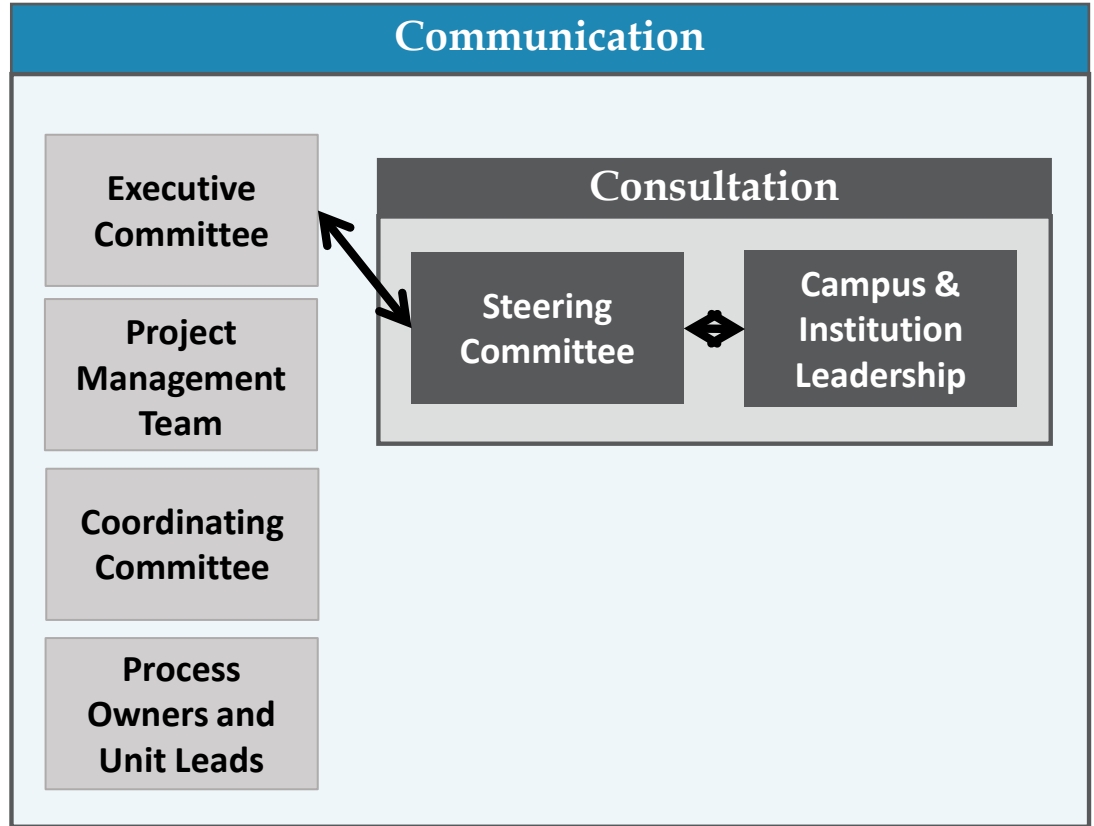
Dates are subject to change

# Decisions: Consultation & Escalation

Across HR & Finance:  
Executive Committee  
Steering Committee

Within HR & Finance:  
Business Owner  
Functional Leads  
Campus Stakeholders

Within a Process Area:  
Process Owner



# Communications & Training

## Communications

- Transition Management Teams
- Public Website ([link](#))
- Friends of DASH
  - Internal site accessible to all employees
  - Invite to 'Become a Friend of DASH' to stay informed (~850 Friends)

## Training

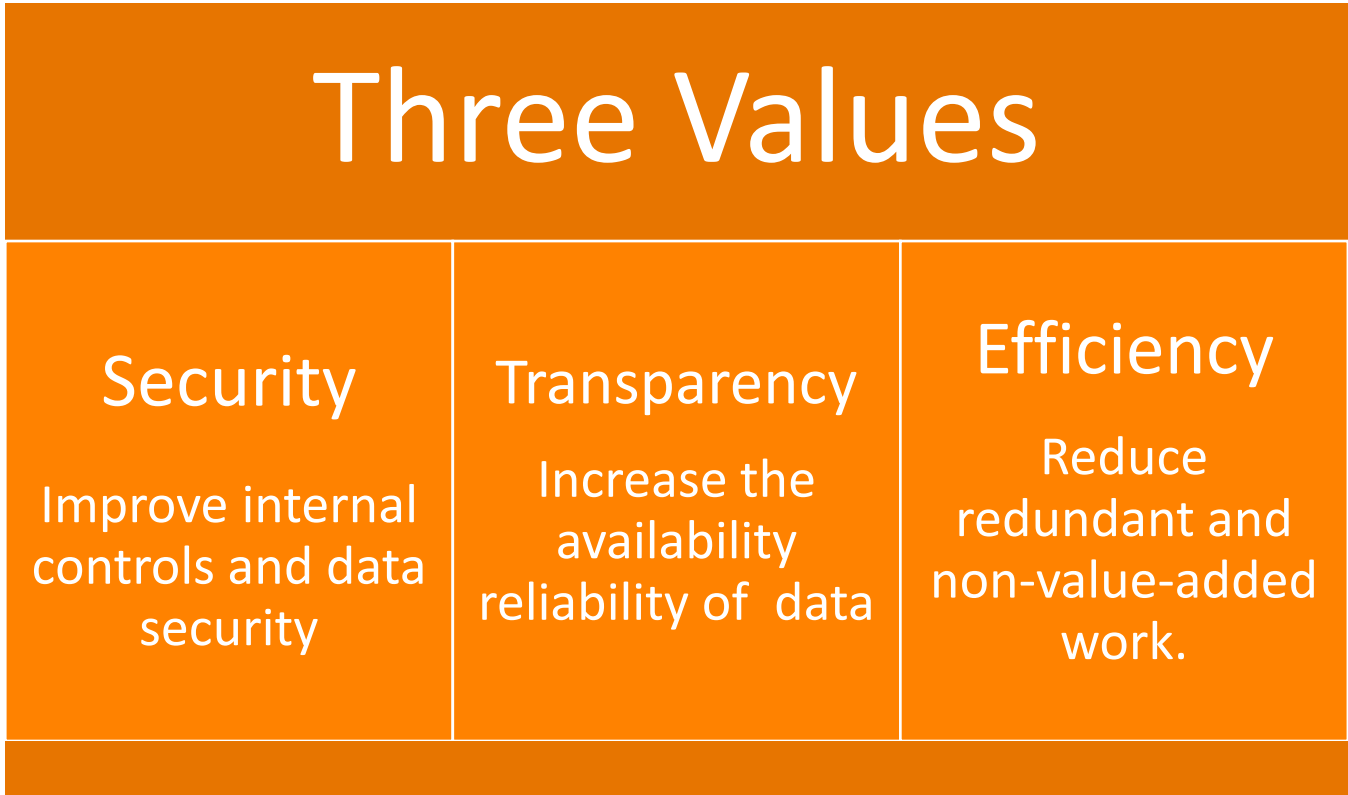
- Maverick Solutions ([link](#)) is an Oracle Partner
- Engage Learn: Hands-on learning platform that will train on DASH processes for 2000 hi-touch users
- Engage Live: Provides in application tool tips to all users

# Implementation Funding

## DASH Implementation Cost Projections

System Integration Partner and Planning Consultants	\$ 27,825,000
Licenses (Oracle, data repository)	11,710,000
Implementation Team & Project Support	6,975,000
Contingencies	<u>1,000,000</u>
<b>Total</b>	<b>\$ 47,510,000</b>
Student Information System (SIS) Planning	\$ 2,490,000

# Dash Outcomes





# Student Information System

- Eight foundational principles for decision-making as the UT System explores and delivers a single, systemwide Student Information System (SIS).
- The new, systemwide SIS will help deliver of a more consistent and intuitive student experience focused on service excellence, increased engagement, and enhanced student success outcomes.
  - Governance, Collaboration, and Inclusion
  - Student Centered
  - Communication and Transparency
  - Investment and Resources
  - Business Process Transformation
  - Simplification and Standardization
  - Enhanced Automation and Reporting
  - Integrating Technology

## University of Tennessee

### Student Information System

### DRAFT Guiding Principles

---

These eight principles will serve as the foundation for decision-making as the UT System explores and then works to deliver a single, systemwide Student Information System (SIS). They will guide program team members as they partner with the University community to achieve the program's goals and objectives.

A new, systemwide SIS will be a key component in the delivery of a more consistent and intuitive student experience focused on service excellence, increased engagement, and enhanced student success outcomes. The system will help us ensure that all students remain strong ambassadors of the University of Tennessee, both during and well after their academic journey.

1. **Governance, Collaboration, and Inclusion:** The effort will be led by the UT System Administration Executive Sponsor and Executive Steering Committee who will work closely with all stakeholders throughout the University and the program team. We are committed to broad system-wide participation and collaboration across all decision making.
2. **Student Centered:** By supporting all aspects of the academic journey, the new SIS will help the university deliver on its promise of student success to all enrolled students. The system will support a common approach and language for student services on all campuses, and staff will have access to the information they need to be more student centered and proactive in all they do. Students will feel confident that records and systems are consistent, adequately transparent, and fair, and the university will be able to support students more effectively at the same or lower costs.
3. **Communication and Transparency:** The SIS program team will utilize a broad range of communication tools targeted towards the various constituents for the purpose of awareness, education, training, and project progression. The team will communicate frequently and fully to ensure accurate information and data are shared with the wider UT community and will seek input and feedback throughout.
4. **Investment and Resources:** We are committed to acquiring a modern-day SIS solution that is flexible and meets our needs. The University of Tennessee system and its campuses will dedicate the necessary capital and human resources to design, implement, and test the system in a timely and efficient manner, with the understanding that it will require the time and talent of many of the university's best staff members. Each campus will also commit to maintaining its current level of service to students during the development and implementation of the new SIS.

## University of Tennessee

### Student Information System

### DRAFT Guiding Principles

---

5. **Business Process Transformation:** All core activities will be supported by a single, common system. Existing policies, processes, and systems will be reviewed to reflect the goal of being distinctly student-centered. We will be committed to coordinating the review, modification, and transformation of business processes to support improved student services and data-driven decision making. Processes will be redesigned based on higher education best practices and the functionality of the selected system. Standardization of processes and data definitions across the UT System will maximize the opportunity for collaboration and strategic decision making, as well as advancing the Be One UT culture.
6. **Simplification and Standardization:** Policies and procedures will be based on sound governance, a drive for simplification and standardization, and will be supported by the SIS. Rather than configuring software to current operations, the way we work will change as we adopt new functionality. To deliver on the promise of consistency across the UT system, we will limit customization and modification of the base, vendor-delivered code. Requests for modifications will follow an established and rigorous approval process. Operationally efficient and consistent processes will help to provide a more coherent, cost effective, and intuitive student experience.
7. **Enhanced Automation and Reporting:** The new SIS will improve response times, increase self-service, and drive automation so that student administrative processes are easier to follow and complete. Additionally, the SIS will provide a system-wide 'single source of truth.' Automated processes will help us deliver more accurate information and reduce the risk of error across all student administration functions. Where possible, manual processes, work-arounds, and parallel systems will be reduced or eliminated. Together, this will support a higher level of accountability and service delivery, enhancing the reputation of the university.
8. **Integrating Technology:** Integration with all student-related systems will be seamless, with reduced reliance on satellite or parallel systems or manual processes. UT System will adopt a culture of continuous improvement through technology. Increased operational efficiency will be achieved while maintaining compliance with State laws and UT policies. The University will first use the SIS functionality to its fullest extent before considering additional software packages or alternative business processes/solutions.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **FY 2023-24 Operating Budget Appropriations Request for Specialized Units**

Type: Action

Presenter: David L. Miller, Senior Vice President and Chief Financial Officer

The Tennessee Higher Education Commission (THEC) will consider strategic initiative funding requests from UT and LGI specialized units during its fall quarterly meeting on November 3, 2022. UT's specialized units include the Health Science Center, Institute of Agriculture, Space Institute, Institute for Public Service, and System Administration. Requests approved by THEC will go to the state Department of Finance & Administration for consideration of inclusion in the Governor's FY 2023-24 budget proposal.

UT fiscal policy FI0112 (Budgeting Current Unrestricted Funds) requires Board approval for these requests. The President and Chief Financial Officer recommend three priorities for approval. A summary of each item follows this memorandum.

### **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 hereby approves the FY 2023-24 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.**

## **FY 2023-24 Operating Budget Appropriations Request for Specialized Units**

### **Supporting Graduate Medical Education (GME) Program Management:**

#### **\$8,000,000 Recurring**

UT requests \$8 million recurring to support the management of Graduate Medical Education (GME) programs. Since the inception of TennCare, Medicaid GME funds have been allocated to the state's four medical schools to directly pay for administrative, support, and educational costs not covered through hospital partners. The loss of these TennCare GME dollars, as required by the Center for Medicare and Medicaid Services (CMS), has created a financial strain on both graduate and undergraduate medical education by eliminating the previous flexibility to address administrative overhead not covered by hospitals and programmatic cost increases. The \$8 million request will allow the UT Health Science Center (UTHSC) to meet accreditation changes, support additional faculty and staff, replace, and renew instructional technology and equipment, and support the increasing use of simulation techniques at the Center for Healthcare Improvement and Patient Simulation (CHIPS).

### **Addressing Tennessee's Opioid Crisis through SMART Technical Assistance:**

#### **\$993,350 Recurring**

UT requests funding to expand the Substance Misuse and Addiction Resource for Tennessee (SMART) Initiative to implement a county-level technical assistance program. Through this model, a regional consultant will be placed in every grand division and charged to assist Tennessee's rural communities with expertise to identify, apply for and manage large grants, as well as research and evaluate program effectiveness in addressing the state's opioid crisis.

### **UTHSC Operating Increase:**

#### **\$10,718,400 Recurring**

UTHSC lacks sufficient recurring revenues to support core instructional programs due to a lack of reliable funding streams to offset recurring growth in non-personnel operating costs. The current model for state appropriations funds future growth in operating expenses, but a pre-existing structural deficit combined with a four-year lapse of state funding between 2016-2020 requires UTHSC to play catch-up each year even when funding is available to offset the incremental growth in operating expenses. The accelerating pace of critical medical technological advancement also significantly drives the cost of medical instruction and non-personnel operating costs. Additional operational funding is necessary to support and maintain medical instructional programs while keeping tuition and fees competitive among national peers.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

3

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Campus Master Plan Amendment (UTK)**

Type: Action

Presenter(s): Donde Plowman, Chancellor, UT Knoxville

### **Background Information**

Enrollment in the Haslam College of Business has grown significantly in the last three years and is at an all-time high and is projected to grow by 6-8% annually. The new facility is intended to accommodate the enrollment growth, additional faculty/staff and increases in funded research. The construction will require the demolition of three existing buildings – Greve, Dunford, and Henson Halls. More detailed information regarding the proposed project is set forth in Attachment 1.

The campus recognizes the inconvenience that comes with the destruction of three buildings and the impact this will have on faculty and staff currently working in those facilities. Transition and communication plans are underway to relocate those departments. UTK is exploring several space options, both on and off campus, to accommodate the moves.

UTK's Campus Master Plan was developed in 2011 and last updated in 2016. The University Administration seeks the Board's approval to amend the Master Plan to include a project for the construction of a new Haslam College of Business Building and the demolition of Greve, Dunford, and Henson Halls as further described herein.

### **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 hereby approves the amendment to the Campus Master Plan for The University of Tennessee, Knoxville, as presented in the meeting materials, which description shall be attached to this Resolution following adoption. Further, the proper officers of the University shall seek state approvals as may be required in light of the approved amendment.**



THE UNIVERSITY OF  
**TENNESSEE**  
KNOXVILLE

**Master Plan Amendment  
and Budget Revision  
Haslam College of  
Business**



Haslam College of Business



View of James A Haslam II Business Building from Andy Holt Avenue



View from Volunteer Blvd

**Introduction**

Enrollment in Haslam College of Business is at an all-time high and has grown tremendously in the last three years. In the coming years, the college expects 6-8% student growth and 5% faculty growth. In addition to accommodating growth, space is needed to support funded research and attract new faculty. The existing building housing Business cannot support this growth while completing its mission.

**Current Facility**

The James A Haslam II Business Building was completed in 2008, incorporating the original Glocker Hall with an adjacent new structure joined with an atrium. Currently five of the six floors of the building are occupied by the College of Business, however it is planned that Business would fill the entire 174,000 gross square foot facility. Almost half of the building is comprised of classrooms, and a third is offices, with very limited space allocated to laboratories and study facilities. Additional office space for the college is located in Stokely Management Center.





**Master Plan 2016**

As identified in the 2016 Master Plan, the strategic priorities for UT include the following:

- Undergraduate education
- Graduate education
- Research capacity and productivity
- Attract and retain stellar faculty and staff
- Improve infrastructure and resources to achieve priorities and attract and retain staff

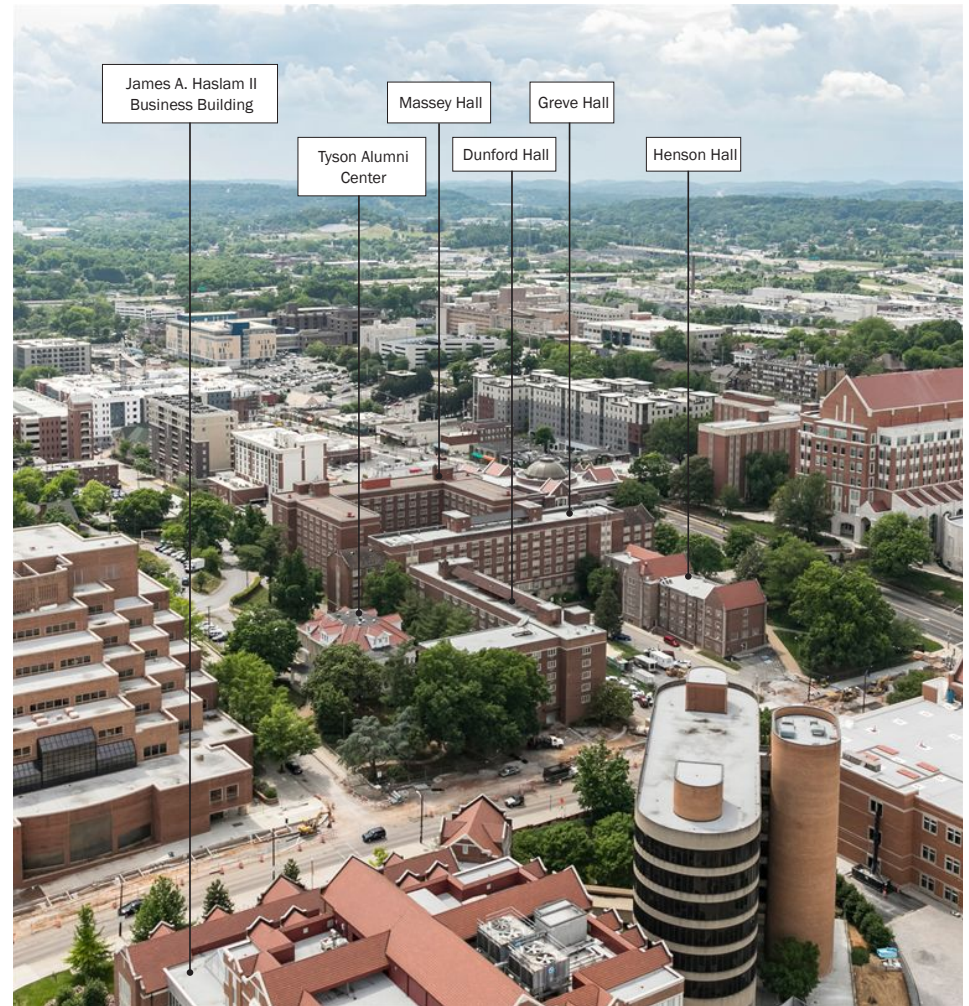
The proposed building for the Haslam College of Business aligns with these strategic goals by providing state-of-the-art facilities for teaching and learning and incorporating research facilities to support funded research. These elements are critical to attract and retain excellent faculty and staff.

Within the 2016 Master Plan, several space types were identified as having deficits, including research and class labs. A total of 14,000 SF of space would be allocated to research spaces for innovation, behavioral and social sciences, and design thinking labs. These research spaces would support funded research and attract faculty.

The building would also bolster the campus classroom inventory, providing 32 state-of-the-art classrooms built for current teaching pedagogies, which are lacking in the current pool. Common areas, critical for developing a sense of community and promoting collaboration and learning, are incorporated as well. The Stokely Management Center occupants from the Haslam College of Business would be relocated to the new facility further facilitate research and collaboration.

