



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE February 28, 2025

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 8:00 a.m. (CST) on Friday, February 28, 2025. The meeting was held in the Russell Duncan Ballroom located in the Boling University Center at the University of Tennessee at Martin, Martin, 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; Decosta E. Jenkins; Shanea A. McKinney; Lisa N. Patel (Student Trustee); Donald J. Smith; 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; Interim Chancellor Robert Dooley (UT Chattanooga); Chancellor Peter Buckley (UT Health Science Center); Chancellor Yancy Freeman (UT Martin); 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 Bill Rhodes called the meeting to order. Chair Rhodes began his remarks with praising the progress being made at UT Martin, particularly crediting former Chancellor Keith Carver and current Chancellor Yancy Freeman for their leadership. He noted that, at the request of the Administration, an agenda item (Item VII. Increase of Administrative Fee - Consolidated Investment Pool) has been deferred.

### Requests to Address the Board

None.

### Report on Financial Performance

Q2 2025 Financial Summary. Treasurer Luke Lybrand presented financial highlights from the first two quarters of the fiscal year, noting continued positive trends with revenue growth driven by increased student enrollment, higher grant revenues, and investment income. Mr. Lybrand reported that total revenues increased by 7.9% (approximately \$178 million) over the same period

for the prior fiscal year, primarily attributable to a \$91 million boost in gross tuition and fees associated with the enrollment growth at UT Knoxville. President Boyd interjected to thank Commissioner Hatcher for securing a \$50 million grant, which supports UT's AgResearch initiatives. On the expense side, costs rose 6.4% (\$109.7 million), as compared to the prior year, reflective of staffing increases in support of enrollment growth and inflationary pressures. Notably, there was only a 2.7% increase in staffing versus a 5.8% increase student enrollment growth. Scholarships and fellowships also rose 11.9%, partly due to accounting changes classifying graduate assistant compensation differently.

Additionally, Mr. Lybrand emphasized the University's strong balance sheet, including a 3.2% rise in cash/cash equivalents and a \$214 million gain in investments based on positive endowment returns and new gifts. He highlighted significant capital investments, including \$92 million in Neyland Stadium renovations. Increases in debt for the Neyland Stadium and Lindsey Nelson projects, were offset by \$55 million in bond repayments. Mr. Lybrand also provided information regarding an anticipated debt refinancing that will be undertaken by the Tennessee State School Bond Authority (TSSBA) and responded to questions from Committee members pertaining to expected borrowing rates. Trustees commended the financial team on the University's financial performance, emphasizing the strength and growth of the University's balance sheet.

Enterprise Resource Planning (ERP) Project Update. David Miller, Senior Vice President and Chief Financial Officer, provided an update on the status of Oracle ERP project (known as DASH). He explained that while most core functions are operational, fine-tuning continues. He acknowledged user challenges, particularly when addressing non-routine operations and delegations. Where issues have been identified, the team is working on roadmaps for resolution. Some actions may require reprogramming and/or Oracle support. He praised the team's resilience and problem-solving.

Mr. Miller reported that there are 26 modules operational, with significant productivity improvements documented. When fully optimized DASH will save approximately 3,200 labor hours per month across functions such as human resources, finance, grants, and facilities. He emphasized that this was equivalent to building an entirely new operational "campus." Mr. Miller lauded the unprecedented statewide cooperation and \$50 million in state funding secured through collaboration with the Governor, Deputy Governor Butch Eley, and legislative champions. He singled out project manager Tammy Lemon, Associate Vice President/Assistant Vice Chancellor of Enterprise Applications and Process Improvement, for her critical leadership.

Questions and comments followed. Committee Chair Rhodes and President Boyd praised the rapid progress and extensive effort, stating the University's move to the cloud brought both constraints and benefits. Trustees reflected on the broader vision and the rare success of implementing a unified ERP across multiple state institutions.

