



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE June 25, 2024

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 8:30 a.m. (EDT) on Tuesday, June 25, 2024. The meeting was held in the Agriculture and Natural Resources Building, located at the University of Tennessee, in Knoxville, 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; Charles Hatcher, Commissioner, Tennessee Department of Agriculture; Decosta E. Jenkins; Shanea A. McKinney; Donald J. Smith; T. Lang Wiseman; and Jamie R. Woodson.

University Administration: President Randy Boyd; David L. Miller, Senior Vice President and Chief Financial Officer; Luke Lybrand, Treasurer; Cynthia C. Moore, Board Secretary and Special Counsel; Chancellor Steve Angle (UT Chattanooga); Chancellor Peter Buckley (UT Health Science Center); Chancellor Yancy Freeman (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.

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### **Opening Remarks of the Committee Chair**

Committee Chair Rhodes opened the meeting by congratulating the UT Knoxville's Men's Baseball Team on winning the 2024 Men's College World Series. Their first national championship. Chancellor Donde Plowman indicated that it was an honor to host the Board of Trustees at the UT Knoxville campus the evening before and to be able to celebrate the historic win together. Committee Chair Rhodes also remarked that the reappointment of Randy Boyd as President of the UT System was even more of a victory for the University. Committee Chair Rhodes thanked President Boyd and his wife, Jenny Boyd, for their steadfast commitment to the University.

### **Requests to Address the Board**

Three individuals, who registered to address the Board, were assigned to be heard by the Committee. A summary of the speakers' comments is set forth in Attachment 1 to these minutes.

## Report on Financial Performance

Fiscal Year 2024 Q3 Financial Summary. Luke Lybrand, Treasurer, presented the Third Quarter Financial Summary for Fiscal Year 2024. He advised the Committee that the University's overall financial performance for the first nine months of FY 2024 was positive. Tuition, student fees, and auxiliary revenues continue to improve in-line with student growth. Mr. Lybrand reviewed a condensed version of the University's Income Statement, noting that total revenues for the first three quarters of 2024 increased by \$180.9 million (6.6%) as compared to the prior year. The increase in revenue can be attributed to the increase in full-time enrollment, research expenditures, and auxiliaries. Gross tuition and fee revenue grew by \$103.4 million (11.3%), driven by the growth at UT Knoxville (\$96 million). Mr. Lybrand indicated that, when adjusted for the extraordinary items paid to the University in FY 2023 (\$80 million for the UT-Oak Ridge Innovation Institute and \$50 million for the enterprise resource planning (DASH) project), state and local appropriations were still in excess of prior years.

Expenses for the same period increased by \$219.3 million (9.5%) over the prior year. Mr. Lybrand reported that the increase in expenses for the period reflected: (i) the need to hire additional personnel to provide services to the growing student population, and (ii) the State-supported pay plan (5%). He attributed the increases in the category "Utilities, Supplies & Other" to the same increase in student growth, expenses attributable to DASH project, and inflationary impacts.

Mr. Lybrand offered a comparison of the first three quarters of the University's Balance Sheet for FY 2024 and FY 2023. The University's total assets, as of March 31, 2024, were \$7.2 billion, representing an increase of \$372.6 million (5.4%). Total liabilities, as of March 31, 2024, were \$2.3 billion, representing a decrease by approximately \$5 million. In his review, Mr. Lybrand provided additional information pertaining to the aggregate amount of outstanding debt including recent principal repayments. He stated that, due to the amount of liquid assets, the amount of debt is very manageable.

Mr. Lybrand concluded his remarks by presenting a liquidity analysis by campus. He explained that the Moody's Aaa median is 265 days of cash on hand, and the University is above that metric at 274 days, with UT Knoxville's median at 324 days, followed by UT Martin with 285 days. The liquidity for UT Chattanooga is close to the median (221 days). While UT Health Science Center and UT Southern are below the median but stable. Both of these campuses saw improvements against the prior quarter and the prior year.

Enterprise Resource Planning Project Update. David Miller, Senior Vice President and Chief Financial Officer, provided an update on the DASH (Dynamic Administrative Systems for Higher Ed) project, including the extension of the implementation timeline. Mr. Miller remarked that the extension is intended to improve the likelihood of success by, among other things, enhancing employee training. Mr. Miller also recognized the hard work of many individuals in moving this project forward.

## **FY 2024-25 Operating Budget (including Salary Plan, Student Tuition and Fees, and Room and Board Rates)**

Ron Loewen, Associate Vice President, Budget, Analysis and Planning, provided a comprehensive overview of the proposed operating budget for FY 2024-25, with a focus on the proposed tuition and fee increases for in-state, undergraduate students. He began his presentation by reviewing the following recurring state funding increases:

- \$24.7 million for the salary pool
- \$13.3 million of formula funds for educational outcomes
- \$8.6 million for employee health insurance
- \$0.9 million for general operations (UT Health Sciences, College of Veterinary Medicine (UT Knoxville), and UT Southern)

### *Tuition and Mandatory Fees*

Mr. Loewen directed the attention of the Committee members to the proposed adjustments to tuition and mandatory fees for in-state, undergraduate students at each of the campuses for FY 2024-25, which increases are below the maximum binding figure set by Tennessee Higher Education Commission (THEC). The proposed increases were also compared against the consumer price index (CPI), and the presentation included five-year averages in the tuition/fee increases for each of the campuses.

There was an extensive discussion by the members of the Committee, along with other Board members present at the meeting, which included the following topics: (i) public comments received by the Board on the tuition and fee proposals; (ii) access and affordability; (iii) financial aid and student debt; (iv) requirements associated with the State's salary plan increases; (v) inflationary pressures; and (vi) potential alternatives. President Boyd highlighted the relatively modest increases in tuition and mandatory fees over the last five years. He also emphasized the steps that have been taken to improve the number of students graduating with no debt and to reduce the average amount of debt. Each of the Chancellors was granted an opportunity to further explain the proposed increases for their respective campuses, which focused on the need for additional resources and the measures undertaken by the campuses to control expenses. With respect to UT Southern, it was noted that the campus is not yet covered by the performance funding formula. While there has been a reduction in tuition/fees since joining the UT System, there are certain outstanding matters yet to be addressed (e.g., compensation structure, resources to support growth in enrollment, and enhancements needed to support the learning environment).

The Trustees expressed their concern over implementing tuition/fee increases in such a short period of time (between when tuition/fee increases are presented to the Board for approval and when such increases become effective). The Trustees raised questions as to: (i) how the increases are determined in terms of applicability to in-state and out-of-state students; and (ii) price elasticity and market competition. The Trustees emphasized the importance of the University's mandate to prioritize Tennesseans and asked the University Administration to keep this requirement at the forefront of its decision-making processes when considering increases in tuition/fees. The Trustees

encouraged the University Administration to consider ways to be more transparent and predictable in managing proposed increases in tuition/fees over the long-term so that students and their families are in a better position to anticipate and plan for future increases. President Boyd indicated that the team will study this item further and bring back their recommendations in this regard.

Mr. Loewen concluded his remarks by highlighting a few unique items included in the proposed operating budget. Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the FY 2024-25 Operating Budget (as presented in Tab 2 of the meeting materials).

### Standards for Compensation Adjustments

Mr. Miller advised that, by statute, the Board of Trustees has responsibility for confirming the salaries of all employees of the University system through the adoption of the operating budget. Annually, over several years, the University Administration has submitted to the Committee, for recommendation to the Board, compensation procedures for making base salary adjustments, as well as nonrecurring incentive or bonus payments during the fiscal year, subject to available funding. To be more efficient and avoid bringing compensation procedures to the Board each year, the University Administration has reviewed and prepared an updated version of the compensation procedures, now entitled "Standards for Compensation Adjustments," and is recommending the adoption of a standing resolution whereby these standards shall be applied for this upcoming fiscal year and for future years unless the resolution is otherwise amended or rescinded by the Board.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the FY 2024-25 Operating Budget (as presented in Tab 2.1 of the meeting materials).

### **Capital Projects**

Austin Oakes, Associate Vice President, Capital Projects, reviewed the capital funding requests (capital outlay, capital maintenance, and capital demolition), along with certain capital projects, leases, and a real property acquisition. Upon motion duly made and seconded, the Committee approved, in a single vote, a recommendation that the Board of Trustees adopt the Resolutions presented approving the following items:

- Capital Outlay Funding Requests, FY 2025-26 through FY2029-30
- Capital Maintenance Funding Requests, FY 2025-26 through FY 2029-30
- Capital Demolition Funding Requests, FY 2025-26
- ARP Broiler and Research Facility, UTIA
- Ortho Tennessee - Leased Space Build-Out, UTK
- Southern Depot Lease, UTK
- Core Spaces Lease (HUB 1 Building) - Student Dining, UTK
- Acquisition of 824 Melrose Place, Knoxville, TN, UTK

## Committee 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 called the attention of the Committee members to the Endowment Investment Report included as an informational item in the meeting materials. He announced that, for the first time, the University's endowment has surpassed \$1.5 billion.

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

Respectfully Submitted,

/s/ Cynthia C. Moore

Cynthia C. Moore  
Secretary and Special Counsel

## Approved Consent Agenda Items

- Minutes of the Last Meeting
- Ratification of Quasi-Endowments Created during FY 2023-24
- Request for Redemption (WUOT Public Radio Quasi-Endowment), UTK
- Naming of the College of Music, UTK

## Information Items

- President's Report on Use of Student Programs and Services Fee Funds
- Endowment Investment Report
- Report of Capital Projects Approvals for FY 2023-24

## Attachment 1 – Summary of Public Remarks

- **Ethan Lindsey**, a sophomore at UT Knoxville, addressed the Committee on the topic of proposed parking changes at the UT Knoxville campus. Ethan shared that he commutes to campus. He expressed his concerns about: (i) the process for how the new plan was developed and approved by UT Knoxville; (ii) the increase in parking fees; (iii) the capacity for the shuttle system to handle in an efficient manner the demands for travel to/from parking locations; and (iv) the amount of time that it will take students to get to campus from the parking locations. He recommended that there be more student engagement in these types of campus decisions that will directly impact students.

In response, Chancellor Plowman indicated that the new plan is intended to prioritize students who are commuting and that there will be more shuttles to transport students. Chancellor Plowman also indicated that there will be an undergraduate student serving on the Advisory Board in the upcoming year, and she offered to meet with Mr. Lindsey directly to discuss the matter further.

- **Haley Field**, a former student at UT Knoxville who was most recently enrolled in Fall 2023, addressed the Committee on the topic of investment considerations associated with the management of the University's endowment. In the remarks, Haley expressed concerns over (i) the University's investment in companies that may be involved with the manufacture of weapons for use by the Israeli military and called for the University to divest its interests in these companies; and (ii) the proposed tuition increase and the impact that it will have on many students who are already juggling housing, tuition, food, and other basic needs. A full copy of the prepared remarks is filed with the minutes.
- **Hasan Husain**, a student at UT Knoxville studying Psychology and Political Science, also addressed the Committee on the topic of divestment of certain endowment holdings. Hasan began his remarks by providing some personal background of having been raised in Knoxville and his parents having met at UT Knoxville. He explained that he is a child of Palestinian refugees and someone who has lost loved ones in Palestine over the past months. He shared information on the size and population of the Gaza strip, along with statistics on individuals killed in the conflict. Hasan called on the University to divest from all Israeli investments and from companies, entities, and states involved in war crimes and human rights violations. He called for the University to move from its long-held policy of neutrality and to move to a more moral, ethical and compassionate model. A full copy of the prepared remarks is filed with the minutes.

With respect to the calls for divestment, Committee Chair Rhodes thanked the students for sharing their perspectives. He explained that the endowment is funded by donations to the University, which are invested to support and enhance the operations of the University and its mission. As the University serves a variety of different stakeholders, it does not base investment decisions on political or social stances.