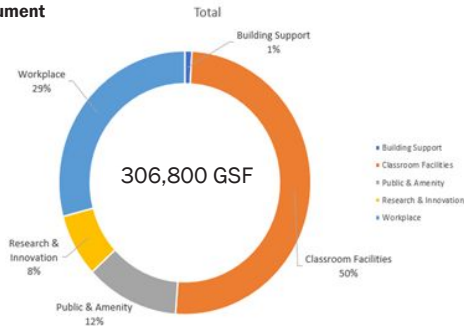


Facade Character Study, Haslam College of Business Program Document



**Haslam College of Business Program Document**  
May 2022

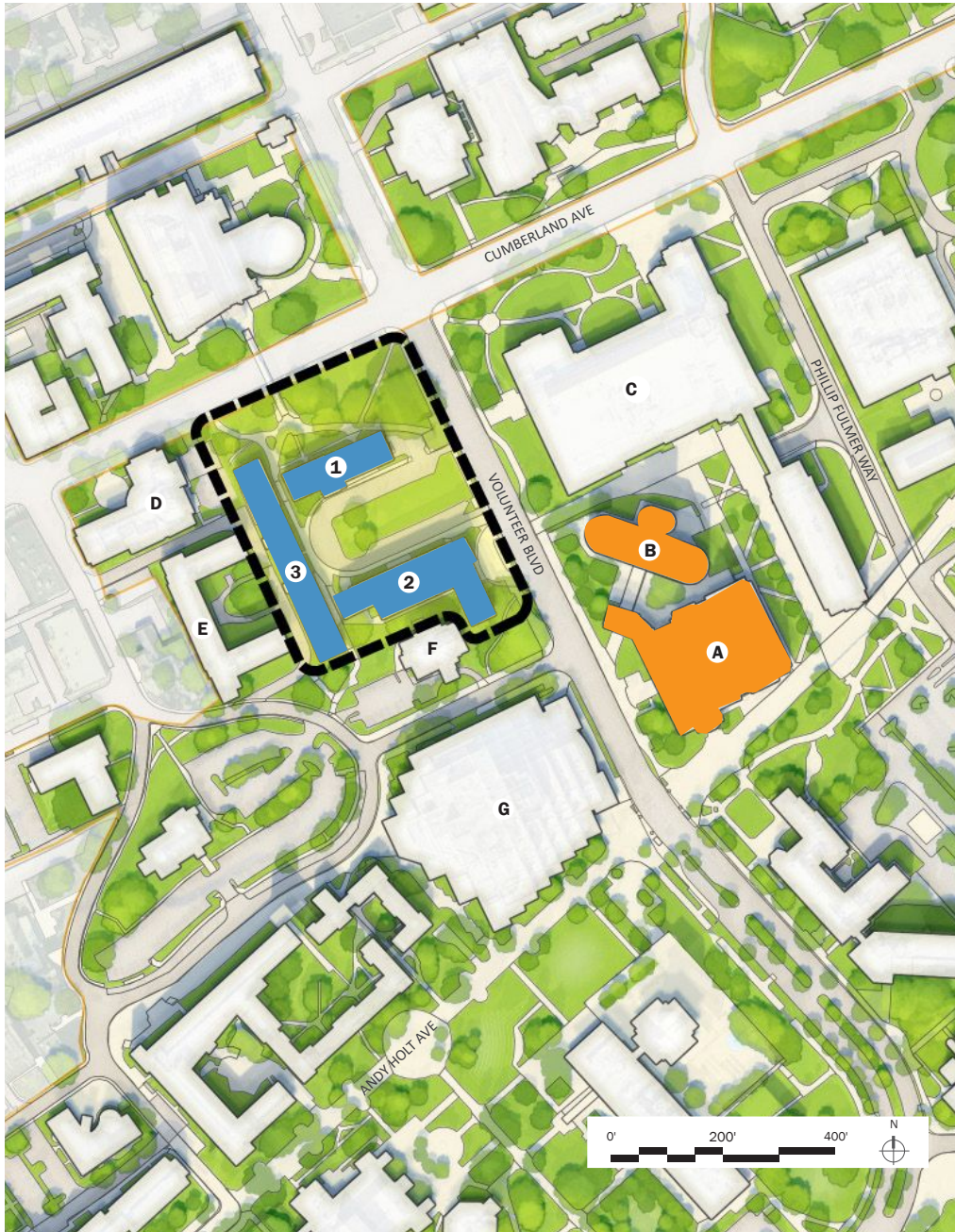
Space Types	Total Net Area
Building Support	1,660
Classroom Facilities	92,560
Public & Amenity	22,060
Research & Innovation	14,200
Workplace	53,600
<b>Grand Total</b>	<b>184,080</b>



\*Additional 122,720sf related to Structure, Mechanical, Electrical, Circulation, and other building support space.  
\*\* Refer to Appendix for definitions of Net and Gross square footages.



**Haslam College of Business**



**Site Plan**

**LEGEND**

- Haslam College of Business Space
- Proposed Business Expansion Site Boundary
- Evaluate for Demolition

**EXISTING BUILDINGS TO BE RAZED**

- 1 Henson Hall
- 2 Dunford Hall
- 3 Greve Hall

**CAMPUS BUILDINGS**

- A James A Haslam II Business Building
- B Stockley Management Center
- C Student Union
- D Howard H. Baker Jr. Center for Public Policy
- E Massey Hall
- F Tyson Alumni Center
- G John C. Hodges Library

**Proposed Site**

The identified site for a new Haslam College of Business building is located across Volunteer Boulevard from the Stokely Management Center and the James A. Haslam II Business Building. The site is bounded by Cumberland to the north and Melrose Avenue to the south. Volunteer Blvd forms the east boundary with Massey Hall on the west. The Tyson Alumni Center is located just south of the proposed site.

Currently, three buildings occupy the identified site: Greve, Dunford and Henson Halls. These three buildings have been evaluated and will be demolished prior to the construction of the new building.



Cumberland Avenue with Dunford Hall on the right



View looking west from Volunteer Blvd - Buildings Left to Right: Dunford, Greve, Henson

HASHASLAM COLLEGE OF BUSINESS  
MASTERPLAN AMENDMENT AND  
BUDGET REVISION

### College of Business | Knoxville Campus





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **College of Business Building Project Increase (UTK)**

Type: Action

Presenter(s): Donde Plowman, Chancellor of UT Knoxville

### **Background Information**

The UTK College of Business capital project was included as a line item in the schedule of Capital Outlay Funding Requests for FY 2022-23 approved by the Board in October 2021, with an aggregate project cost of \$100,000,000 (\$83,000,000 in state appropriations and \$17,000,000 in institutional funds).

Subsequent to the initial approval, additional programming work has identified the need for more space than originally planned. The project was initially submitted at 150,000 square feet and is currently programmed at 306,800 square feet. This increase is primarily due to significant enrollment growth in the College during recent years, which growth is expected to continue as outlined in the proposed UTK Campus Master Plan Amendment.

The University seeks approval to disclose an increase in the project cost in the amount of \$127,350,000 for an amended total project budget of \$227,350,000. The total project budget will be funded with (i) \$83,000,000 in state appropriations; (ii) \$100,000,000 in gifts; and (iii) \$44,350,000 in institutional funds. Additionally, up to \$100,000,000 of institutional funds may be used to cash flow gift donations as they are received over a period of five years. The University Administration requests the Board's approval to disclose the project cost increase to ensure its inclusion in the FY 2023-24 capital budget.

### **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 hereby approves:**

- (i) a \$127,350,000 project cost increase for the College of Business building to be located on The University of Tennessee, Knoxville, campus;**
- (ii) an amended, total project cost of \$227,350,000;**
- (iii) a revised project budget to be funded as follows:  
\$83,000,000 in state appropriations;  
\$100,000,000 in gifts; and  
\$44,350,000 in institutional fund; and**
- (iv) up to \$100,000,000 of additional institutional funds that may be used to cash flow gift donations to be received over a period of five years;**

**Further, the proper officers of the University are hereby authorized to take any and all such actions as may be required or which they may deem necessary or appropriate, including updating and submitting any schedules required to be provided to the State, in order to reflect the foregoing actions.**



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **UT System Workforce Update**

Type: Information

Presenter: Dr. Brian K. Dickens, Chief Human Resources Officer

The following presentation is intended as an annual update to the Board of Trustees on the UT System Workforce. It details point and time data elements and human resource metrics, as of September 1, 2022, to provide a general overview of the workforce demographics, characteristics, numbers, and trends associated with the University of Tennessee campuses, institutes and centers in aggregate and detail where appropriate.

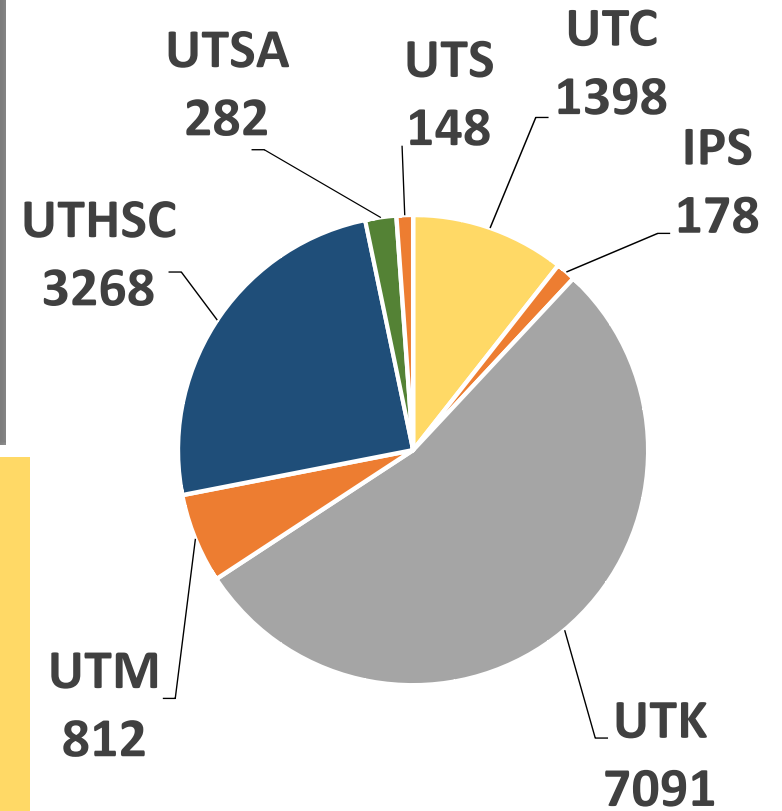
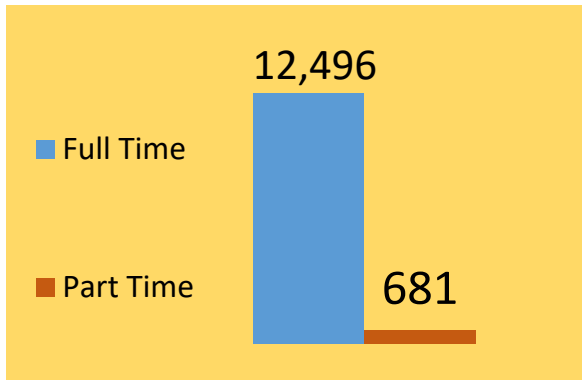
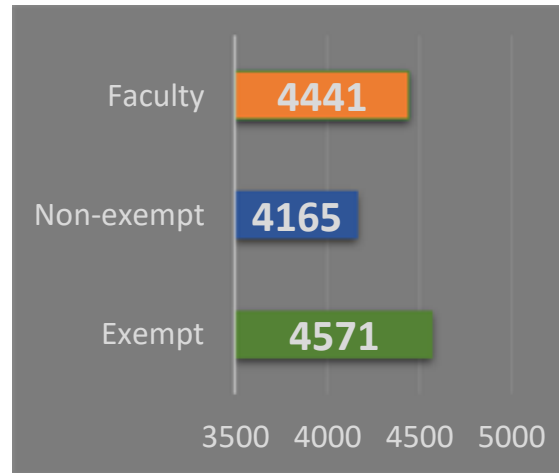
# UT System Workforce Update

**Dr. Brian K. Dickens, CHRO**  
**October 2022**



**UT THE UNIVERSITY OF TENNESSEE SYSTEM**

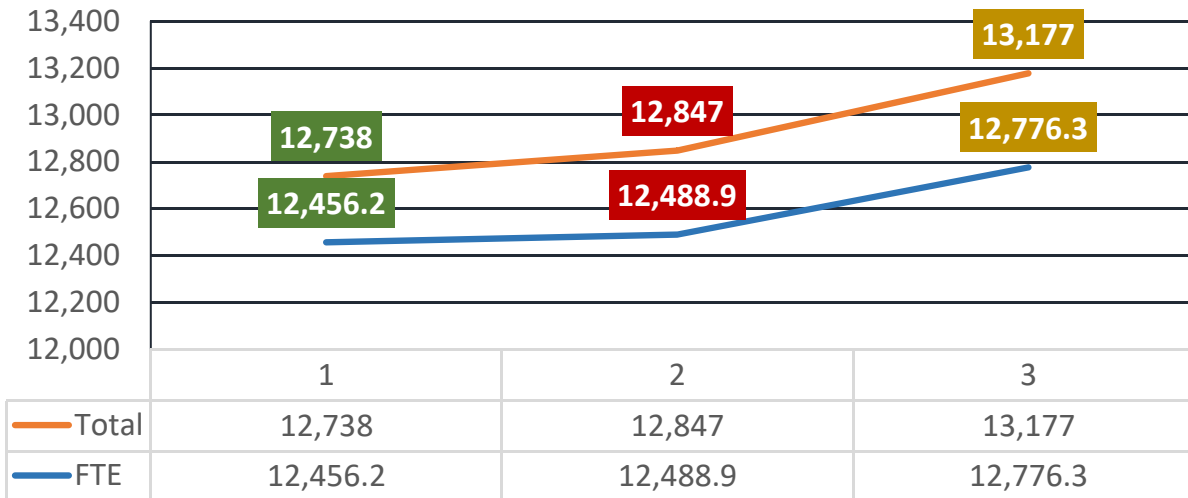
# Workforce Overview (September 1, 2022)





# Workforce Trending (2020 – 2022)

## Workforce



## Student Enrollment

Fall 2020	52,559
Fall 2021	53,106
Fall 2022	56,032

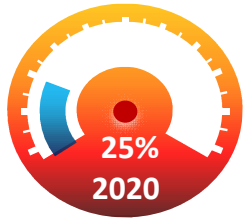
**2020**  
**12,738 Total**  
**12,456.2 FTE**

**2021**  
**12,847 Total**  
**12,488.9 FTE**

**2022**  
**13,177 Total**  
**12,776.3 FTE**

# Workforce Representation (September 1, 2022)

## Retirement Eligibility



25% of workforce eligible for retirement  
348 actual retirements

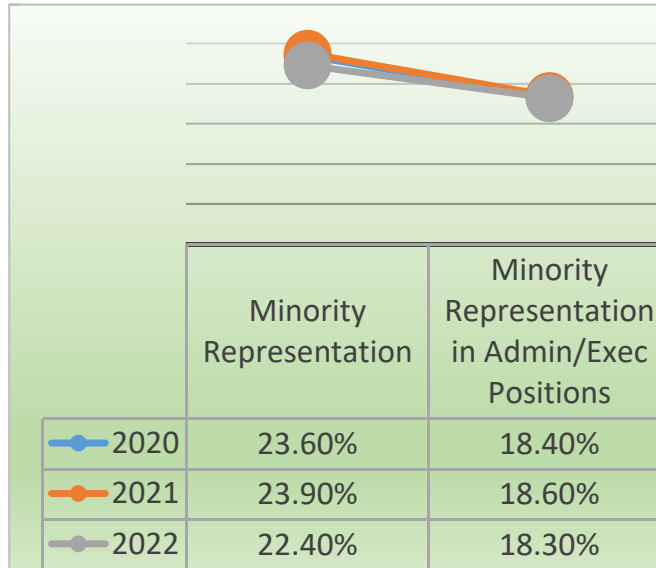


23.5% of workforce eligible for retirement  
304 actual retirements



24.5% of workforce eligible for retirement  
410 actual retirements

## Minority Representation

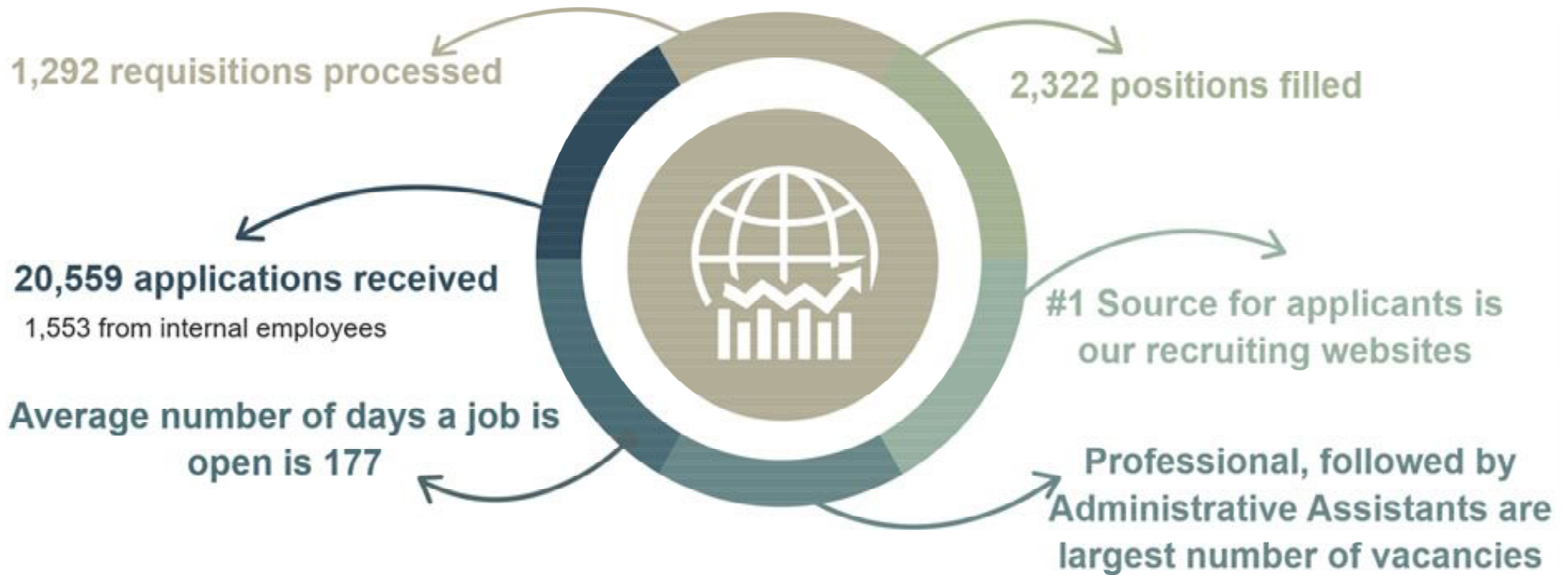


## Gender Representation

2020-2022



# System-wide Recruiting (January 1, 2022 - August 31, 2022)



# System-wide Recruiting (January 1, 2022 - August 31, 2022)

5

## Challenges

### Talent Shortage

Demand for labor is historically high

### Increased Competition

Job openings outnumber job seekers

### Passive Candidates

According to LinkedIn, 70% of the global workforce are not seeking new employment

# System-wide Recruiting (January 1, 2022 - August 31, 2022)



# Hires & Promotions (September 1, 2020 – August 31, 2022)

## New Hires

**13.8%**  
Between  
2021 &  
2022

**19.1%**  
Between  
2020 &  
2021

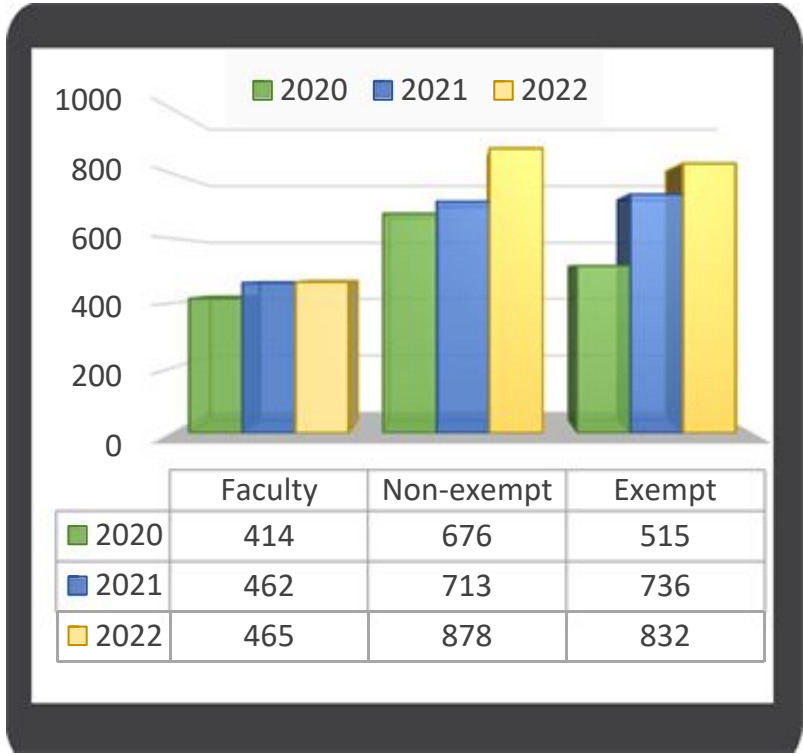


**2175**  
New Hires  
**2022**

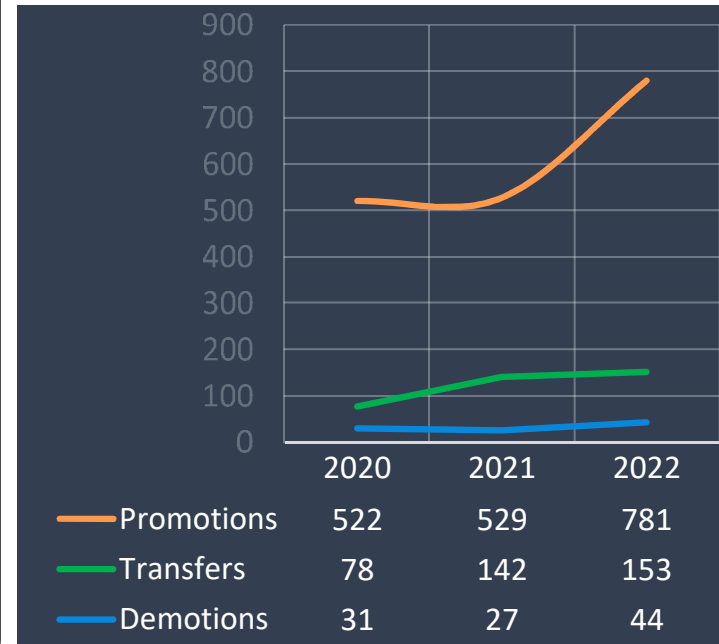
**1911**  
New Hires  
**2021\***

**1605**  
New Hires  
**2020**

## New Hires by Category



## Voluntary Internal Talent Mobility

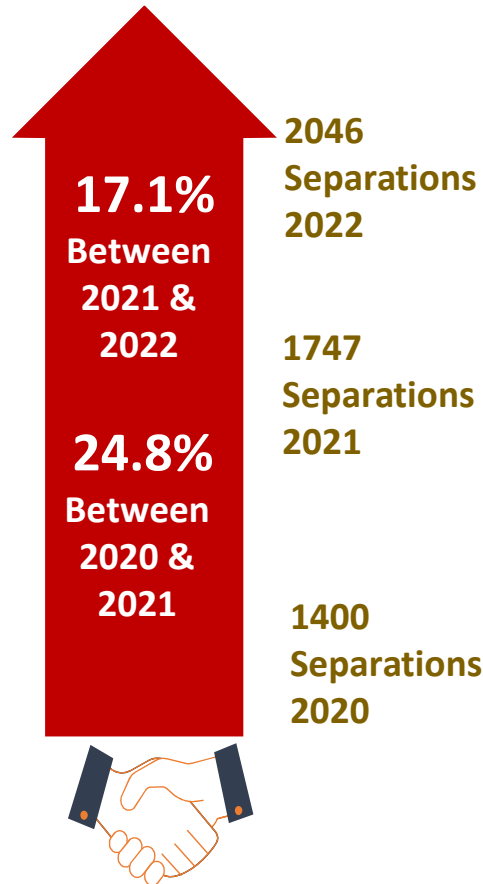


**\*Includes 154 total new hires for UT Southern**

# Separations (September 1, 2020 – August 3, 2022)



System Administration is currently using an Exit Interview process from McLean & Co. Exit Interviews enable standardization and consistent reporting.



### Turnover Rates (2020 – 2022)

2019-2020	11.0%
2020-2021	13.6%
2021-2022	15.7%

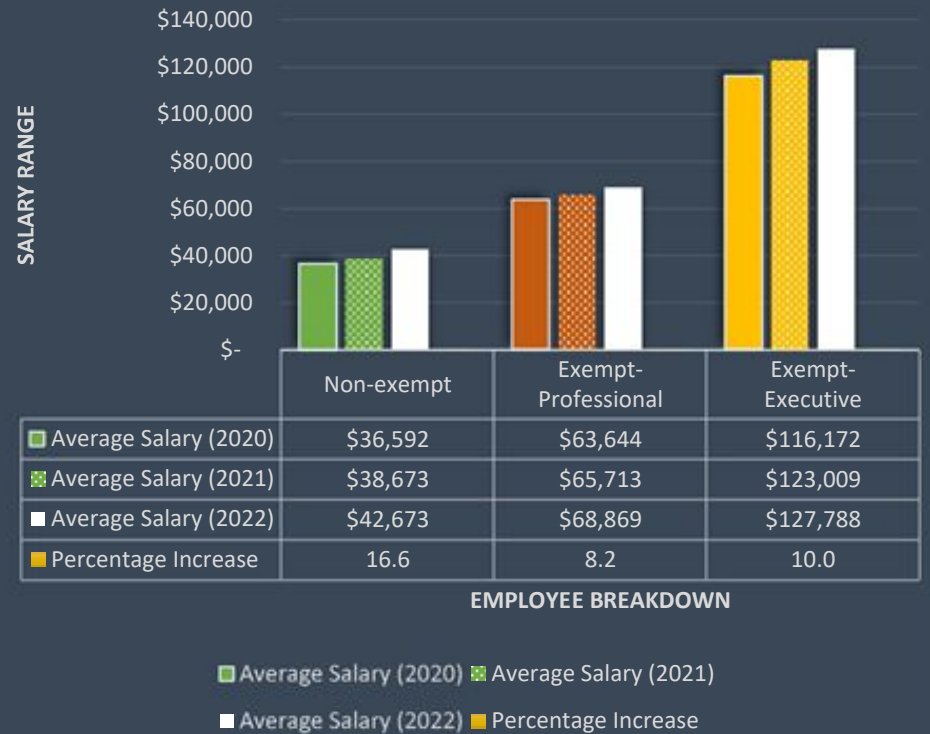
- ### Top 5 Reasons for Separation
- Employment in Industry (478)
  - Personal Reasons (438)
  - Retirement (410)
  - Employment at Another College or University (190)
  - Moving out of Area (131)

# Compensation

### Labor Distribution by Market Quartile 2020 - 2022



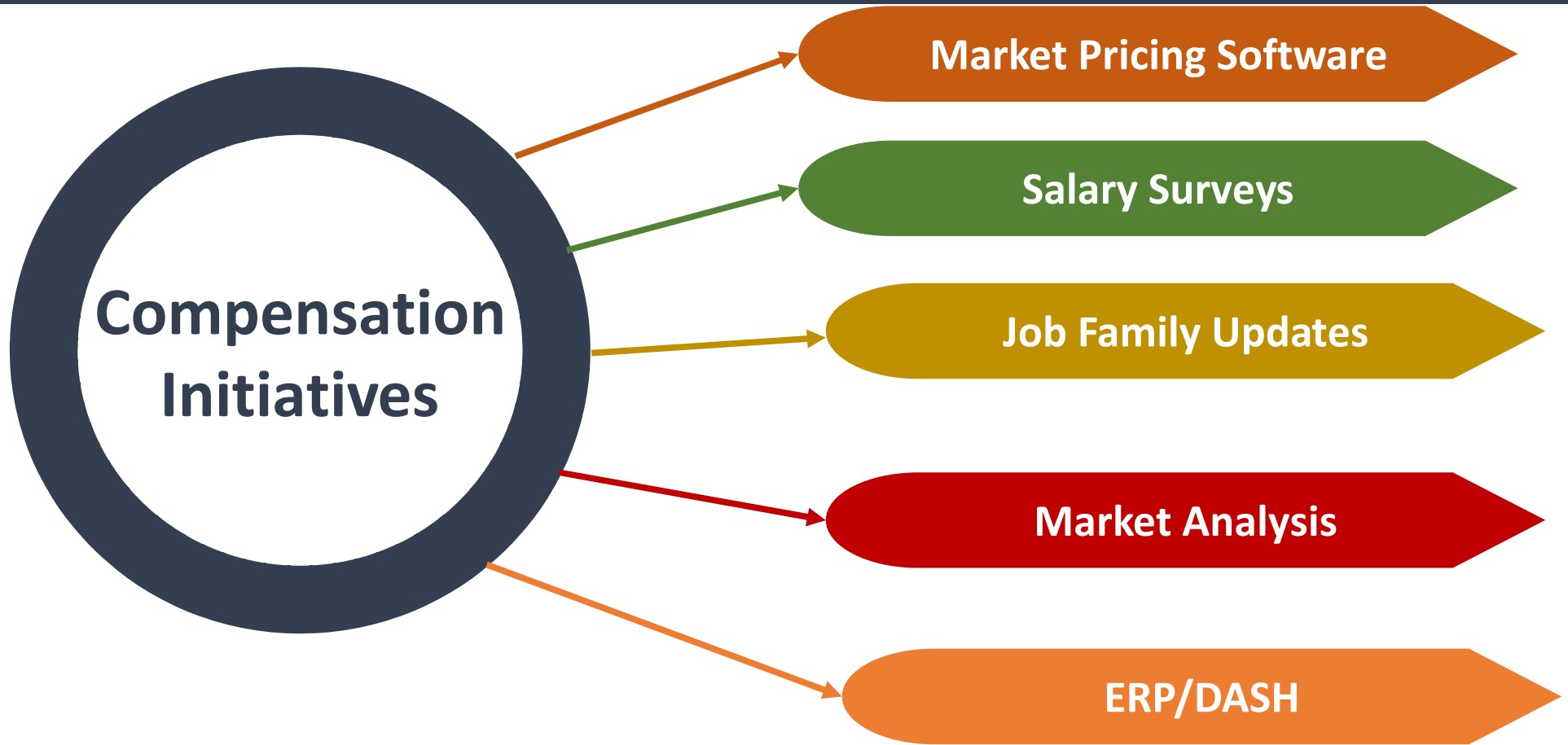
### Employee Salaries Comparison 2020 - 2022





# Compensation

5



# UT IDE Strategic Alliance



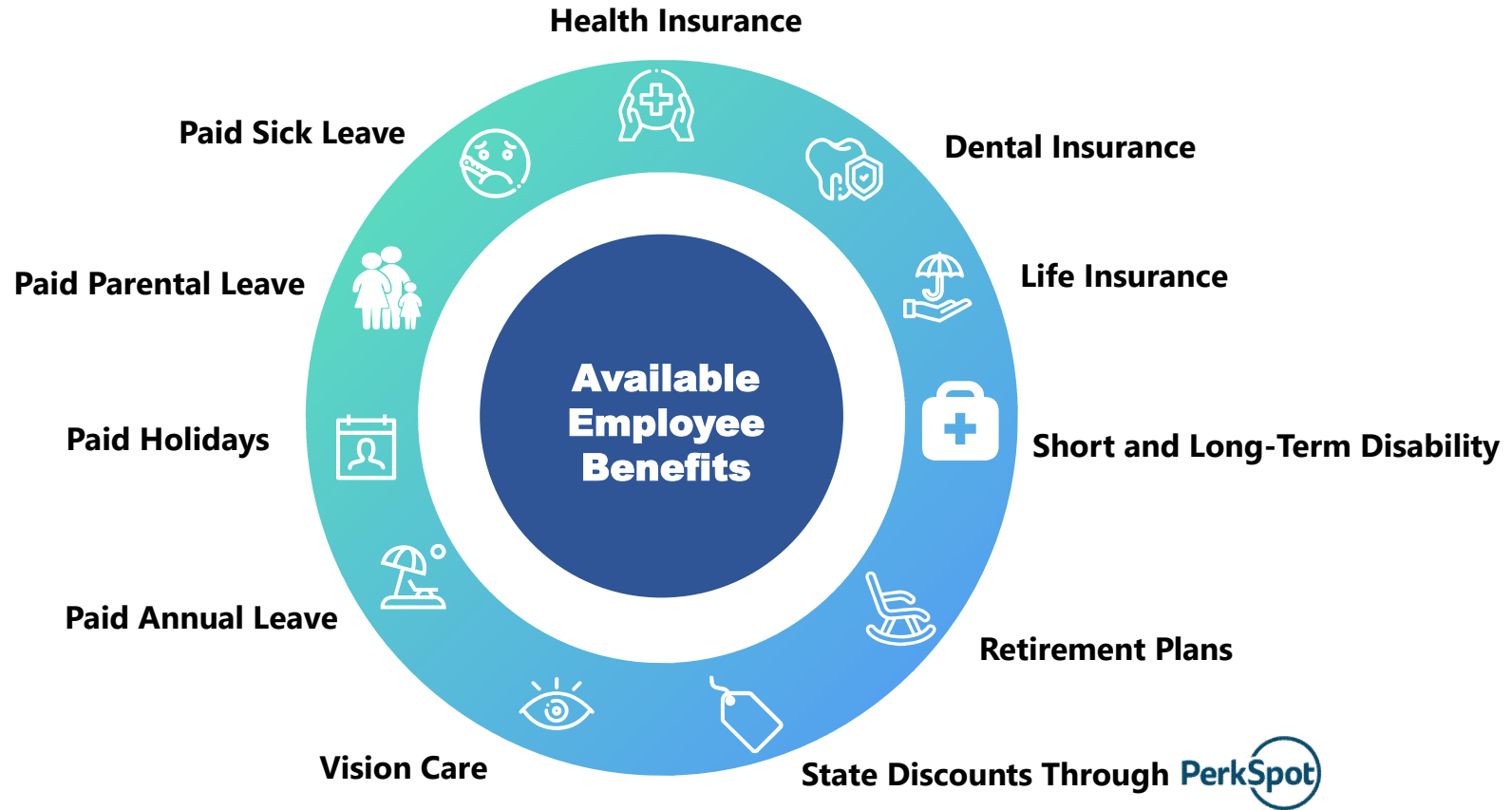
5



## ❖ UT IDE Initiatives

- ❖ *Inclusion Begins with I and Always Needs U* video
- ❖ “Be Inclusive Action Plan” resource
- ❖ Virtual Safe Space Sessions – Open Dialogue – Diversity of Thought
- ❖ UT IDE Symposium – Connect, Collaborate, and Strategize

# UT Benefits



# Employee Well Being



## Employee Assistance Program (EAP)



- EAP services are available to all state and higher education benefit-eligible employees and their eligible dependents.
- EAP and behavioral health benefits administered by Optum.
- Services Provided include
  - Short-term counseling
  - Legal services
  - Mediation services
  - Financial services
  - Work/Life services

University of Tennessee Usage

EAP Issue	January 2020 - December 2020	January 2021 - December 2021
	Patient Visits	Patient Visits
Addictive Behaviors	8	2
Conduct Disorders/Autism	18	24
Anxiety/Depression	636	619
Mental Illness-Other	23	13
Crisis/Trauma	31	25
Relationship Issues	16	11
Other Issues	5	5
<b>Total</b>	<b>737</b>	<b>699</b>

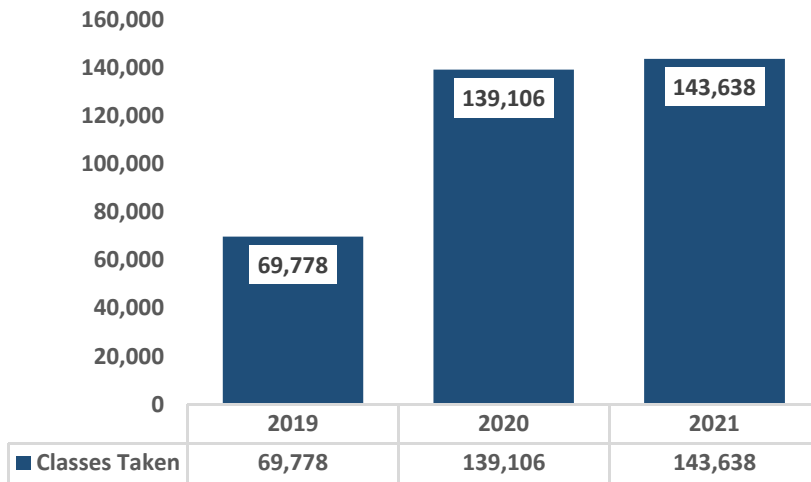
# Employee & Organizational Development



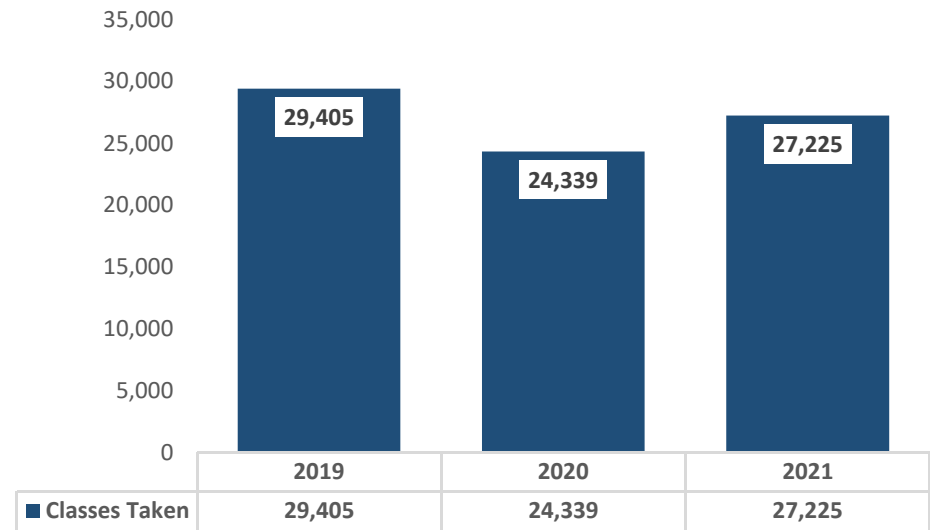
## System-wide business partners

The University of Tennessee utilizes K@TE (Knowledge and Training Excellence) for its comprehensive Learning Management System (LMS).

**Online Learning Completions**  
UT Employees and External UT Customers



**Instructor-led Learning Completions**  
UT Employees and External UT Customers



# Employee & Organizational Development



## New Opportunities and Services

- Leadership Focus for all employees
- Leading from Where You Are Certification
- Learning Pathways
- UT Systemwide Leadership & Learning Community
- MEDIATE Team

## Conferences



Conference For Women's Leadership, May 2022

NEXT Conference, October 2022

Administrative Professionals Summit, November 2022

Leadership Institute, February 2023

Inaugural Be One UT Symposium, April 2023

Inaugural Best Man Forum, Fall 2023



# Engagement Survey



## Quarterly Staff Experience Monitor (EXM) Survey

- One question survey: “How likely would you be to recommend UT to a qualified friend or family as a great place to work?”

April 2022	
Response Rate	15.6%
Avg Response	7.7
Net Promoter	28

July 2022	
Response Rate	21.0%
Avg Response	7.7
Net Promoter	29

## Full Survey

- Includes EXM Survey Question
- Includes Engagement Measurement Questions, Engagement Driver Questions, and four Open-ended Questions

- Survey conducted September 14, 2022 –October 5, 2022
- Staff Only
- Results Pending



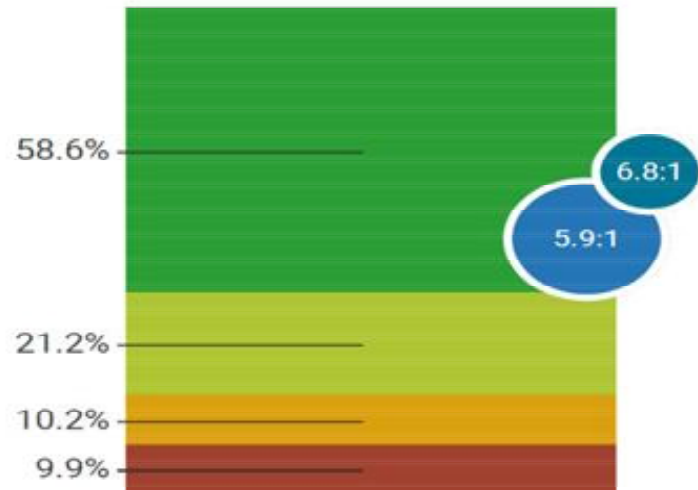
# Engagement Survey – 2021 Results

## Overall Engagement Results

University of Tennessee # of Employees 18514  
 Open Date: Sep 14, 2021 # of Responses 3764  
 Close Date: Oct 05, 2021 Response Rate 44%



## 2021



- ENGAGED**  
Engaged employees consistently exceed expectations. They are energized and passionate about their work, leading them to exert discretionary effort to drive organizational performance.
- ALMOST ENGAGED**  
Almost engaged employees sometimes exceed expectations and are generally passionate about their work. At times they exert discretionary effort to help achieve organizational goals.
- INDIFFERENT**  
Indifferent employees are satisfied, comfortable, and generally able to meet minimum expectations. They see their work as "just a job", prioritizing their needs before organizational goals.
- DISENGAGED**  
Disengaged employees usually fail to meet minimum expectations, putting in time rather than effort. They have little interest in their job and the organization and often display negative attitudes.

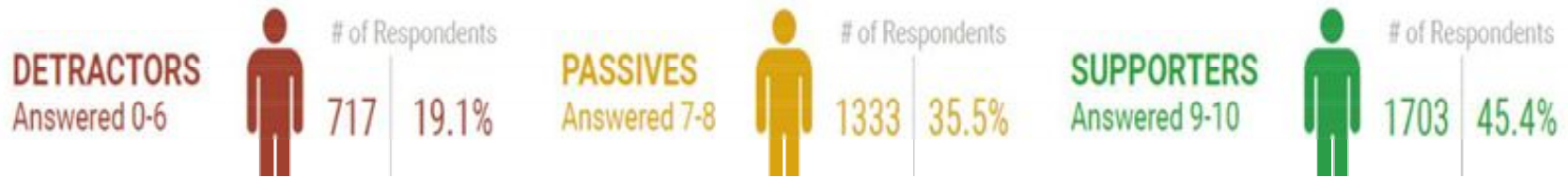
Benchmark Ratio of Engaged to Disengaged  
 Organization's Ratio of Engaged to Disengaged

	ENGAGED	ALMOST ENGAGED	INDIFFERENT	DISENGAGED
Current Year	58.6%	21.2%	10.2%	9.9%
Benchmark	60.4%	20.9%	9.8%	8.9%

# Engagement Survey – 2021 Results: Priority Matrix



# Engagement Survey – 2021 Results



Employee Experience Score

**26.3**

Employee Experience Score = % Supporters - % Detractors

Benchmark Average

**6.9**

# Questions?

# Thank you!



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Committee Consent Agenda**

Type: Action

6

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 that an item be removed 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 items on the Consent Agenda, the Chair will call for a motion that:

1. The reading of the minutes of the June 23, 2022, meeting of the Committee be omitted and that the minutes be approved as presented in the meeting materials.
2. The action items set forth on the Consent Agenda be recommended for adoption by the Board of Trustees.

If the Motion passes, the items requiring Board approval will go forward to the Consent Agenda of the full Board meeting.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE June 23, 2022

6.1

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 1:00 p.m. (EDT) on Thursday, June 23, 2022. The meeting was held in the Student Union Ballroom located at the University of Tennessee, Knoxville.

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

Others in Attendance:

Trustees: Bradford D. Box; Lane Guttridge (Student Trustee); Decosta E. Jenkins; and Shanea A. McKinney.

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 Keith Carver (UT Martin); Chancellor Mark LaBranche (UT Southern); and Chancellor Donde Plowman (UT Knoxville).

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

---

### **Opening Remarks of the Committee Chair and Requests to Address the Board**

Committee Chair Rhodes opened the meeting by announcing that no requests to address the Board were assigned to be heard by the Committee.

### **Annual Financial Report**

Committee Chair Rhodes introduced Luke Lybrand, who recently joined the University of Tennessee to serve as Treasurer. Mr. Lybrand presented highlights from the Annual Financial Report for Fiscal Year 2021 ("FY 2021"). A copy of the presentation is available under Tab 1, and the full report is available on the Treasurer's website.

Mr. Lybrand began his presentation by reviewing the FY 2021 Income Statement. He noted that, in FY 2021, UT increased its net position by \$396 million. There were three significant drivers contributing to UT's financial performance during FY 2021: (i) prudent financial management; (ii) investment income; and (iii) the Higher Education Emergency Relief Fund passed in response to the COVID-19 pandemic. During FY 2021, the University's investment income rose over the prior year by \$198 million, driven by the performance of the

consolidated investment pool (an annual investment return of approximately 35%). Mr. Lybrand cautioned, however, that it would be unusual to see those types of investment returns continue year after year. Mr. Lybrand advised the Committee members that the UT System saw grants and contracts rise by \$61 million during FY 2021, with approximately \$48 million of that total coming from stimulus funding. Mr. Lybrand stated that the University saw total revenues increase by 6.4%, while, at the same time, expenses decreased by 1.1%.

Turning to the balance sheet, Mr. Lybrand noted that investments rose by approximately 33%, reflective of the performance returns of the consolidated investment pool. The University's cash position increased in line with the operating surplus. Additionally, capital assets increased due to the completion of eight projects during FY 2021. Mr. Lybrand stated that certain liabilities increased, primarily driven by a tax deferral allowed under the Coronavirus Aid, Relief, and Economic Security Act. All other liabilities increased \$104.5 million (18.7%). This increase was due to the growth and investment performance of the endowment assets held by the University on behalf of the UT Foundation.

Responding to questions about the University's cash reserves (approximately \$1.5 billion), Mr. Lybrand and David Miller, Senior Vice President and Chief Financial Officer, provided the following information:

- Cash reserves provide strategic ability for the UT System and are held in several different accounts, with the majority of those funds awaiting expenditure on capital projects or distribution in other areas.
- The National Association of College and University Business Officers recommends that institutions hold cash reserves of 40% of annual expenditures outside of the amount being held for spending on plant and equipment.
- Funds are also set aside in the event of an economic downturn, particularly to ensure that services to students are not diminished.

### **Report on Financial Performance**

Mr. Miller reviewed the University's financial performance for the period from July 1, 2021 through April 30, 2022 compared against: (i) the same period for the prior fiscal year; and (ii) the FY 2021-22 Operating Budget (as presented under Tab 2). He stated that his presentation would also include information tracking revenue and expenses from FY 2016 through FY 2022. Mr. Miller advised that with 80% of the year complete, total revenue is slightly above (2.6%) budgeted revenue, with expenses slightly below (6.5%) projected amounts. Turning to the multi-year comparison of the past six fiscal years, Mr. Miller pointed out the UT System's expenses consistently tracked slightly below revenue, which contributed to the accrual of a fund balance reflected in the University's net cash position or unrestricted revenue on the balance sheet. That same trend can be found when looking at the University's auxiliary enterprises, demonstrating the return to normal operations following the pandemic.

Mr. Miller announced that the University would not be increasing tuition this year, reflecting the State's continuing commitment to providing an unprecedented level of funding for higher education. Mr. Miller expressed his gratitude to the State for taking this action, which will greatly assist University's students and their families.

Discussion of Tuition, Fees and Affordability

Ronald Loewen, Associate Vice President, Budget, Analysis and Planning, provided the Committee members with an update on tuition, fees, and affordability (as presented under Tab 2.1). Mr. Loewen reminded the Committee members that the University's tuition and fee proposal will be considered as part of the proposed Operating Budget for FY 2022-23. Mr. Loewen described the planning process that goes into setting tuition and fees and explained that there are a large number of state and federal rules and regulations regarding tuition, fees, and financial aid.

Turning to a discussion of affordability, Mr. Loewen noted that the System dispersed \$406 million to students to help them offset the cost of education. While the bulk of that funding represents federal and state aid, 38% comes directly from University's general operating funds. The University provides students with a broad array of financial support including scholarships, grants, waivers, loans, and tuition discounting. Since 2013, the State of Tennessee has significantly increased support for higher education and is among the top three states in terms of providing funding to students attending public institutions of higher education. The State also ranks favourably in terms of the amount of aid provided to students attending public institutions.

Mr. Loewen stated that when financial aid is factored in, the cost of attending the University is less than may first appear. Mr. Loewen advised the Committee members that the University provides prospective students with predictive cost estimates so that students and their families have a general idea of the total cost of obtaining a college degree. He also noted that approximately 45% of the University's graduates leave the University with either no student debt or with manageable levels of debt.

**FY 2022-23 Operating Budget (Including Salary Plan, Tuition and Fees, and Room and Board Rates)**

Mr. Loewen provided an overview of the proposed operating budget for FY 2022-23, as further detailed in the meeting materials. As announced earlier in the meeting by Mr. Miller, there would be no increase in tuition or mandatory fees for the coming fiscal year.\* The proposed budget also included the largest salary pool and the largest State funding increase

---

\* *The proposed Operating Budget includes requests for an increase in differential tuition at UT Knoxville's Tickle College of Engineering, as well as professional and executive program fee adjustments at that campus. In addition, UT Chattanooga, UT Martin and UT Health Science Center recommended increasing certain program and auxiliary fees at those campuses.*



in the University's history. Mr. Loewen also reviewed the unrestricted Education and General budget and revenue trends, and he concluded his presentation by noting that while auxiliary revenues did decrease during the pandemic, the University's is now returning to pre-pandemic trends.

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 2022-23 Operating Budget (as presented in Tab 3 of the meeting materials).

### **Capital Projects**

Austin Oakes, Assistant Vice President for Capital Projects, began his presentation by noting that the budget for the coming fiscal year, which begins in July, includes \$281 million in capital appropriations.

#### Capital Outlay Funding Requests (FY 2023-24 through FY 2027-28)

Mr. Oakes highlighted the following three capital outlay priorities, totaling approximately \$262.3 million, identified for FY 2023-24:

- Fletcher Hall Addition and Renovation, UT Chattanooga;
- Construction of a new Chemistry Building, UT Knoxville (which includes the demolition of the existing Chemistry Building (Buehler Hall) and Panhellenic Building); and
- Renovation of the Gross Anatomy Laboratory, UT Health Science Center (UTHSC).

The five-year schedule reflects approximately \$785 million in requested state funding for capital outlay projects.

#### Capital Maintenance Funding Requests (FY 2022-23 through FY 2027-28)

Mr. Oakes advised that, with respect to the University's capital maintenance requests for FY 2022-23, the University received approximately \$45 million, representing 15 projects. For FY 2023-24, the capital maintenance funding request is for \$88.6 million, representing 27 projects, which request aligns with the THEC goals to support capital maintenance statewide and for which State funding would be requested. The five-year schedule reflects approximately \$383.9 million in requested state funding for capital maintenance projects.

#### Revenue/Institutionally-Funded Capital Projects (FY 2023-24)

For FY 2023-24, the proposed capital budget includes approximately \$114 million for 20 revenue/institutionally-funded capital projects. The majority of those projects, totaling \$92.4 million, pertain to the UT Institute of Agriculture (UTIA).

Capital Demolition Funding Requests (FY 2023-24)

Mr. Oakes advised the Committee members that this is the second year in which the University could seek State funding for demolition projects. The University will request approximately \$4.6 million in capital demolition funding for four projects in FY 2023-24.

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 four Resolutions pertaining to the: (i) Capital Outlay Funding Requests; (ii) the Capital Maintenance Funding Requests; (iii) the Revenue/Institutionally-Funded Capital Projects; and (iv) the Capital Demolition Funding Requests (as set forth in Tabs 4-7 of the meeting materials).

**Redefining the Future of Neyland Stadium (UT Knoxville)**

Daniel J. White, Vice Chancellor and Director of UT Knoxville Athletics, began his remarks by congratulating the student athletes, coaches, and staff on their extraordinary performance over the past year, both competitively and academically. He reminded the Committee members that, in 2017, the Board approved a resolution providing \$180 million for significant renovations to Neyland Stadium. The Athletics Department is now seeking approval to adjust the project scope and increase the project budget by \$108 million, for a total project cost of \$288 million. If approved, the renovations will create a first-class experience for fans and enhance the University brand, while preserving one of the state's most iconic buildings and one nation's oldest sports facilities.

Ryan Alpert, Deputy Athletics Director/Chief Operating Officer, described the steps the Athletics Department took to develop the proposed new additions to the previously approved Stadium renovations, including gathering feedback from stakeholders. Mr. Alpert reviewed a few of the projects currently under construction, along with the proposed new projects. Mr. Alpert highlighted the Athletics Department's new business philosophy: (i) prioritizing fan interest, engagement, and experience; (ii) delivering optimal return on investment through capitalizing on incremental revenue streams; and (iii) protecting existing and future non-facility-generated operating revenues. He reviewed the financing assumptions, the anticipated funding sources for the proposed renovations, and the Department's financial projections.

Mr. Alpert responded to various questions from the Committee members. He explained that the annual debt numbers reflect certain interest rate assumptions, as required by the Tennessee State School Board Authority ("TSSBA"); however, it is anticipated that the bonds would be issued at lower interest rates. Mr. Lybrand added that TSSBA issues bonds on an annual basis, and he anticipates that the interest rate on the bonds would be in the 5.5% range based on the credit rating.

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 pertaining to the renovation of Neyland Stadium (as presented in Tab 8 of the meeting materials).

### **Campus Master Plan (UTM)**

Keith S. Carver Jr., UT Martin Chancellor, began his presentation by acknowledging that for the past several years, UT Martin has experienced a decline in enrollment, which accelerated during the pandemic. In response, the campus worked with the UT System and THEC to launch new programs to grow enrollment. It is anticipated that enrollment will grow alongside Ford's new Blue Oval City in West Tennessee, which is estimated to bring 27,000 jobs to the area.

In developing the 10-year Campus Master Plan, UT Martin held town halls, formed task forces, and conducted student surveys to connect to its many constituents, including faculty, staff, administrators, students, and its home community. The Plan is guided by four themes: (i) student success and partnerships; (ii) highest and best use of existing buildings and planned acquisitions; (iii) flexibility and alignment of resources; and (iv) building a vibrant campus community.

Chancellor Carver discussed how the gift of Wildwood Farm,\* along with other planned property acquisitions would be used to build on UT Martin's programs in agriculture and natural sciences, as well as creating partnerships with UTHSC and other entities. The Plan addresses space needs for the campus, particularly for its new academic programs and much needed research space. The Plan foresees demolition and replacement of outdated residence halls, which will address not only the current increase in demand for on-campus housing, but also make the campus more attractive to future students. Following the presentation, Chancellor Carver responded to questions regarding the proposed Plan, including the projected enrollment growth estimates for the UT Martin campus.

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 2022 Campus Master Plan for UT Martin (as presented in Tab 9 of the meeting materials).

### **Acquisition of 888 Third Street, Chattanooga, TN (UT Chattanooga)**

Mr. Miller briefly discussed the need to seek eminent domain to acquire a 2,000 square foot parcel of land located at 888 Third Street in Chattanooga, Tennessee, as part of a plan to construct a new Health Sciences Building at UT Chattanooga. 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 pertaining to the acquisition of 888 Third Street in Chattanooga (as presented in Tab 10 of the meeting materials).

---

\* *The largest single gift in UTM's history.*

## Consent Agenda

Committee Chair Rhodes asked if there were any requests to remove items from the consent 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 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,

/s/ Cynthia C. Moore

Cynthia C. Moore

Secretary and Special Counsel

### Approved Consent Agenda Items

- Minutes of the Last Meeting (February 25, 2022)
- Ratification of Quasi-Endowments Created during FY 2021-22
- Procedures Governing Compensation Increases during FY 2022-223
- Acquisitions of Properties at 417 West Flower Street and 635 West Madison Street (UT Southern)
- Alcoa Highway/UT Lifestar Road Easements (UT Knoxville)
- Sale or Transfer of Gift Property Not Held for Institutional Use (UTIA/UT Martin)

### 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 2021-22
- Disclosure of Additional Revenue/Institutionally Funded Capital Projects for FY 2022-2023



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Acquisition of Property at Milan (UTK)**

Type: Action

6.2

### **Background Information**

The Milan Army Ammunition Plant (MAAP), located at 2280 Highway 104 West, Milan, TN 38358-3178, includes approximately 22,531 +/- acres located in Gibson and Carroll counties, about 23 miles north of Jackson, Tennessee.

In 1962, the University of Tennessee established the AgResearch and Education Center ("Center") at Milan on 141 +/- acres. This Center was established to improve the agricultural production of row-crops grown in west Tennessee, and eventually evolved into a world leader in the development of No-Till Farming as a method to efficiently produce row crops while preserving the soil from the detrimental effects of erosion.

In the early 1980's, the University leased 200 acres of adjacent crop land from MAAP for expansion of the agricultural research programs, and, in 2001, the University leased an additional 188 acres of land. This property has been continuously utilized for row-crop research and developing new technologies.

In 2019, the Army relocated the materials stored at MAAP, and the Secretary of the Army was subsequently authorized to dispose of the property. Approximately 900 +/- acres of the MAAP property will be conveyed to the University at no cost. A map showing the property currently owned by the University, along with the proposed property to be conveyed, is attached.

The U.S. Army Corps of Engineers is managing the transfer of the property and preparing a property disposal report, which will include an environmental assessment, title report and the quitclaim deed which may require such terms and conditions in connection with the conveyance as the Secretary of the Army determines. The University has initiated an archaeological investigation as required under Sections 106 and 110 of the National Historic Preservation Act.

Over the past 40 years, this property has become an important asset utilized by the University, and the permanent transfer of this property will ensure the continued availability of this property for research.

The University Administration is seeking approval to acquire approximately 900 +/- acres from the U.S. Army Corps of Engineers. Upon approval by the Board of Trustees, the University will seek all required governmental approvals.

6.2

**Resolved: The Board of Trustees hereby approves of the acquisition, at no cost, of approximately 900 +/- acres, referred to herein as the Milan Army Ammunition Plant ("MAAP") property, from the U.S. Army Corp of Engineers or any of related entity thereof. The proper officers of the University are hereby authorized to take any and all such actions as may be required or which they may deem necessary or appropriate, in order to effectuate the conveyance of the MAAP property as contemplated herein.**

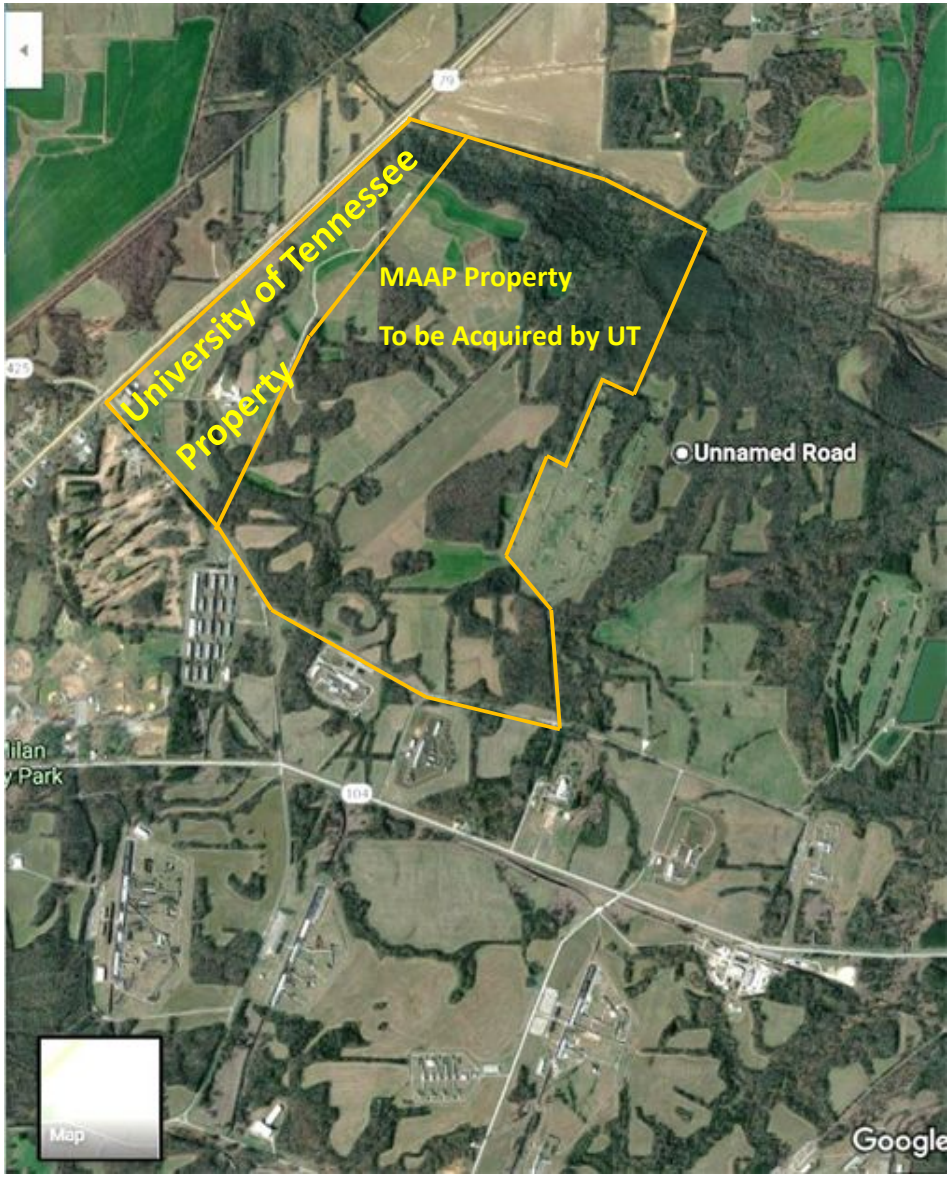
Milan Army Ammunition Plant

2280 Highway 104 West

Milan, Tennessee 38358-3178

Approximately 900+/- acres of this property to be acquired by UT at no cost.

6.2





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022  
Committee: Finance and Administration  
Item: Campus Master Plan Boundary (UTS)  
Type: Action

6.3

The University of Tennessee Southern is in the process of creating their Strategic Plan. Once the Strategic Plan is complete, the development of the Campus Master Plan will begin. Tennessee Higher Education Commission requires a new campus master plan or an update be completed at least once every ten years.

Until such time, establishing a Campus Boundary will allow for acquisitions of any properties within the proposed boundary. This interim solution will avoid having to bring each individual property acquisition forward on a case-by-case basis.

Upon approval by the Board of Trustees, the University will seek all required State approvals.

**Resolved: The Board of Trustees hereby approves the UT Southern Campus Master Plan Boundary, as set forth in the meeting materials, until the Strategic Plan is complete and development of the Campus Master Plan is finalized.**

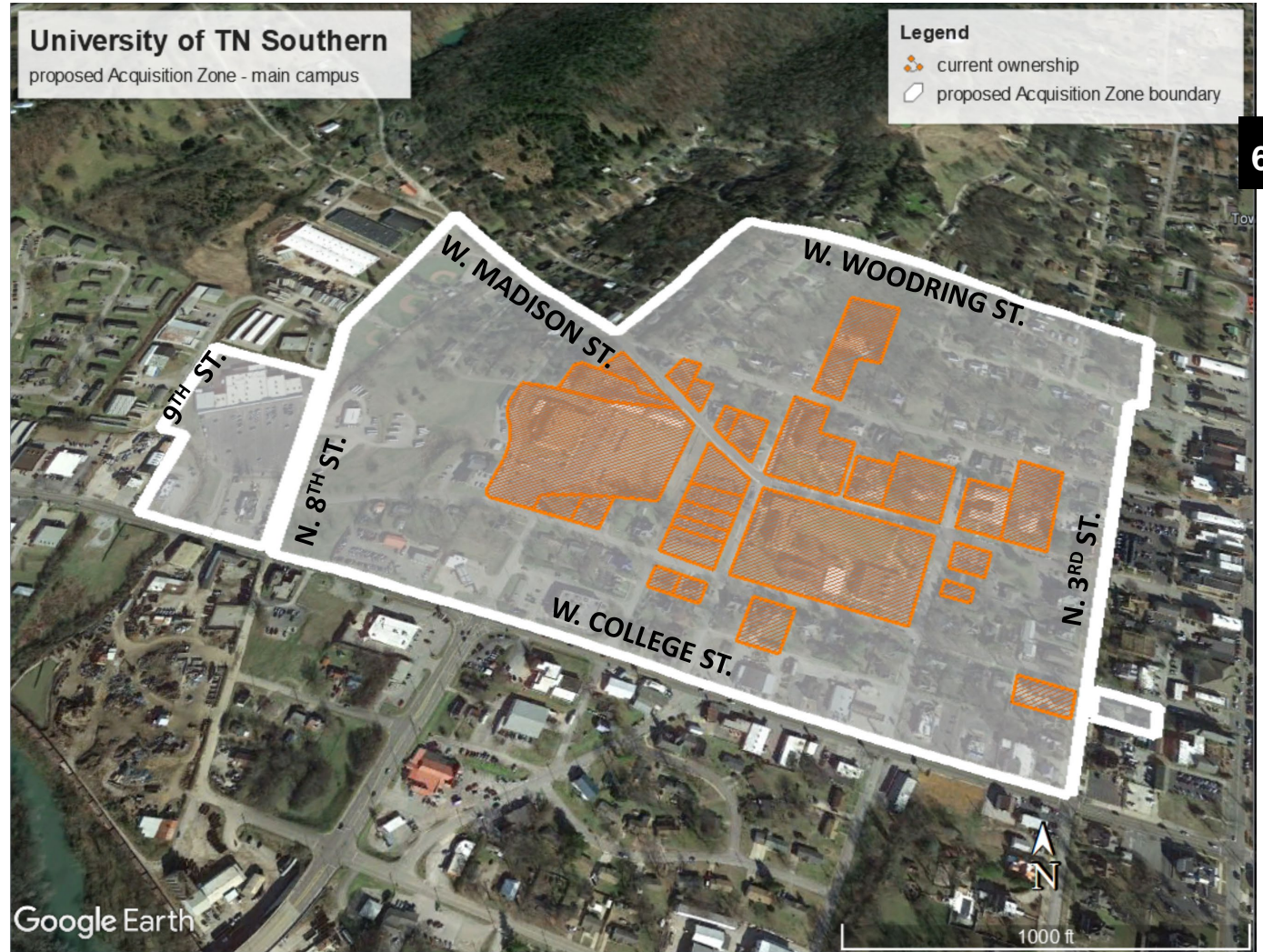


Millbrook St Townhomes - approximately 1 mile SW of main campus

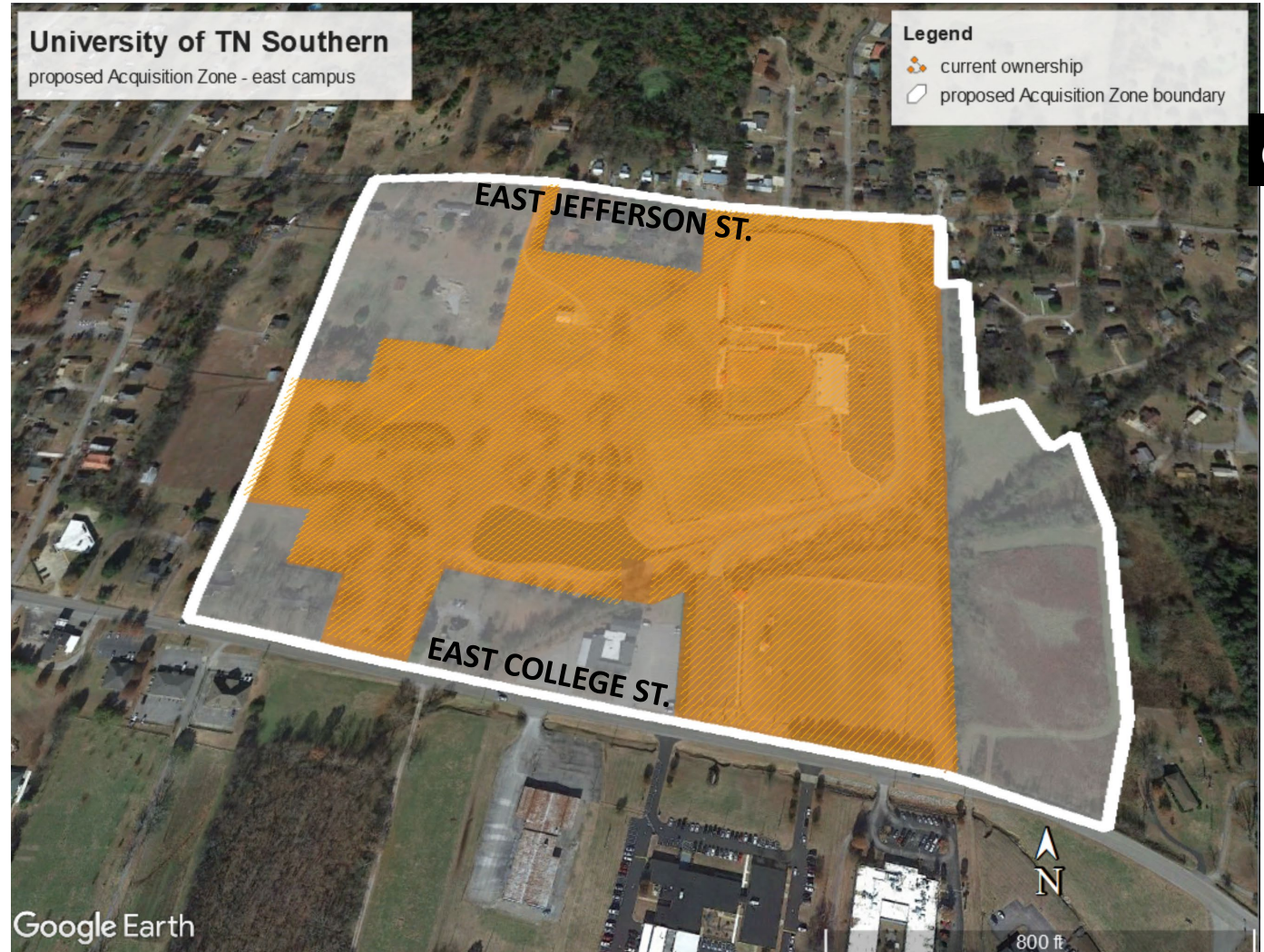


- Existing UT Southern main campus holdings contain approximately 24 acres

- Proposed main campus acquisition zone encompasses approximately 130 total acres



- Existing UT Southern east campus holdings contain approximately 45 acres
- Proposed east campus acquisition encompasses approximately 71 total acres





# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Voluntary Retirement Incentive Plan (UTM)**

Type: Action

6.4

To promote efficient alignment of demand with resources, UTM requests approval to offer the 2023 UTM Faculty Voluntary Retirement Incentive Program for faculty members, as described in the following plan document and pro forma. The program would offer a six-month lump sum incentive payment to faculty with more than 30 years of service, and retirements under the program would be effective no later than June 30, 2023.

The Tennessee Consolidated Retirement System (TCRS) governs all University retirement plans, including the TCRS plan, the Optional Retirement Plan (ORP), and the now-closed Joint Contributory Retirement System plan (JCRS). UTM has confirmed that there will be no surcharge to administer this program.

UTM estimates that the maximum cost of the program will be \$718,800 in FY 2023, including payment of accrued annual leave up to 336 hours, based on the current salaries of eligible participants. The cost of the program will be funded from salary and benefits savings. The remaining savings will be re-allocated within colleges as needed to achieve a better alignment of resources with the strategic needs of the campus.

Resolved: The Board of Trustees hereby approves the 2023 Voluntary Retirement Incentive Plan for UT Martin as presented in the meeting materials, a copy of which shall be attached to this Resolution after adoption.

### 2023 UT Martin Faculty Voluntary Retirement Incentive Program

**Purpose:** The 2023 UT Martin Faculty Voluntary Retirement Incentive Program (the Program) is a proactive measure designed to promote alignment of mission and demand (e.g., new strategic investment, student demand) with campus resources. Participation in the Program is strictly voluntary.

**Eligibility:** The Program is open to UT Martin faculty, who meet the following eligibility criteria as of June 30, 2023.

1. Designated as regular faculty in the UT System of record (IRIS)  
OR
2. Hold regular faculty appointments but are currently serving in administrative roles.  
AND
3. Eligible for either Service Retirement<sup>1</sup> or Early Retirement<sup>2</sup> under the Tennessee Consolidated Retirement System (TCRS) or the Joint Contributory Retirement System (JSCRS-A) or other federal retirement programs (FERS/CSRS) with more than 30 years of service.  
OR
4. A participant in the Optional Retirement Program (ORP) with more than 30 years of service<sup>3</sup>.

UT Martin reserves the right to limit the number of participants in the Program and reserves the right to make final decisions on participation based on academic continuity and campus needs. Approved participants may also be asked to adjust the effective date of retirement based on campus needs. UT Martin further may discontinue the Program at any time before applicants are accepted, without advance notice.

<sup>1</sup>Service Retirement (with reduced benefits) under TCRS/JCRS is open to vested members aged 60 or older with at least five (5) years of creditable service, or any age with at least 30 years of creditable service; FERS/CSRS retirement is based upon age and years of service in accordance with the office of Personnel Management guidelines.

<sup>2</sup>Early Retirement (reduced benefits) under TCRS/JCRS is open to vested members aged 55 or older with at least 10 years of creditable service, or any age with at least 25 years of creditable service; FERS/CSRS age 50 with 20 years of creditable service or any age with 25 years of creditable service. CSRS retirees may receive a reduced benefit if not 55 at the time of early retirement.

<sup>3</sup>For purposes of the Program, “years of service” or “service” for a participant in ORP will be determined by the calculation of state service equivalent to the TCRS “creditable service” calculation (ORP creditable service equivalent).

### Terms of the Incentive

- **Applicability to retirements currently in process:** The Program is open to employees who have provided written notice to UT Martin administration of the intent to retire before applying to participate in the Program, so long as the employee has not yet separated from university service at the time of his/her application for participation in the Program.
- **Incentive payment:** Participants will receive a lump sum incentive payment equal to the following:
  - +30 years of service: 6 months of base salary.

The schedule is based on the employee's annualized base salary (not including any administrative or other stipend amounts) in effect on June 30, 2023, or the separation date, if sooner.
- **Faculty Emeritus/a:** Faculty members who retire at the rank of Professor or Associate Professor may request the title of Professor Emeritus/a. Award of the title will be reviewed under existing policies (HR0102, the Faculty Handbook, college and/or departmental bylaws).
- **Separation date:** Participants in the Program will retire with a separation date no later than June 2023. All rights and obligations described in university policies and procedures remain unaffected by the Program and will continue to apply regardless of an employee's application or participation.
- **Application process:** Eligible employees will receive an email attaching the application, disclosures required by law, and a sample Retirement Incentive Agreement and Release for review. Eligible employees interested in participating must complete the 2023 UT Martin Faculty Voluntary Retirement Incentive Program Application and return it by the established deadline to Michael Washington, UT Martin Human Resources, located at 112 Administration Building, or by email attachment at [humanresources@utm.edu](mailto:humanresources@utm.edu).
- **Notice of acceptance:** Accepted applicants for participation in the Program will be notified of acceptance by email and regular U.S. Mail. A Retirement Incentive Agreement and Release will be with the notice of acceptance. The requirement is that participants submit the signed agreement no later than February 1, 2023. A signed agreement must reach Human Resources by close of business on the required day. If not, the offer of participation in the Program will be revoked.

### 2023 UT Martin Faculty Voluntary Retirement Incentive Program

**Purpose:** The 2023 UT Martin Faculty Voluntary Retirement Incentive Program (the Program) is a proactive measure designed to promote alignment of mission and demand (e.g., new strategic investment, student demand) with campus resources. Participation in the Program is strictly voluntary.

**Eligibility:** The Program is open to UT Martin faculty, who meet the following eligibility criteria as of June 30, 2023.

1. Designated as regular faculty in the UT System of record (IRIS)  
OR
2. Hold regular faculty appointments but are currently serving in administrative roles.  
AND
3. Eligible for either Service Retirement<sup>1</sup> or Early Retirement<sup>2</sup> under the Tennessee Consolidated Retirement System (TCRS) or the Joint Contributory Retirement System (JSCRS-A) or other federal retirement programs (FERS/CSRS) with more than 30 years of service.  
OR
4. A participant in the Optional Retirement Program (ORP) with more than 30 years of service<sup>3</sup>.

UT Martin reserves the right to limit the number of participants in the Program and reserves the right to make final decisions on participation based on academic continuity and campus needs. Approved participants may also be asked to adjust the effective date of retirement based on campus needs. UT Martin further may discontinue the Program at any time before applicants are accepted, without advance notice.

<sup>1</sup>Service Retirement (with reduced benefits) under TCRS/JCRS is open to vested members aged 60 or older with at least five (5) years of creditable service, or any age with at least 30 years of creditable service; FERS/CSRS retirement is based upon age and years of service in accordance with the office of Personnel Management guidelines.

<sup>2</sup>Early Retirement (reduced benefits) under TCRS/JCRS is open to vested members aged 55 or older with at least 10 years of creditable service, or any age with at least 25 years of creditable service; FERS/CSRS age 50 with 20 years of creditable service or any age with 25 years of creditable service. CSRS retirees may receive a reduced benefit if not 55 at the time of early retirement.

<sup>3</sup>For purposes of the Program, “years of service” or “service” for a participant in ORP will be determined by the calculation of state service equivalent to the TCRS “creditable service” calculation (ORP creditable service equivalent).

### Terms of the Incentive

- **Applicability to retirements currently in process:** The Program is open to employees who have provided written notice to UT Martin administration of the intent to retire before applying to participate in the Program, so long as the employee has not yet separated from university service at the time of his/her application for participation in the Program.
- **Incentive payment:** Participants will receive a lump sum incentive payment equal to the following:
  - +30 years of service: 6 months of base salary.

The schedule is based on the employee's annualized base salary (not including any administrative or other stipend amounts) in effect on June 30, 2023, or the separation date, if sooner.
- **Faculty Emeritus/a:** Faculty members who retire at the rank of Professor or Associate Professor may request the title of Professor Emeritus/a. Award of the title will be reviewed under existing policies (HR0102, the Faculty Handbook, college and/or departmental bylaws).
- **Separation date:** Participants in the Program will retire with a separation date no later than June 2023. All rights and obligations described in university policies and procedures remain unaffected by the Program and will continue to apply regardless of an employee's application or participation.
- **Application process:** Eligible employees will receive an email attaching the application, disclosures required by law, and a sample Retirement Incentive Agreement and Release for review. Eligible employees interested in participating must complete the 2023 UT Martin Faculty Voluntary Retirement Incentive Program Application and return it by the established deadline to Michael Washington, UT Martin Human Resources, located at 112 Administration Building, or by email attachment at [humanresources@utm.edu](mailto:humanresources@utm.edu).
- **Notice of acceptance:** Accepted applicants for participation in the Program will be notified of acceptance by email and regular U.S. Mail. A Retirement Incentive Agreement and Release will be with the notice of acceptance. The requirement is that participants submit the signed agreement no later than February 1, 2023. A signed agreement must reach Human Resources by close of business on the required day.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

6.5

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Report on Uses of FY 2022 Tuition and Fee Revenues**

Type: Action

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
- usage of revenues
- effect on student financial aid; and
- effect on the average total cost of attendance per student

The report has a filing requirement by February 1 of each year. The University's report for Fiscal Year 2022 requires approval by the Board prior to submission to the Office of Legislative Budget Analysis.

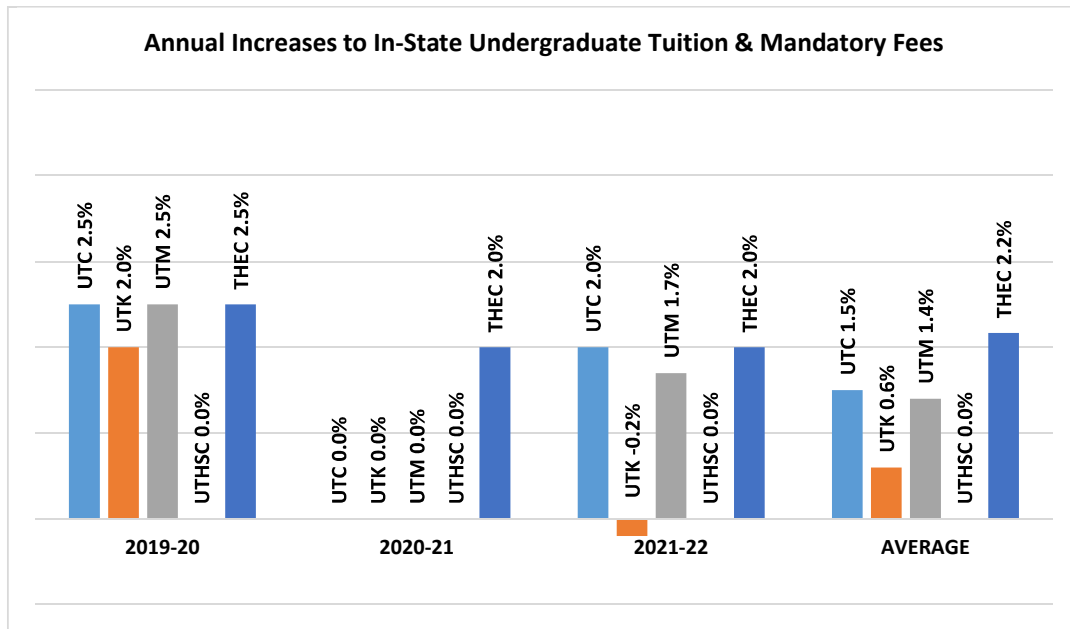
**Resolved: The Board of Trustees approves the Annual Report on Tuition and Fee Revenues for Fiscal Year 2022 as presented in the meeting materials. A copy of which shall be attached to this Resolution after adoption.**



**The University of Tennessee**  
**Annual Report on Tuition and Fee Revenues**  
**Academic Year 2021-22**

6.5

Two UT campuses increased in-state undergraduate tuition and mandatory fees in 2021-22: UT Chattanooga (2.0%) and UT Martin (1.7%). The UT Health Science Center had no increase for the third year in a row. UT Knoxville had a 0.2% reduction. UT Southern, the newest campus in the UT System, set tuition and fees 61% lower than it charged the year before it entered the UT System as Martin Methodist College. The three-year averages for all UT campuses were below the average THEC cap. Detailed schedules of tuition and fees at each UT campus can be found online in Section C of UT’s 2021-22 Budget Document: [FY21-22 Budget Document \(tennessee.edu\)](https://www.tennessee.edu/budget/fy21-22-budget-document)



*UTC – UT Chattanooga; UTK – UT Knoxville; UTM – UT Martin; UTHSC – UT Health Science Center (UTHSC has a number of undergraduate programs with different fee structures; most HSC students are in graduate or professional programs); UTS – UT Southern (not shown).*

**How Revenues Were Used**

UT Chattanooga’s increase generated approximately \$2.18 million in additional revenues. These funds were allocated to uses that have direct impacts on student learning, progression, and success. The investment of revenues consisted of: institutionally-funded scholarships, additional faculty, enhanced support for students in the form of tutoring, advising, academic and career planning, and bonded debt for student facing building projects.

The tuition and fee adjustments at UT Martin resulted in approximately \$687,700 for institutionally-funded scholarships, student services, instructional support, faculty promotions, fixed cost increases, and a portion of the 4% salary pool which was not fully funded by state appropriations.