Annual Financial Report on Intercollegiate Athletics. The Committee next reviewed intercollegiate athletics financial reports, with Mr. Miller highlighting that a standardized approach was used across all the UT campuses. Chair Rhodes highlighted the importance and scale of athletics operations, along with their cultural and marketing impact on the institutions.

## **Revised FY 2024-25 Operating Budget**

Ron Loewen, Associate Vice President, Budget, Analysis and Planning, reviewed the revised FY 2024-25 operating budget. He explained it a routine state requirement and that the operating budget remains substantially similar to what was approved by the Board in June 2024, totaling approximately \$3.6 billion. He provided a breakdown across unrestricted education and general (E&G) funds, unrestricted auxiliary enterprises, and restricted funds. Instruction remained the largest expenditure, with 86% of the budget directed toward services and only 14% toward administration. Mr. Loewen then previewed the FY 2025-26 state appropriations, which includes a proposed \$44 million increase (5%), mostly covering salary increases and inflation costs. President Boyd and Trustees discussed the gap between state support and actual costs, including the challenges associated with partial state funding for salary increases.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Revised FY 2024-25 Operating Budget, as set forth under Tab 2 of the meeting materials.

## **Proposed FY 2025-26 Tuition Levels, UTHSC**

Raaj Kurapati, Executive Vice Chancellor and Chief Operating Officer for the UT Health Science Center (UTHSC) presented the tuition and fee increase proposal. The proposed increase would average a 2.2% for in-state students and a 3.1% for out-of-state students, with specific increases by program and a 3.8% rise in mandatory fees. Instead of across-the-board increases, a strategic, case-by-case pricing approach was employed aimed at maintaining competitiveness. Trustees inquired about application demand and tuition differences between Memphis and Knoxville nursing programs. Responses clarified that tuition levels vary by location and that UTHSC remains highly competitive both statewide and nationally. Mr. Kurapati added that the tuition/fee increases would mainly help UTHSC keep up with inflationary cost increases to ensure necessary resources to maintain program quality. President Boyd expressed the University's strong commitment to affordability, noting that, over the last five years, the University's average tuition increase has been less than 1% compared to inflation of approximately 5%. President Boyd explained that the University has been able to maintain low tuition/fee increases through operational efficiencies, along with the extraordinary state support provided by Governor Lee and the General Assembly. Committee Chair Rhodes acknowledged the public comments received regarding the proposed tuition/fee increases and the real challenge of balancing affordability with operational sustainability.

Upon a motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the proposed FY 2025-26 Tuition Levels for UTHSC, as set forth in Tab 3 of the meeting materials.

## **Increase in Administrative Fee (Consolidated Investment Pool)**

Deferred.

## Capital Projects

FY 2025-256 State Budget Amendment Request. Mr. Miller presented two new UT Knoxville parking projects totaling approximately \$304 million (1,200 and 4,000 spaces), seeking approval to include the revenue/institutionally funded projects in the state's capital budget. Trustees acknowledged the importance of solving campus parking shortages, especially with current demand exceeding capacity. Chancellor Plowman and Student Trustee Lisa Patek expressed strong support for the projects.

Upon a motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the FY 2025-26 State Budget Amendment Request, as set forth in Tab 5.1 of the meeting materials.

Master Lease Agreement (2200 Sutherland Avenue, Knoxville, TN). Mr. Miller presented a proposal for the University to enter into a master lease agreement for approximately 200,000 sq. ft. office space near the UT Knoxville campus. UT Knoxville occupies over 50,000 sq. ft. of the space and intends to use the building to relocate non-academic operations, freeing up core campus facilities.

The total estimated cost of the lease over 30 years would be \$194 million, which reflects a worst-case, undiscounted total as required for state reporting purposes. At the end of the 30-year lease, the property would transfer to University for \$1. However, the University would have an option to acquire the property after reaching 75% occupancy of the entire space, reducing the lease expense. