The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 2:30 p.m. (EST) on Thursday, February 23, 2023. The meeting was held in the Tennessee Room of the University Center located at the University of Tennessee at Chattanooga, in Chattanooga, Tennessee.

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

Others in Attendance:
Trustees: Bradford D. Box; Hayden Galloway (Student Trustee); Charles Hatcher, Commissioner, Tennessee Department of Agriculture; Decosta E. Jenkins; Shanea A. McKinney; Donald J. Smith; and Jamie R. Woodson. Also in attendance was T. Lang Wiseman, who was awaiting confirmation of his appointment to the Board.

University Administration: President Randy Boyd; David L. Miller, Senior Vice President and Chief Financial Officer; Cynthia C. Moore, Board Secretary and Special Counsel; Chancellor Steve Angle (UT Chattanooga); Chancellor Peter Buckley (UT Health Science Center); Chancellor Keith Carver (UT Martin); Interim Chancellor Linda Martin (UT Southern); Chancellor Donde Plowman (UT Knoxville); and other members of the UT senior leadership and administrative staff.

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

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

Committee Chair Rhodes opened the meeting by announcing that the order of the meeting agenda would be changed so that the first item of business would be the review of the UT Knoxville Campus Master Plan.

UT Knoxville – Campus Master Plan

Dr. Donde Plowman, Chancellor of UT Knoxville, began her presentation by introducing Kevin Petersen, a principal with Ayers Saint Gross (an international design and planning firm with a focus on higher education) that was engaged to develop the campus master plan. Chancellor Plowman explained that the Master Plan is intended to advance the campus’ strategic plan.
Mr. Petersen described the process used to develop the plan and highlighted some key concepts, including:

➢ Creating a more pedestrian-friendly campus;
➢ Developing a sustainable approach to parking that considers how transportation needs may change in the future;
➢ Renovating and replacing housing in order to address existing enrollment growth and meeting the goal of having 11,000 on-campus beds by 2030;
➢ Developing research partner and collaboration spaces; and
➢ Strengthening connections to the community and downtown Knoxville.

Mr. Petersen noted that the plan groups projects into: (i) near-term, which includes projects that are funded, in design, or under construction; (ii) mid-term, which are projects envisioned for the next five to ten years, including renovations and new construction projects; and (iii) long-term, which identifies potential sites for future buildings, while providing flexibility for the future.

As part of the review, the Committee members emphasized the following considerations:

➢ The benefits of proposed approach to identifying the campus boundary, subject to adhering to expectations regarding third party appraisals and market assessments.
➢ The potential impact of an expanded campus boundary in terms of campus safety and security.
➢ The need to add research infrastructure and interdisciplinary research space in order to continue to be competitive with peer institutions.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving The University of Tennessee, Knoxville Master Plan 2023 (as presented under Tab 7).

**Report on Financial Performance**

*Fiscal Year 2023 Second Quarter Financial Summary*

Luke Lybrand, Treasurer, began his presentation by advising the Committee members that the University recently received an unqualified audit opinion letter from the state, which noted no findings. Mr. Lybrand’s report (Tab 1) focused on the University’s financial performance for the six-month period ended December 31, 2022, including a comparison to the prior year’s performance for the same period. He noted that the University’s positive performance can be attributed primarily to: (i) state support, particularly one-time support for the University’s cloud-based enterprise resource planning system (ERP); (ii) enrollment growth across the UT System; and (iii) increased auxiliary activity.

As the University continues to return to normal, pre-pandemic activity levels, there has been a corresponding increase in expenses. Among the factors contributing to the rise in expenses
are: (i) inflation, which has impacted the cost of supplies and utilities; (ii) enrollment growth, which saw a need for increased service levels, including additional hiring; (iii) a return to in-person activities; and (iv) the state-supported pay plan, which saw a corresponding rise in the cost of benefits.

Looking at liquidity analysis, Mr. Lybrand observed that the “Days of Cash on Hand” for the University is at 254 days, which is above Moody’s Aaa median of 236 days. He noted that UT Chattanooga, UT Knoxville, and UT Martin increased or improved their liquidity moderately since the end of the fiscal year. Although UT Southern and the UT Health Science Center saw some decreases, Mr. Lybrand is comfortable with their current liquidity positions.

**Enterprise Resource Planning Project Update**

David L. Miller, Senior Vice President and Chief Financial Officer, provided a brief status report on transition to the ERP system, more commonly referred to as “DASH” (Dynamic Administrative Systems for Higher Ed) (Tab 1.1), which will be used to process the University’s financial, human resources, and payroll activities. Mr. Miller advised the Committee members that the project is on budget and on track to go live in July 2024. He thanked President Boyd and the University Chancellors for their support, which has been key to keeping the project moving forward.

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

Mr. Miller noted that an annual report on the finances of the intercollegiate athletics programs is required by the Board’s policy on Oversight of Intercollegiate Athletics. The annual reports were provided for UT Chattanooga, UT Knoxville, UT Martin, and UT Southern (as presented under Tab 2 of the meeting materials). Among the key metrics presented in the report are the operating budgets, student fees, year-end fund balances, and debt/debt service.

**Revised FY 2022-23 Operating Budget**

Ron Loewen, Associate Vice President, Budget, Analysis and Planning, presented the Revised FY 2022-23 Operating Budget. He explained that the University is required to provide a mid-year revision of the Operating Budget to the Tennessee Higher Education Commission, which provides data used in the Governor’s budget proposal for the next fiscal year. Mr. Loewen noted two significant adjustments to the state appropriation: (i) a $72 million one-time adjustment for the UT-Oak Ridge Innovation Institute; and (ii) $8 million in nonrecurring funds that will temporarily increase the monthly 401(k) match for employees.

The revised Unrestricted Educational and General Operating Budget represents an increase of 4.8% over the original budget, and the revised Unrestricted Auxiliary Operating Budget represents an increase of 0.9% from the original budget. Restricted Funds increased by approximately 0.6%.
Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Revised FY 2022-23 Operating Budget (as presented under Tab 3).

**Revenue/Institutionally Funded Capital Projects, FY 2023-24**

Mr. Miller reminded the Board that in June 2022, it approved a list of revenue/institutionally funded projects for FY 2023-24 for inclusion in the Governor’s Budget. Since that time, additional projects have been identified for inclusion in the FY 2023-24 budget. The administration is recommending that the list of FY 2023-24 revenue/institutionally funded projects be amended to include nine additional projects. The administration is also recommending removing three revenue/institutionally funded projects that were included in the previously approved FY 2023-24 list.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the amendment to Revenue/Institutionally Funded Projects, FY 2023-24 (as presented under Tab 4).

**Proposed FY 2023-24 Non-resident Tuition, UTC**

Mr. Miller advised the Trustees that UT Chattanooga currently has three different tuition rates for non-resident undergraduate students: (i) an out-of-state tuition rate for most residents of other states; (ii) a reduced out-of-state tuition for certain states bordering Tennessee; and (iii) a lower tuition rate for some neighboring counties in Alabama and Georgia. The Administration proposes extending the reduced border rate to all out-of-state undergraduate students and establishing it as the new “Non-Resident Tuition” rate. Students from certain counties in Alabama and Georgia will continue to receive a deeper tuition discount. This action is expected to improve the campus’ competitive position and simplify its current pricing model. Mr. Miller advised that although tuition and fee adjustments are typically brought forward at the Annual Meeting of the Board, UT Chattanooga is seeking approval at this time in order to reflect this change in its marketing materials, advertising, and recruitment efforts in advance of Fall 2023.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the establishment of a single, nonresident tuition rate for FY 2023-24 at UT Chattanooga (as presented under Tab 5).

**Proposed FY 2023-24 Tuition Levels, UTHSC**

Mr. Miller reminded the Committee members that, unlike the University’s other campuses, the UT Health Science Center (UTHSC) begins its academic year on the first of July. As such, tuition rates for that campus are presented for the Board’s consideration in February. Based on certain assumptions regarding state appropriations, UTHSC is recommending no tuition increase for the coming year. It is also requesting that the boundary of its regional tuition discount areas be expanded from 50 miles to 250 miles from Memphis for eight selected
programs. Students from this expanded boundary will receive discounts equivalent to 75% of the program’s approved out-of-state tuition rate. Taken together, these two actions are intended to promote affordability and improve UTHSC’s ability to attract high quality out-of-state students for selected programs.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the FY 2023-24 tuition rates and expanded boundary of the regional tuition discount area for the UT Health Science Center (as presented under Tab 6).

Staff Engagement Survey Results

Dr. Brian Dickens, UT System Chief Human Resources Officer, presented the results of a Staff Engagement Survey. Dr. Dickens described how engagement impacts job performance, with more engaged employees being highly involved with their work and dedicated to the success of the organization. Engagement also impacts retention. Overall engagement is determined by organizational drivers (e.g., corporate culture and executive leadership), job drivers (career advancement/development and coworker/manager relationships), and retention drivers (compensation, work-life balance, and working environment). The Survey results were broken down by age, employee subgroup, length of service, gender, and ethnicity. The Survey was also broken down by campuses, institutes, and centers.

The results of the 2022 Staff Engagement Survey, including comparisons to the 2021 findings, were presented under Tab 8 of the meeting materials. Key findings include:

- 50% of the University’s 8,429 staff members participated in the survey, an increase of 6% over the prior survey.
- 58% of the University’s employees are engaged in their work.
- Employees under 34 years of age reported being less engaged in their work, while those over 45 years old report being more engaged.
- Engagement increases as an employee’s length of service extends, with 67% of staff members with 20 or more years of service reporting being engaged.

Committee Chair Rhodes noted that the survey indicated that staff engagement at UT Chattanooga was lower than that of other campuses. Chancellor Steven Angle stated the executive leadership team has been reviewing the results of the survey and has instituted a program to study total organizational health and take steps to improve staff engagement.

Dr. Dickens concluded his presentation by advising the Committee members that the Office of Human Resources is working with the leadership teams across the UT System to develop strategies to increase engagement.
Consent Agenda

Committee Chair Rhodes asked if there were any requests to remove items from the agenda. There being none, upon motion duly made and seconded, the Committee approved: (i) the Resolution to adopt the minutes of the last meeting of the Committee; and (ii) the Resolutions pertaining to the other action items included on the Consent Agenda (a complete list of the approved items appears at the end of these minutes).

Closing Remarks and Adjournment

Committee Chair Rhodes advised the Committee members that at the June 2023 meeting, they will be asked to review a draft of a Work Plan for the coming year. He invited the Committee members, as well as other members of the Board, to provide input on topics that should be included in the Work Plan.

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 (October 27, 2022)
• Acquisition of Right-of-Way Interests, UTIA
• Acquisition of CSX Right-of-Way, UTK
• Acquisition of 2323 W. Blount Avenue, Knoxville, TN, UTK
• Acquisition of 2512 Scottish Pike, Knoxville, TN, UTK

Appendix
• 2022 Annual Financial Report

PowerPoint Presentation
• Revised FY 2022-23 Operating Budget