**The University of Tennessee**  
**Annual Report on Tuition and Fee Revenues**  
**Academic Year 2021-22**

---

**The Effect on Financial Aid**

Few UT students pay the full level of tuition and fees without some kind of financial aid. Nearly 90% of UT's degree-seeking undergraduate students receive one or more scholarships, grants, waivers, or discounts. Scholarships and fellowships for all students (undergraduate and graduate) increased by \$41.0 million, from \$359.8 million in 2020-21 to \$400.8 million in 2021-22, an increase of 11.4%.

**6.5****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. The impact of changes to in-state undergraduate tuition and mandatory fees on the total cost of attendance were:

- UT Chattanooga: \$192
- UT Martin: \$164
- UT Health Science Center: \$0
- UT Knoxville: (\$20)
- UT Southern: (\$15,800)

Estimates of the 2021-22 total cost of attendance for a typical in-state undergraduate student living on campus are shown below. These figures do not include estimates of scholarships, discounts, and waivers which significantly reduce the net cost for most students.

<b>Type of Cost</b>	<b>UTC</b>	<b>UTK</b>	<b>UTM</b>	<b>UTS</b>
Tuition & Fees	\$ 9,848	\$ 13,244	\$ 9,888	\$ 10,200
Room & Board	9,500	12,150	6,717	8,600
Books & Supplies	1,400	1,598	1,400	1,500
Transportation & Personal	4,050	5,666	4,170	4,850
<b>TOTAL</b>	<b>\$ 24,798</b>	<b>\$ 32,658</b>	<b>\$ 22,175</b>	<b>\$ 25,150</b>

*UTC – UT Chattanooga; UTK – UT Knoxville; UTM – UT Martin; UTS – UT Southern; UTHSC – UT Health Science Center (not shown; UTHSC has a number of undergraduate programs with different fee structures; most HSC students are in graduate or professional programs)*



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## INDEX OF INFORMATION AGENDA ITEMS

- A. Report on Use of Differential Tuition Funds at UTC
- B. Report on Use of Differential Tuition Funds at UTK
- C. FY 2022 Annual Flight Operations Report
- D. Disclosure of Additional Revenue/Institutionally-Funded Capital Projects for FY 2022-23
- E. FY 2022 Report on Endowment Investment Performance
- F. Report on FY 2022 Unrestricted Fund Balances
- G. FY 2022 Composite Financial Index



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Report on Use of Differential Tuition Funds at UTC**

Type: Information

7.1

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 to be presented to the Finance and Administration Committee on how Differential Tuition revenues are used. The report for Fiscal Year 2021-22 is included.

The table below illustrates the annual revenue less expenses for the last five years and the June 30, 2022, year-end balance.

### University of Tennessee Chattanooga Differential Tuition Five-Year Trend Summary Revenue Less Expenses

College	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	6/30/2022 Balance
Business	\$719,627	\$427,954	\$462,505	\$1,064,217	\$650,823	\$950,819
Engineering	\$418,535	\$244,536	\$252,700	\$264,043	\$445,803	\$496,705
Nursing	\$22,118	\$13,410	\$152,446	\$279,058	\$178,872	\$330,474
Occupational Therapy	\$33,917	\$47,254	\$70,994	\$4,197	\$59,662	\$150,473
Physical Therapy	\$80,386	\$94,438	\$7,515	(\$7,726)	\$23,747	\$244,002
Total	\$1,274,583	\$827,592	\$946,160	\$1,603,789	\$1,358,907	\$2,172,473

**The University of Tennessee, Chattanooga**  
**Differential Tuition Summary**  
For the Fiscal Year Ended 2021-22

College	FY22 per Credit Hour Fee	Total Revenue	Program Expenses	Need-Based Scholarships/Aid	Total Expenses	Revenue less Expenses
Gary W. Rollins Business	\$59	\$2,795,070	1,759,086	385,161	2,144,247	650,823
Engineering	\$59	1,511,463	826,127	239,533	1,065,660	445,803
Nursing	\$102	1,041,875	757,187	105,816	863,003	178,872
Occupational Therapy	\$59	154,705	77,803	17,240	95,043	59,662
Physical Therapy	\$59	244,040	191,435	28,858	220,293	23,747
<b>Total</b>		<b>\$5,747,153</b>	<b>3,611,638</b>	<b>776,608</b>	<b>4,388,246</b>	<b>1,358,907</b>

**Primary Expenditures**

- Scholarships
- Faculty
- Advising and Student Success

**Gary W. Rollins College of Business**

The Gary W. Rollins College of Business maintains seven full-time faculty members, four academic advisors, a five-person staff in its Student Success Center, a communication specialist, a business manager, an assessment director, a diversity director, an Entrepreneur-in-Residence, a program coordinator and two administrative support staff. During FY22, four of the seven full-time faculty members covered by the fee temporarily transferred to open positions in the college. The differential fee also provided funds for faculty development, including database access, research support, and conference support. In addition, funds were used for student organizations' programming. The College used 13.8% of the fee collected to provide scholarships to students. The unspent revenue will be used for planning and improvements in Fletcher Hall and college programming initiatives.

**College of Engineering & Computer Science**

The College of Engineering and Computer Science maintains funding of three full-time faculty members, two administrative support positions, a lab engineer, three advisors and graduate assistants. For FY22, two of the three full-time faculty members covered by this fee were temporarily transferred to open positions in the college. These funds were used to purchase lab equipment, support travel for student competitions and provide additional programming support to the Student Success Center. The College used 15.8% of the fee collected to provide merit and need-based scholarships to students. The unspent revenue will be used for improvements and renovations to current labs as well as new lab space.

**School of Nursing**

The School of Nursing maintains full funding of six full-time faculty members, partial funding of one full-time faculty member and an academic advisor to focus on the needs of the RN to BSN students. The school used 10.2% of the fee collected to provide need-based scholarships to students. Funding was also utilized to cover students' license test fees, accreditation costs and to purchase simulation equipment and supplies. The unspent revenue is earmarked to provide additional resources for course offerings and to replenish costly clinical equipment.

**Department of Occupational Therapy**

The Department of Occupational Therapy maintains part-time need-based graduate assistants and student workers. These funds were used to enhance lab related experiences for students by purchasing lab supplies and equipment. They were also used to cover student liability insurance, computer software, memberships to national organizations, vaccinations, CPR training, student programs and other in-class student experiences. The Department used 11.1% of the fee collected to provide need-based scholarships to students. The unspent revenue is earmarked for lab equipment.

**Department of Physical Therapy**

The Department of Physical Therapy maintains part-time need-based graduate assistants and student workers to support classrooms and labs. These funds enhanced lab related experiences for students by purchasing lab supplies and computer software and to cover student liability insurance, student programs, CPR training, memberships to national organizations, vaccinations, and other in-class student experiences. The Department used 11.8% of the fee collected to provide merit and need-based scholarships to students. The unspent revenue will be used to purchase lab supplies.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date:	October 27, 2022
Committee:	Finance and Administration
Item:	<b><u>Report on Use of Differential Tuition Funds at UTK</u></b>
Type:	Information

7.2

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, an annual report is to be presented to the Finance and Administration Committee on how Differential Tuition revenues are used. The report for Fiscal Year 2021-22 is included.

The table below illustrates the annual revenue less expenses for the last five years and the June 30, 2022, year-end balance.

### University of Tennessee Knoxville Differential Tuition Five-Year Trend Summary Revenue Less Expenses

College	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	6/30/2022 Balance
Business	\$899,776	(\$751,635)	(\$1,359,926)	\$926,858	\$1,186,665	\$1,849,800
Engineering	\$74,121	(\$362,539)	\$17,495	\$578,103	\$645,402	\$1,472,289
Nursing	\$201,745	(\$106,481)	(\$281,147)	(\$502,710)	(\$736,055)	(\$76,701)
Architecture & Design	(\$20,453)	(\$118,796)	(\$6,552)	\$154,875	\$511,300	\$863,399
Total	\$1,155,189	(\$1,339,451)	(\$1,630,130)	\$1,157,127	\$1,607,312	\$4,108,787

**The University Of Tennessee, Knoxville**  
**Differential Tuition Summary**  
**for the Fiscal Year Ended 2022**

College	FY22 per Credit Hour Fee	Revenue	Program Expenses	Need Based Scholarships	Total Expenses	Revenues less Expenses
Business	\$ 101	\$ 13,003,646	\$ 11,413,981	\$ 403,000	\$ 11,816,981	\$ 1,186,665
Engineering	\$ 65	5,174,078	4,266,676	262,000	4,528,676	645,402
Nursing	\$ 135	1,735,268	2,319,324	152,000	2,471,324	(736,055)
Architecture and Design	\$ 111	2,207,324	1,585,023	111,000	1,696,023	511,300
Total		\$ 22,120,316	\$ 19,585,004	\$ 928,000	\$ 20,513,004	\$ 1,607,312

7.2

**Primary Expenditures**

- Need-based scholarships
- Faculty
- Advising
- Instructional equipment
- Laboratories

**Business**

Provides direct faculty and staff support of the undergraduate student population. Staff support is in the form of student academic advising and career management advising. Expenditures on faculty make possible expanded teaching capacity facilitating timely progress to degree completion and more moderate course section sizes than would otherwise be possible. In addition, a modest amount of the revenue is allocated toward technology, undergraduate diversity and inclusion initiatives, communications, and supplies.

**Engineering**

An essential resource to the College, the revenue supported further development and improvement in all academic programs and student services. In support of recruitment and retention of the best students, the funds are used for technology, equipment, and facility improvements. Funds were also used for Diversity Engineering summer programs, and faculty positions to address teaching loads as a result of increased enrollment.

**Nursing**

A key resource for the College, supporting faculty for additional enrollment and providing resources towards student learning through the Health Information Technology and Stimulation (HITS) Lab.

**Architecture and Design**

Supports a design-build laboratory which is essential to the pedagogical experience of a design education, hire nationally and internationally recognized faculty, grow existing programs, and attract top quality students by offering awards.





---

## THE UNIVERSITY OF TENNESSEE FY 2022 UT FLIGHT OPERATIONS REPORT

---

In accordance with the Board Policy Statement on Travel (Policy BT0030), the Senior Vice President and Chief Financial Officer shall submit an annual summary report of university aircraft operations to the University of Tennessee Board of Trustees for review by the Finance and Administration Committee. The summary report should contain, at a minimum, information on users, destinations, maintenance performed, and operating costs.

UT Flight Operations provides university personnel and guests with safe, reliable and efficient flight services. This often allows travelers to avoid the costs of overnight travel, as well as making more efficient and productive use of their time. It is sometimes the most practical option while traveling within Tennessee, as most destinations within the state are not served by commercial airlines.

UT currently owns two airplanes, a Beechcraft King Air 350, acquired in 2008, and a Cessna Citation XLS, donated to UT in December 2019. For FY 2022, Flight Operations had four full-time pilots. Several well-qualified local contract pilots are used as needed during peak times such as athletics recruiting seasons. Flight Operations is based at McGhee Tyson Airport, convenient to the departments that make the greatest use of these services.

Usage of both UT airplanes increased significantly during FY 2022 as travel returned to normal levels. The two aircraft combined flew 654 passenger hours in FY22. However, with two UT aircraft and the use of donated flights, we are able to avoid costly charter services. We have a charter contract in place for the busy athletic recruiting seasons.

In FY 2022, the total flight operations expenditures were \$2,350,142, which was funded by a combination of system administration base support, hourly fees assessed to UT departments, and additional support from UTK Athletics for operation of the Cessna Citation XLS.



## UT Flight Operations Funding & Expenses

**7.3**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Funding</b>					
Recoveries	\$ 1,154,624	\$ 284,628	\$ 780,794	\$ 1,098,615	\$ 389,041
UTK Athletics	720,959				
System Support	<u>474,558</u>	<u>1,157,883</u>	<u>997,868</u>	<u>986,458</u>	<u>357,340</u>
<b>Total Funding</b>	<b>\$ 2,350,142</b>	<b>\$ 1,442,511</b>	<b>\$ 1,778,662</b>	<b>\$ 2,085,073</b>	<b>\$ 746,381</b>
<b>Expenses</b>					
Salaries/Benefits	\$635,352	\$566,351	\$561,515	\$489,136	\$ 357,897
Contract Pilots	89,697	10,500	72,350	10,575	21,350
Fuel	509,271	105,034	226,967	257,947	128,936
Maintenance	770,811	462,748	429,784	280,818	63,498
Airplane lease			127,061	564,000	
Travel	128,235	35,488	68,949	94,484	31,399
Pilot Training	21,807	79,800	10,690	115,120	68,026
Rent	64,387	62,456	53,617	51,773	23,702
Insurance	1,691	30,024	53,352	38,468	16,876
Subscriptions	117,079	79,761	131,906	173,092	19,194
Other	<u>11,812</u>	<u>10,348</u>	<u>42,471</u>	<u>9,660</u>	<u>15,503</u>
<b>Total Expenses</b>	<b>\$ 2,350,142</b>	<b>\$ 1,442,511</b>	<b>\$ 1,778,662</b>	<b>\$ 2,085,073</b>	<b>\$ 746,381</b>
Capital Maintenance			\$ 535,364		\$ 275,047
<i>Flight Hours</i>	<i>654</i>	<i>192</i>	<i>358</i>	<i>408</i>	<i>315</i>



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Disclosure of Additional Revenue/Institutionally-Funded Capital Projects for FY 2022-23**

Type: Information

7.4

The University administration has identified additional revenue/institutionally-funded capital projects for FY 2022-23. The projects, totaling \$10,489,500, are listed on Attachment 1.

The Board's action, in June 2021, 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 capital projects. In accordance with the Board's authorization, these additional revenue/institutionally-funded capital projects are reported for information only, and no action is required.

## Additional Capital Disclosure: FY2022-23

SPA	Project	Project Description**	Project Cost	Funding Source					
				TSSBA	Gifts	Auxiliary	Gift In Place	Grant	Plant Funds
1	UTHSC Daycare Playground	Construction of a playground for the daycare program. Includes all related work to complete the project.	\$ 49,000						\$ 49,000
2	UTHSC Radiobiology Research Suite	Renovation and addition of the TriMetis Animal Facility into an FDA approved test site to test radiation countermeasure drugs. Includes all related work to complete the project.	\$ 4,350,000					\$ 3,115,346	\$ 1,234,654
3	UTIA Clyde Austin 4-H Center Improvements	Construction of two open air pavilions at the center, and a garage at the center director's residence. Includes site work, ADA accessibility, and all related work to complete the project.	\$ 151,000						\$ 151,000
4	UTIA CVM - Large Animal Hospital Improvements	Upgrades of the existing stalls including resurfacing, gating system replacement, and all related work to complete the project.	\$ 630,000						\$ 630,000
5	UTIA NETREC Building Improvements	Renovation of existing building to accommodate re-working of existing animal workshops along with adding restrooms and other agriculture equipment. Site work and utility infrastructure will be included with all related work to complete the project.	\$ 510,000						\$ 510,000
6	UTK Conference Center - Psychology Renovation	Renovation of space for the Psychology Department located in the Conference Center, including changes in layouts, finish upgrades of all surfaces and building system improvements. Includes all related work to complete the project.	\$ 274,000						\$ 274,000
7	UTK Dining Services Refresh (22/23)	Refresh and upgrade dining finishes, equipment, vendor brands, and Wi-Fi coverage as needed. Includes all related work to complete the project.	\$ 1,000,000			\$ 1,000,000			
8	UTK Frieson Black Cultural Center Upgrades	Upgrades include flooring, paint, and finishes; patio and exterior step replacement; and all related work to complete the project.	\$ 300,000						\$ 300,000
9	UTK Haslam Business Masters Investment Learning Center	Renovation to expand the Masters Investment Learning Center (MILC) in the Haslam College of Business. Renovations include reworking and updating existing spaces that include building finishes and some building systems. Includes all related work to complete the project.	\$ 1,640,000		\$ 1,640,000				
10	UTK Haslam Business Suite Renovation	Renovation of multiple spaces for Marketing and Communications' staff. Changes in layout as well as related building systems and finish upgrades. Includes all related work to complete the project.	\$ 168,000						\$ 168,000

7.4

### Additional Capital Disclosure: FY2022-23

	SPA	Project	Project Description**	Project Cost	Funding Source					
					TSSBA	Gifts	Auxiliary	Gift In Place	Grant	Plant Funds
11	UTK	Hoskins Library Suite Renovations	Renovation of several suites including changes in layouts, finish upgrades of all surfaces and building system improvements and limited asbestos floor tile removal. Includes all related work to complete the project.	\$ 500,000						\$ 500,000
12	UTK	McClung Museum Chiller Upgrades	Upgrades the chiller and chilled water pumps at McClung Museum. Project includes all related work.	\$ 277,000						\$ 277,000
13	UTM	ROTC Building Envelope Repair	Replacement of the brick façade and windows on the east side of the ROTC building. Includes all related work to complete the project.	\$ 500,000						\$ 500,000
14	UTM	University Center Dining Upgrades	Upgrades include changing out an existing vendor with a new one. Includes all related work to complete the project.	\$ 140,500				\$ 140,500		
<b>Totals</b>				<b>\$ 10,489,500</b>	<b>\$ -</b>	<b>\$ 1,640,000</b>	<b>\$ 1,000,000</b>	<b>\$ 140,500</b>	<b>\$ 3,115,346</b>	<b>\$ 4,593,654</b>

7.4



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **FY 2022 Report on Endowment Investment Performance**

Type: Information

Presenter: David L. Miller, Senior Vice President and Chief Financial Officer

7.5

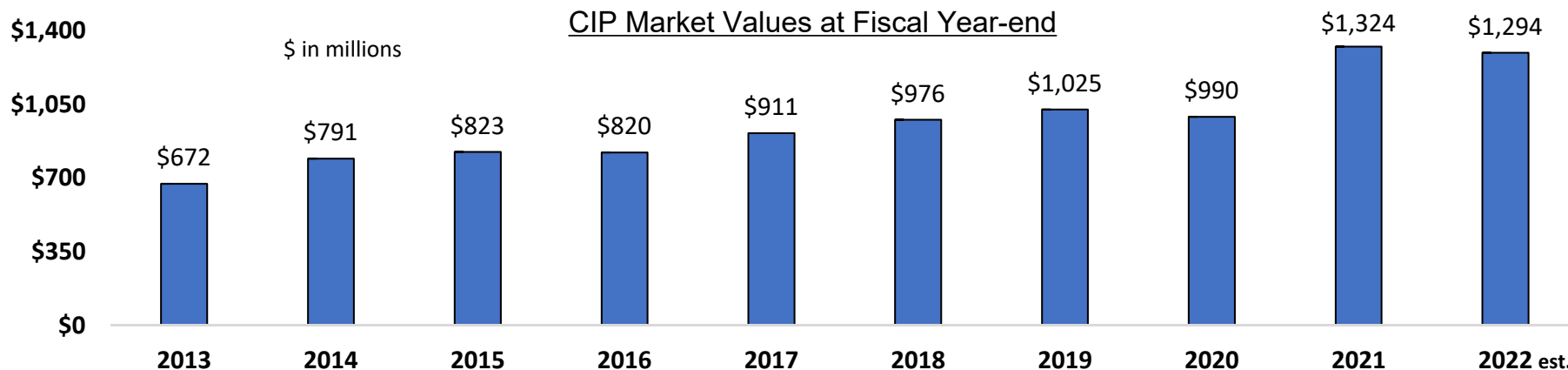
Investment of University funds is under the jurisdiction of the Finance and Administration Committee of the Board of Trustees, which makes recommendations to the Board on matters requiring Board action. Prior to each regularly scheduled Board meeting, the Finance and Administration Committee receives for review an investment report and recommends to the Board any actions deemed necessary. The FY 2022 Report on Endowment Investment Performance follows.

## Investment Summary as of June 30, 2022

- Consolidated Investment Pool (CIP) Cash-flow Activity for 12-month Period:
  - \$96 million in New Gifts
  - \$54 million in Spending Plan Distributions
  - \$11 million in Administrative Support
  
- Consolidated Investment Pool (CIP)\* and Benchmark 1-year Returns:
  - Outperformed the Broad Policy B-mark (60/40 stock & bond mix): -6.7% vs -15.7%
  - Outperformed the Target Weighted B-mark (Multi-asset benchmark): -6.7% vs -7.9%
  - Underperformed CPI+5.5% (Inflation + Spend): -6.7% vs. +14.6%

7.5

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



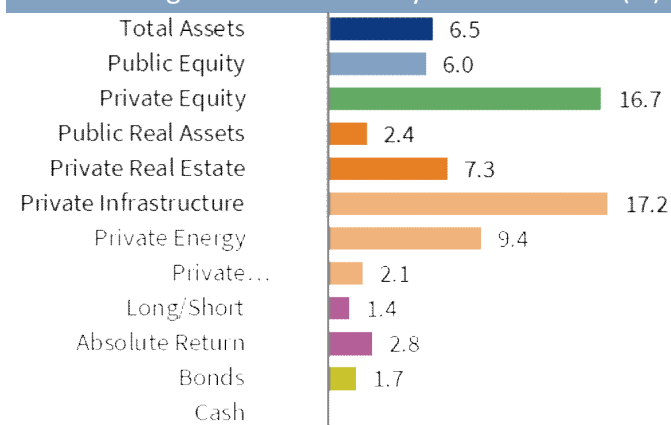
# University of Tennessee Performance Dashboard

| As of June 30, 2022

Preliminary CIP Performance (%)

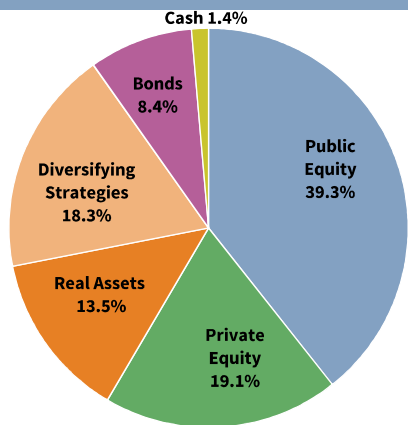
	Cumulative Trailing 1-Year	Annualized Trailing 3-Year	Annualized Trailing 5-Year	Annualized Trailing 10-Year	Annualized Since Inception
<b>CIP</b>	<b>-6.72</b>	<b>6.97</b>	<b>6.46</b>	<b>6.93</b>	<b>7.93</b>
Broad Policy Benchmark	-15.73	2.56	4.04	6.09	6.74
<i>Value Add</i>	<i>9.01</i>	<i>4.41</i>	<i>2.42</i>	<i>0.84</i>	<i>1.19</i>
Target Weighted Benchmark	-7.85	6.33	5.84	6.88	8.48
<i>Value Add</i>	<i>1.13</i>	<i>0.64</i>	<i>0.62</i>	<i>0.05</i>	<i>-0.54</i>
CPI + 5.5%	14.57	10.48	9.43	8.14	8.04
<i>Value Add</i>	<i>-21.29</i>	<i>-3.51</i>	<i>-2.97</i>	<i>-1.21</i>	<i>-0.11</i>

Trailing 5Y Performance by CIP Asset Class (%)



7.5

Actual and Interim Target Allocation



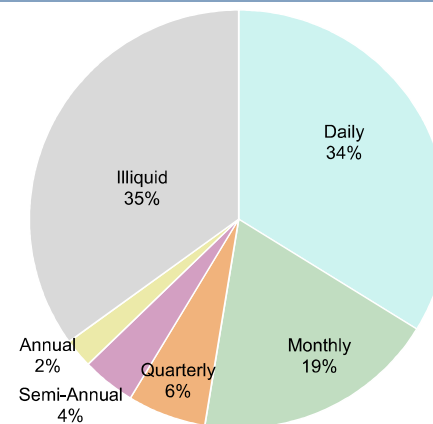
Public Equity  
Private Equity  
Real Assets  
Diversifying Strategies  
Bonds  
Cash

Actual  
Allocation

Long-Term  
Target  
Allocation

Public Equity	39.3%	42%
Private Equity	19.1%	25%
Real Assets	13.5%	7%
Diversifying Strategies	18.3%	18%
Bonds	8.4%	8%
Cash	1.4%	

Portfolio Liquidity





## 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 overall asset allocation and risk profile of the portfolio. The **Bloomberg Barclays Global Aggregate Bond Index** consists of a wide range of global investment grade bonds, including sovereigns, corporate bonds, and various asset-backed securities. **MSCI ACWI IMI Index** includes large, mid, and small-cap stock market exposure across both Developed and Emerging Markets.

### Target Weighted Benchmark:

This benchmark is comprised of multiple public and private indices which represent the various asset classes in which the CIP invests. These include equity, real estate, natural resources, hedged strategies, bonds, and cash. The weightings of the underlying indices are dynamic and rebalanced periodically to align with those of the CIP at the beginning of a measurement period.

### CPI + 5.5%:

This is the 1-year inflation-measuring Consumer Price Index + 5.5%.

## Cambridge Associates (CA) Notes:

Performance is preliminary as of June 30, 2022. Totals may not sum due to rounding. 98% of Private investment performance is as of March 31, 2022. 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.

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.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

## AGENDA ITEM SUMMARY

Meeting Date:	October 27, 2022
Committee:	Finance and Administration
Item:	<b><u>Fiscal Year 2022 Report on Year-end Fund Balances</u></b>
Type:	Information

7.6

### 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 Financial 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.

Balances budgeted in the annual operating budget (year-end actuals)					
Fund	FY2019	FY2020	FY2021	FY2022	% Chg. FY21
Working Capital	\$ 28,771,229	\$ 29,782,199	\$ 39,818,982	\$ 46,328,873	16.3%
Revolving Fund	\$ 23,886,170	\$ 18,929,224	\$ 21,696,048	\$ 9,029,504	-58.4%
Encumbrances	\$ 3,510,353	\$ 3,490,491	\$ 5,935,688	\$ 5,811,328	-2.1%
Reappropriations	\$ 2,244,809	\$ 11,779,034	\$ 19,176,127	\$ 8,862,044	-53.8%
Unallocated Auxiliaries	\$ 9,964,429	\$ 9,225,358	\$ 8,651,467	\$ 10,629,354	22.9%
Unallocated E&G	\$ 58,607,852	\$ 58,908,865	\$ 53,611,988	\$ 70,279,781	31.1%
Subtotal	\$ 126,984,842	\$ 132,115,171	\$ 148,890,300	\$ 150,940,883	1.4%
Balances reported in annual financial statements					
Fund	FY2019	FY2020	FY2021	FY2022	% Chg. FY21
Renewal and Replacement	\$ 579,540,620	\$ 601,349,775	\$ 704,988,943	\$ 663,153,388	-5.9%
Unexpended Plant Funds	\$ 111,459,306	\$ 156,024,078	\$ 167,857,059	\$ 326,384,611	94.4%
Debt Service	\$ 35,227,491	\$ 40,312,400	\$ 53,989,189	\$ 57,004,984	5.6%
Quasi-Endowments	\$ 13,985,044	\$ 12,855,664	\$ 16,137,698	\$ 14,723,833	-8.8%
Subtotal	\$ 740,212,461	\$ 810,541,917	\$ 942,972,889	\$1,061,266,816	12.5%
Total Year-end	\$ 867,197,303	\$ 942,657,087	\$1,091,863,189	\$1,212,207,700	11.0%
Less Investment in Plant and Interest Payable	\$ (7,200,416)	\$ (7,162,487)	\$ (5,757,965)	\$ (5,050,798)	-12.3%
Less Benefits Liability	\$ (387,926,710)	\$ (358,183,066)	\$ (361,500,350)	\$ (455,205,759)	25.9%
Total	\$ 472,070,177	\$ 577,311,534	\$ 724,604,874	\$ 751,951,143	3.8%
Figures may not add due to rounding					

Nine of the ten funds are largely committed and well-defined. Because Renewal and Replacement funds comprise about 55% of the annual carry forward and are used for a wide variety of needs, this report focuses on a detailed analysis of those funds.

Beginning in 2018, 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 eleven (11) at the Institute for Public Service to one hundred eleven (111) at UT Knoxville. To determine the level to which these funds are committed, the following definitions were developed and refined.

### **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.

At the close of the fiscal 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.

This report combined with other financial reports provides transparency and clarity about the use of university resources to stakeholders such as the University community, public officials, and taxpayers.

## FY 2021-22 Year End Renewal and Replacement Fund Balances

7.6

### By Institution and Fund Type

Institution	E&G	AUX	Total
Chattanooga	\$ 51,197,567	\$ 16,330,123	\$ 67,527,690
Knoxville	\$ 416,879,563	\$ 49,988,574	\$ 466,868,137
Martin	\$ 27,641,105	\$ 9,755,041	\$ 37,396,146
Health Sciences	\$ -	\$ -	\$ -
Southern	\$ 3,600,000	\$ 585,000	\$ 4,185,000
IPS	\$ 14,914,528		\$ 14,914,528
System Admin.	\$ 72,261,887		\$ 72,261,887
	<b>\$ 586,494,650</b>	<b>\$ 76,658,738</b>	<b>\$ 663,153,388</b>
Percent	88.44%	11.56%	100.00%

### By Institution and Level of Commitment

Institution	Obligated	Planned	Reserved	Discretionary	Total
Chattanooga	\$ 20,260,757	\$ 15,081,107	\$ 29,727,222	\$ 2,458,604	\$ 67,527,690
Knoxville	\$ 18,919,084	\$ 311,905,226	\$ 112,950,233	\$ 23,093,594	\$ 466,868,137
Martin	\$ 1,050,411	\$ 9,345,669	\$ 26,761,108	\$ 238,957	\$ 37,396,146
Health Sciences					\$ -
Southern	\$ 652,613	\$ 2,740,000	\$ 792,387	\$ -	\$ 4,185,000
IPS		\$ 13,548,762	\$ 1,365,766		\$ 14,914,528
System Admin.	\$ 29,974,710	\$ 6,600,000	\$ 35,687,177	\$ -	\$ 72,261,887
	<b>\$ 70,857,576</b>	<b>\$ 359,220,763</b>	<b>\$ 207,283,894</b>	<b>\$ 25,791,155</b>	<b>\$ 663,153,388</b>
Percent	10.7%	54.2%	31.3%	3.9%	100.0%

### Summary

For fiscal year 2022 institutions reported the following levels of commitment for renewal and replacement funds.

## UT Chattanooga

## Renewal &amp; Replacment Accounts: Educational and General Funds

Level of Commitment

Fund Number	Fund	Obligated	Planned	Reserved	Discretionary	Total
K040005007	Electronic Equip Replace Fund	9,929,447	6,924,090	5,915,288	-	22,768,826
K040005005	Motor Veh Oper Equip Repl Fd	-	165,099	-	-	165,099
K040005006	Storm Water Reserve	-	-	409,513	-	409,513
K040005012	Student Information System (R&R)	-	-	874,001	-	874,001
K040005013	Arena Technology Improvements	-	-	-	37,139	37,139
K040005017	Simcenter R&R	-	-	406,546	-	406,546
K040005033	Learning & Leadership Program R&R	-	-	391,192	-	391,192
K040005039	Chancellor Office	-	-	-	79,931	79,931
K040005040	Information Technology	-	-	-	30,195	30,195
K040005041	Administration & Finance	-	18,800	-	328,670	347,470
K040005043	Enrollment Management	-	-	-	336,695	336,695
K040005045	Academic Affairs	-	-	-	834,328	834,328
K040005046	College Of Arts & Science	-	107,699	-	40,466	148,165
K040005047	College Of Engin & Comp Sc	-	-	-	532	532
K040005048	Rollins College Of Business	-	187,500	-	555,674	743,174
K040005049	College Of Health, Educ & Prof Stud	-	-	-	102,163	102,163
K040005050	Honors College	-	-	-	39,336	39,336
K040005052	Research & Graduate School	-	-	-	73,475	73,475
K040005053	Communication & Marketing	-	62,989	-	-	62,989
<b><u>DESIGNATED ACCOUNTS</u></b>						
K040005008	Student Prog & Service Fee	-	-	524,580	-	524,580
K040005010	Facilities Rnwl & Repl	527,000	838,963	737,441	-	2,103,404
K040005015	Student Health Fee R&R - Student Develop	-	-	391,081	-	391,081
K040005016	Student Green R&R	-	-	918,154	-	918,154
K040005018	Library Fee R&R	-	-	751,752	-	751,752
K040005019	Facilities Landscaping R&R	-	-	399,098	-	399,098
K040005021	Facility Match Fee R&R	4,685,285	-	-	-	4,685,285
K040005022	Business Differential R&R	-	-	2,174,206	-	2,174,206
K040005023	Engineering Differential R&R	-	718,714	335,635	-	1,054,349
K040005024	Nursing Differential R&R	-	-	728,969	-	728,969

K040005037	Physical Therapy Differential Fee R&R	-	-	158,965	-	158,965
K040005038	Occupation Therapy Differential Fee R&R	-	-	247,025	-	247,025
K040005026	Online Access Fee R&R	-	2,652,252	4,532,548	-	7,184,801
K040005027	Mosaic Program Fee R&R	-	-	210,770	-	210,770
K040005030	Student Activity Fee Option 2 R&R	-	-	86,065	-	86,065
K040005031	Student Activity Fee Sga R&R	-	-	95,544	-	95,544
K040005032	Transportation Fee R&R	-	-	592,098	-	592,098
K040005034	Technology Fee R&R	-	-	572,206	-	572,206
K040005036	International Education Fee R&R	-	-	468,446	-	468,446
<b>E&amp;G TOTALS</b>		<b>15,141,733</b>	<b>11,676,107</b>	<b>21,921,124</b>	<b>2,458,604</b>	<b>51,197,567</b>

Renewal & Replacment Accounts: Auxiliary Funds						
Fund Number	Fund	Obligated	Planned	Reserved	Discretionary	Total
K040005001	Residence Hall Mnt & Equip Res	-	3,405,000	2,596,593	-	6,001,593
K040005003	Parking Authority Mnt & Eq Res	-	-	176,715	-	176,715
K040005009	Auxiliaries	5,119,024	-	5,032,791	-	10,151,815
<b>AUX TOTALS</b>		<b>5,119,024</b>	<b>3,405,000</b>	<b>7,806,098</b>	<b>-</b>	<b>16,330,123</b>
<b>Grand Totals</b>		<b>20,260,757</b>	<b>15,081,107</b>	<b>29,727,222</b>	<b>2,458,604</b>	<b>67,527,690</b>
Percent		30.00%	22.33%	44.02%	3.64%	100.00%



UT Knoxville/UTSI/UTIA		Educational and General Funds				
		Level of Commitment				
Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K010005016	Faculty Start Up		4,368,900			4,368,900.00
K010005017	Computer Refresh R&R		523,908			523,908.00
K010005018	Campus Network					-
K010005019	Neutron Science				509,810	509,810.00
K010005022	Buildings and Renovations		20,000,000	4,695,461		24,695,461.00
K010005029	Deferred Maintenance	1,390,183	5,000,000	15,000,000	5,276,187	26,666,370.00
K010005025	Joint Institute Renovations				500,000	500,000.00
K010005030	College of Arts & Sciences	183,206	22,833,890	1,674,569	27,635	24,719,300.00
K010005031	Herbert College of A		1,099,735	750,000	35,759	1,885,494.00
K010005032	College of Nursing R	117,162	813,013	1,899,436	244,728	3,074,339.00
K010005036	R&R - General Reserve	8,598,731	30,026,109	693,443	361,730	39,680,013.00
K010005040	JICS R&R Capital Maintenance			362,629		362,629.00
K010005041	JIBS R&R Capital Maintenance			595,000		595,000.00
K010005042	JHIR R&R Capital Maintenance					-
K010005049	IT Computing Equipment					-
K010005052	Academic Initiatives	1,055,554				1,055,554.00
K010005054	Glazer Cap Maint - R&R			72,517		72,517.00
K010005057	JINS R&R Capital Maintenance			545,000		545,000.00
K010005074	R&R - Rainy Day			30,000,000		30,000,000.00
K020005002	Emergency Fund			1,400,000	1,100,000	2,500,000.00
K020005003	Capital Equipment		252,500	150,000	624,443	1,026,943.00
K020005004	Start-Up Package			4,455,009	3,809,390	8,264,399.00
K020005005	Residence Dorm			100,000	146,119	246,119.00
K010005078	College of Educ, Hea	42,772	4,119,129	1,954,859	303,822	6,420,582.00
K010005079	Tickle College of Engineering	1,536,895	10,715,270	2,792,287	143,779	15,188,231.00
K010005080	Haslam College of Bu		3,635,915	1,071,485	98,700	4,806,100.00
K010005081	College of Law R&R		1,437,177	831,441	167,615	2,436,233.00
K010005082	College of Architect		991,312	560,893		1,552,205.00
K010005083	College Communicatio		1,505,000		421,232	1,926,232.00
K010005084	College of Social Wo	27,322	638,147	2,105,177	202,093	2,972,739.00
K010005085	Research Initiatives		1,324,365	611,201		1,935,566.00
K010005086	Provost&SR VC - R&R		6,975,908	3,383,330	715,040	11,074,278.00
K010005087	VC for Diversity - R		63,230		433,445	496,675.00
K010005088	VC for Communication	168,000	426,843		97,706	692,549.00

2022 - Finance and Administration Committee - Information Items

K010005089	VC for Finance&Admin	436,808	3,883,678	1,523,683	4,523,694	10,367,863.00
K010005090	VC for Research - R&		11,026,466			11,026,466.00
K010005091	VC for Student Life	249,000	451,944			700,944.00
K010005092	Libraries – R&R	235,681	192,125	1,606,604		2,034,410.00
K010005093	UT-ORII R&R		1,698,079	932,239	566,355	3,196,673.00
K110005002	Ag Exp Mnt And Equip Repl Fd		735,524			735,524.00
K110005003	Branch Stations Renov & Maint	696,009	911,036			1,607,045.00
K110005004	Department Maint & Equip Replace Fund	246,541	2,429,245	668,946		3,344,732.00
K110005005	Faculty Startup Equipment Fund		2,688,956			2,688,956.00
K110005006	F&A Maint & Equip Replacement Fund		4,192,931			4,192,931.00
K110005007	Recharge Center Maint & Equip R&R		904,479			904,479.00
K110005008	Equipment & Internal Grant Fund		1,454,814			1,454,814.00
K120005002	Ag Ext Mnt & Equip Repl		5,650,000	8,367,325		14,017,325.00
K120005003	4-H Camp Renovations		8,752,053			8,752,053.00
K120005006	Ridley 4-H Maintenance & Renovation		500,000			500,000.00
K120005007	York 4-H Maintenance & Renovation		558,215			558,215.00
K120005008	Austin 4-H Maintenance & Renovation		500,000			500,000.00
K120005010	Ecommerce		54,359			54,359.00
K120005011	Center For Profitable Agriculture		108,032			108,032.00
K120005012	Agricultural Economics		190,974			190,974.00
K120005013	Biosystems Engineering & Soil Science		33,816			33,816.00
K120005014	Animal Science		380,931			380,931.00
K120005015	Entomology & Plant Pathology		271,130			271,130.00
K120005016	Food Science		1,150,129			1,150,129.00
K120005017	Forestry, Wildlife & Fisheries		52,708			52,708.00
K120005018	Plant Sciences		635,561			635,561.00
K120005019	Ut Gardens – Extension		70,707			70,707.00
K120005020	Family & Consumer Sciences		218,547			218,547.00
K120005021	Eastern Region		437,572			437,572.00
K120005022	Western Region		389,222			389,222.00
K120005023	Precision Livestock Farming		450,000			450,000.00
K120005024	Homebuyer Education – Er		50,552			50,552.00
K120005025	Homebuyer Education – Cr		73,899			73,899.00
K120005026	Homebuyer Education – Wr		133,695			133,695.00
K120005027	The Clays At Lone Oaks		19,641			19,641.00
K120005028	Ag Leadershp, Education & Communication		10,344			10,344.00
K120005029	Central Region		626,778			626,778.00

7.6

K120005033	Utia Riverline Project		1,500,000			1,500,000.00
K180005001	Vet Med Equip Replacement Fund	709,250	36,759,126	948,744		38,417,120.00
<b>TOTAL</b>		<b>\$ 15,693,114</b>	<b>\$ 206,897,619</b>	<b>\$ 89,751,278</b>	<b>\$ 20,309,282</b>	<b>\$ 332,651,293</b>
<b>DESIGNATED ACCOUNTS</b>		<b>Obligated</b>	<b>Planned</b>	<b>Reserved</b>	<b>Discretionary</b>	<b>Total</b>
K010005006	Convenience Copier	1,893,284		797,810		2,691,094.00
K010005009	CARE/IT Stats Service		64,305			64,305.00
K010005010	Vol Print Project					-
K010005013	Program & Services		18,752,846			18,752,846.00
K010005014	Technology Fee		3,979,640			3,979,640.00
K010005020	UT Conferences		180,000	2,823,140		3,003,140.00
K010005021	Facilities Fee		17,619,237			17,619,237.00
K010005033	Social Work Ctr for Behavioral Health Res.			471,841		471,841.00
K010005037	Video/Photo Services		908,272	-	144,115	1,052,387.00
K010005043	Undergr Int'l Ed Fee			494,842		494,842.00
K010005044	CIE Programs Abroad - R&R				474,615	474,615.00
K010005045	Graphic Arts Equipment R&R			2,473,097		2,473,097.00
K010005046	Warehousing Operations R&R		75,000	260,578		335,578.00
K010005047	Mail Services R&R					-
K010005050	Information Technology		5,927,836			5,927,836.00
K010005051	TN Statewide Vanpool Program			2,749,788		2,749,788.00
K010005055	Fac & Admin (Indirect Costs)		15,498,988			15,498,988.00
K010005058	Diversity Initiatives	30,000	313,000	-	2,165,582	2,508,582.00
K010005059	Biology Equipment		1,009			1,009.00
K010005062	RC: JIAM Microscopy		195,552			195,552.00
K010005064	Fleet Management R&R			3,343,347		3,343,347.00
K010005065	RC: IBML Lab R&R		153,906			153,906.00
K010005066	RC: Genomics Core R&R		106,424			106,424.00
K010005067	RC: LEA R&R		69,083			69,083.00
K010005068	Transportation Fee			620,455		620,455.00
K010005069	RC: FabLab Center		23,744			23,744.00
K010005070	RC: JIAM Electro-magnetic Properties Lab		39,913			39,913.00
K010005072	RC: JIAM Diffraction R&R		8,132			8,132.00
K010005073	Reliability & Maintainability Ctr-Oper			1,184,362		1,184,362.00
K010005076	RC:NIMBioS Spatial Analysis Lab R&R Fund		28,670			28,670.00
K010005094	OTIS Service Center		355,857			355,857.00
<b>TOTAL</b>		<b>\$ 1,923,284</b>	<b>\$ 64,301,414</b>	<b>\$ 15,219,260</b>	<b>\$ 2,784,312</b>	<b>\$ 84,228,270</b>

Fund	Description	Auxiliary Funds				Total
		Obligated	Planned	Reserved	Discretionary	
K010005001	Residence Hall Maintenance & Equipment	1,302,686	25,463,784	223,273		26,989,743.00
K010005002	Food Service Maintenance & Equipment		3,255,000	4,397,144		7,652,144.00
K010005003	Parking Authority Maintenance & Equip.		290,000	187,435		477,435.00
K010005004	Bookstore Maintenance & Equipment		130,000	2,430,015		2,560,015.00
K010005038	Athletics Equipment and Renovations		11,240,000			11,240,000.00
K010005061	Golf Facility Renewal and Replacement		327,409			327,409.00
K010005077	Vending – R&R			741,828		741,828.00
<b>TOTAL</b>		<b>\$ 1,302,686</b>	<b>\$ 40,706,193</b>	<b>\$ 7,979,695</b>	<b>\$ -</b>	<b>\$ 49,988,574</b>
<b>TULLAHOMA</b>		<b>\$ -</b>	<b>\$ 252,500</b>	<b>\$ 6,105,009</b>	<b>\$ 5,679,952</b>	<b>\$ 12,037,461</b>
<b>UTIA</b>		<b>\$ 1,651,800</b>	<b>\$ 72,894,976</b>	<b>\$ 9,985,015</b>	<b>\$ -</b>	<b>\$ 84,531,791</b>
<b>KNOXVILLE</b>		<b>\$ 17,267,284</b>	<b>\$ 238,757,750</b>	<b>\$ 96,860,209</b>	<b>\$ 17,413,642</b>	<b>\$ 370,298,885</b>
<b>GRAND TOTAL</b>		<b>\$ 18,919,084</b>	<b>\$ 311,905,226</b>	<b>\$ 112,950,233</b>	<b>\$ 23,093,594</b>	<b>\$ 466,868,137</b>
<b>Percent of Total</b>		<b>4%</b>	<b>67%</b>	<b>24%</b>	<b>5%</b>	<b>100%</b>

7.6

**UT Martin**

**Renewal & Replacement Accounts: Education and General Funds**

Level of Commitment

Fund Number	Fund Name	Obligated	Planned	Reserved	Discretionary	Total
K050005005	Conv Copy-Utm Equip Replace Fd			108,849	-	108,849
K050005007	Printing & Duplic Equip Fd			19,607		19,607
K050005012	Surplus Sales Reserve				163,957	163,957
K050005014	Computer Store Renewal & Replace			65,335		65,335
K050005015	Equipment Renewal And Replace	200,000	2,500,000	14,182,972	75,000	16,957,972
K050005016	Parson Renewal And Replacement			228,273		228,273
K050005019	Travel-Study Program Reserve			47,416		47,416
K050005020	Ripley Renewal & Replacement			1,786,547		1,786,547
K050005021	Campus Improvements R&R		1,000,000	1,757,034		2,757,034
K050005023	Generator Maintenance R&R			550,000		550,000
K050005024	Student Rec Center Equip R&R		250,000	105,326		355,326
K050005025	Match Accounts R&R		67,984	165,327		233,311
K050005026	Course Fee R&R		1,089,414			1,089,414
K050005027	Development Accounts R&R		89,623			89,623
K050005028	Technology Fee R&R		338,686			338,686
K050005029	Facilities Fee R&R		274,640			274,640
K050005030	Student Activities Fee R&R		535,347			535,347
K050005031	Student Activity Fee-Travel R&R		145,423			145,423
K050005032	Student Health Fee R&R		190,974			190,974
K050005033	Green Fee R&R		5,973			5,973
K050005034	Online Support Fee R&R		350,000	1,039,792		1,389,792
K050005035	Rcop Renewal		307,605			307,605
	<b>Total</b>	<b>200,000</b>	<b>7,145,669</b>	<b>20,056,478</b>	<b>238,957</b>	<b>27,641,105</b>

**Renewal & Replacement Accounts: Auxiliary Funds**

Level of Commitment

Fund	Description	Obligated	Planned	Reserved	Discretionary	Total
K050005001	Residence Hall Mnt & Equip Res	-	1,500,000	2,490,347	-	3,990,347
K050005002	Food Service Mnt & Equip Res	531,507	300,000	1,395,894	-	2,227,401

**7.6**

K050005003	Parking Authority Mnt & Eq Res	-	200,000	854,677	-	1,054,677
K050005004	Bookstore Maint & Equip Res	318,904	-	1,089,165	-	1,408,069
K050005006	Telecommunications Replace Fd			304,583		304,583
K050005009	Transportation Serv Equip Fund		200,000	569,965		769,965
		<b>850,411</b>	<b>2,200,000.00</b>	<b>6,704,630</b>	<b>0.00</b>	<b>9,755,041</b>
<b>Grand Totals</b>		<b>1,050,411</b>	<b>9,345,669</b>	<b>26,761,108</b>	<b>238,957</b>	<b>37,396,146</b>
Percent		2.81%	24.99%	71.56%	0.64%	100.00%

**UT Southern**

Fund Number	Fund Name	Level of Commitment				Total
		Obligated	Planned	Reserved	Discretionary	
K060005001	Campus R&R	652,613	2,740,000	207,387	0	3,600,000
K060005002	Auxiliary R&R	0	0	585,000	0	585,000
	<b>Total</b>	<b>652,613</b>	<b>2,740,000</b>	<b>792,387</b>	<b>0</b>	<b>4,185,000</b>
	Percent	15.59%	65.47%	18.93%	0.00%	100.00%

2 athletic vans	127,600
Ruffalo Noel Levitz	62,393
Strategic Plan-Mitcher	49,920
Closed House-600 W. Madiso	212,700
Signed contract House-635 W. Madiso	200,000
	<u>652,613</u>

Campus Master Plan	400,000
No contract House-409 W. Flower	210,000
FY22 recurring deficit	1,200,000
FY23 recurring deficit	800,000
2 athletic vans	130,000
	<u>2,740,000</u>

**7.6**

**Institute for Public  
Service**

**Renewal & Replacement Accounts: Education and General Funds**

Entity	Fund Number	Fund Name	Level of Commitment				Total
			Obligated	Planned	Reserved	Discretionary	
IPS	K130005001	Mnt & Equip Res			406,619		406,619
IPS	K130005004	Strategic Initiatives		5,303,779			5,303,779
MTAS	K140005001	Maint & Equip Res			316,899		316,899
MTAS	K140005002	Strategic Initiatives		4,334,623			4,334,623
CTAS	K150005001	Mnt & Equip Repl			242,248		242,248
CTAS	K150005002	Strategic Initiatives		3,639,047			3,639,047
CTAS	K150005003	Coop R&R			100,000		100,000
CTAS	K150005004	Ccfo R&R			200,000		200,000
TLC	K160005001	Mnt & Equip R&R			100,000		100,000
TLC	K160005002	Strategic Initiatives		271,313			271,313
<b>Total</b>				<b>13,548,762</b>	<b>1,365,766</b>		<b>14,914,528</b>
Percent				90.84%	9.16%		100.00%

**7.6**



<b>UT System</b>		Education and General Level of Commitment				
Fund Number	Fund Name	Obligated	Planned	Reserved	Discretionary	Total
K170005006	Aircraft Replacement Fund	3,517,655	600,000	882,345		5,000,000
K170005007	UWA Bldg Maint & Equip Repl	2,315,904	3,000,000	1,777,946		7,093,850
K170005010	ERP development (DASH & SIS)	24,000,000				24,000,000
K170005012	UTFI Info Systems	141,152				141,152
K170005025	Fluctuation Reserve			11,000,000		11,000,000
K170005027	Research Initiative Matching			500,000		500,000
K170005028	ORNL Rebid			3,000,000		3,000,000
K170005029	UT-Battelle Operations			7,387,270		7,387,270
K170005030	Research Support			500,000		500,000
K170005031	Research Park Development			2,540,500		2,540,500
K170005032	Oak Ridge Institute		3,000,000	8,099,116		11,099,116
	<b>Total</b>	<b>29,974,710</b>	<b>6,600,000</b>	<b>35,687,177</b>	<b>0</b>	<b>72,261,887</b>
	<b>Percent</b>	41.48%	9.13%	49.39%		100.00%

7.6



## THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

---

### AGENDA ITEM SUMMARY

Meeting Date: October 27, 2022

Committee: Finance and Administration

Item: **Composite Financial Index Report for FY 2021-22**

Type: Information

7.7

#### SUMMARY

The Composite Financial Index (CFI) developed by Prager, Sealy & Co., and KPMG, utilizes four strategic ratios which are weighted and combined to form a single-digit score. The CFI provides an overall picture of an institution's financial health and can also be used in shorter term planning and budgeting.

Traditional accounting methods are useful for developing historical sources and uses of funds, however they do not facilitate comparison to peers or benchmarks or provide easy measures for stakeholders. The industry standard for the appropriate zone for each ratio is recommended in *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC.

#### **Analysis for Fiscal Year 2021-22**

To allow monitoring trends in these ratios, each annual report includes three years of CFI analysis. This report provides summary graphs of fiscal years 2020, 2021, and 2022 for comparison, and a full report for FY 2022.

This report provides each of the four ratios and the weighted CFI for UT Chattanooga, UT Knoxville, UT Martin, UT Health Science Center, and the UT System as a whole. Campus averages, benchmarks and watch indicators are also provided. The CFI was developed for academic campuses therefore the measures do not translate well to System Administration and the Institute for Public Service. However, those units are included in the total University metrics.

- As a whole, four campuses and the University had healthy CFI scores ranging from 2.6 to 4.7.
- Two of the ratios are each weighted at 35% and comprise 70% of the CFI (primary reserve and viability). Both depend heavily on unrestricted net assets.
- All institutions primary reserve and viability ratios increased over last year.

- UT's CFI report reflects a financially healthy institution, generally, with each campus having most ratios in the "benchmark" zone. Due to market volatility, four campuses have CFI ratios in the watch zone for return on net assets.
- Two of the campuses are below the benchmark in the viability ratio, but not in the watch zone.

#### Higher Education Emergency Relief Funds (HEERF)

The receipt and cash flow of HEERF create financial conditions which make year-to-year trend analysis complicated. University campuses received approximately \$189 million in federal HEERF and state CRF COVID relief grants. Approximately \$83 million provided direct aid to students and approximately \$106 million offset operating costs and revenue losses. Some of these funds were carried into FY22. In addition, institutions expenses were constrained in FY21 especially in areas such as travel and campus events.

#### **BACKGROUND**

The four ratios are the primary reserve, net operating revenue, return on net assets, and viability.

#### **Primary Reserve Ratio**

The primary reserve ratio measures the financial strength and sufficiency of resources of the institution by comparing expendable net assets to total expenses.

$$\frac{\text{Expendable Net Assets}}{\text{Total Expense}}$$

Expendable net assets represent those funds an institution can access quickly and spend to satisfy its obligations. Expendable net assets are calculated by total net assets less permanently restricted net assets.

This ratio indicates how long an institution could function by using expendable assets without additional operating revenue which provides a measure of financial strength and flexibility. Year-to-year analysis can indicate whether an institution is increasing net worth in relation to its growth in operations. It is recommended this ratio be at least 0.40. However, a lower ratio for public institutions is acceptable. A negative ratio or a decrease over time indicates a weakening financial condition.

#### **Net Operating Revenue Ratio**

The net operating revenues ratio indicates whether total operating activities resulted in a surplus or deficit.

$$\frac{\text{Operating Surplus or Deficit}}{\text{Operating Revenue}}$$

This ratio is an indicator of whether an institution is living within available resources. A large surplus or deficit directly impacts the amount of funds an institution adds to, or subtracts from, net assets. This activity directly affects the primary reserve ratio, the return on net assets ratio, and the viability ratio. Large surpluses may indicate strong financial performance from the year's activities, but may indicate under-spending on mission-critical investments. An operating loss for the year results in a negative ratio and may be relatively unimportant if the institution is financially strong. The institution should be aware of the causes of the deficit and implement remedies. Similar to the return on net assets ratio, volatility should be measured over a two to three-year average. A recommended zone is 2% to 4% over the long term.

### **Return on Net Assets Ratio**

The return on net assets ratio indicates an institution's financial strength compared to previous years by measuring total economic return.

$$\frac{\text{Change in Net Assets}}{\text{Beginning Total Net Assets}}$$

The ratio may reasonably be volatile from year-to-year due to several factors. The ratio may temporarily decline if it reflects a strategy to better fulfill the institution's mission. However, an increasing trend may be the result of planned savings for future planned expansion. Therefore, it is better applied over an extended period. It is recommended the zone be 3% above the consumer price index over the long term; the watch metric is CPI.

### **Viability Ratio**

The viability ratio is fundamental to measuring financial health because it reveals the capacity to repay total debt through available funds.

$$\frac{\text{Expendable Net Assets}}{\text{Long-term Debt}}$$

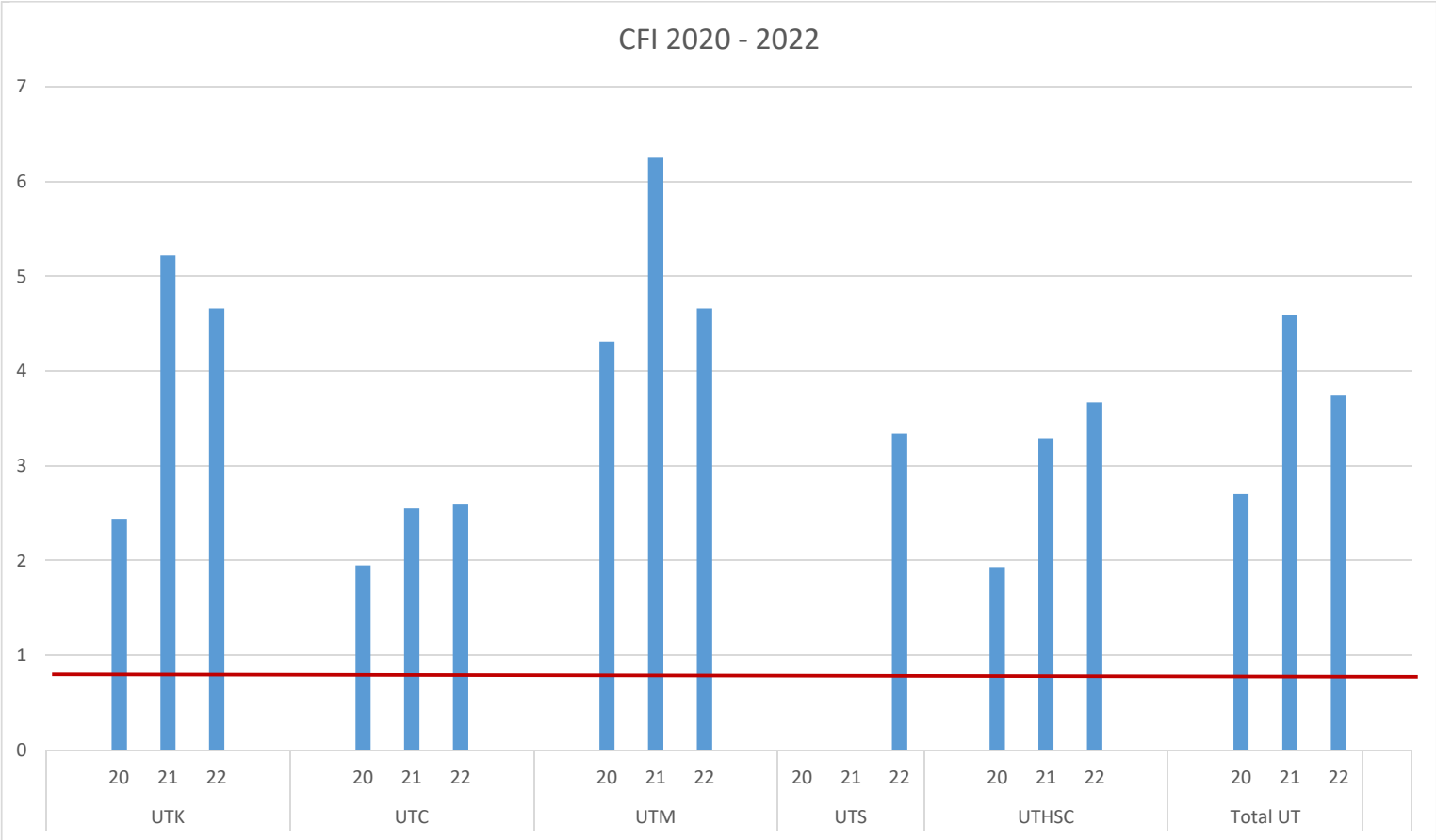
A ratio of 1:1 or greater indicates that an institution has sufficient expendable net assets to satisfy debt obligations, however this is insufficient for long-term strategic management. There is no absolute threshold that will indicate whether the institution is financially viable. As the viability ratio falls below 1:1, the institution's ability to respond to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives. It is recommended the ratio be at least 1.25:1.

Fiscal Year 2022 Composite Financial Index

		Knoxville	Chattanooga	Martin	Southern	Health Science Ctr	*Total University	Campus Average	Benchmark	Watch
<b>PRIMARY RESERVE</b>	<b>Weight 35%</b>									
Total expendable net assets		1,106,355,852	83,427,057	73,407,451	5,500,218	185,764,407	1,526,422,046			
Total expenses		1,392,602,299	234,448,346	122,138,086	18,677,395	603,895,432	2,486,090,381			
	<b>RATIO =</b>	<b>0.794</b>	<b>0.356</b>	<b>0.601</b>	<b>0.294</b>	<b>0.308</b>	<b>0.614</b>	<b>0.471</b>	<b>0.400</b>	<b>0.130</b>
<b>NET OPERATING REVENUE</b>	<b>Weight 10%</b>									
Operating surplus or deficit		115,592,203	10,212,141	6,600,844	1,575,256	22,631,047	89,107,064			
Total revenues		1,591,335,941	258,614,043	155,601,669	20,252,651	646,225,288	2,723,629,228			
	<b>RATIO =</b>	<b>0.073</b>	<b>0.039</b>	<b>0.042</b>	<b>0.078</b>	<b>0.035</b>	<b>0.033</b>	<b>0.053</b>	<b>.02 to .04</b>	<b>0.000</b>
<b>RETURN ON NET ASSETS</b>	<b>Weight 20%</b>									
Change in net assets		198,733,642	24,165,697	33,463,583	1,575,256	42,329,856	237,538,847			
Total net assets (beginning of year)		2,592,045,020	338,832,346	201,273,426	12,098,309	543,162,443	3,881,838,774		CPI + 3%	CPI
	<b>RATIO =</b>	<b>0.077</b>	<b>0.071</b>	<b>0.166</b>	<b>0.130</b>	<b>0.078</b>	<b>0.061</b>	<b>0.460</b>	<b>0.113</b>	<b>0.083</b>
<b>VIABILITY</b>	<b>Weight 35%</b>									
Expendable net assets		1,106,355,852	83,427,057	73,407,451	5,500,218	185,764,407	1,526,422,046			
Long-term debt		749,293,005	109,101,810	56,803,992	6,956,769	86,281,564	1,006,912,201			
	<b>RATIO =</b>	<b>1.477</b>	<b>0.765</b>	<b>1.292</b>	<b>0.791</b>	<b>2.153</b>	<b>1.516</b>	<b>1.30</b>	<b>1.25X</b>	<b>0.40X</b>
<b>STRENGTHS AND WEIGHTS WORKSHEET</b>		<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	<b>CFI SCORE</b>	* Includes System Administration and Institute for Public Service		
Primary Reserve		2.09	0.94	1.58	0.77	0.81	1.62			
Net Operating Revenue		0.56	0.30	0.33	0.60	0.27	0.25			
Return on Net Assets		0.77	0.71	1.66	1.30	0.78	0.61			
Viability		1.24	0.64	1.08	0.66	1.81	1.27			
<b>CFI SCORE (Total of Last Column)</b>		<b>4.66</b>	<b>2.60</b>	<b>4.66</b>	<b>3.34</b>	<b>3.67</b>	<b>3.75</b>	<b>3.78</b>	<b>1 to 3</b>	<b>&lt; 1</b>

7.7

Fiscal Years 2020 2021 2022 Composite Financial Index



7.7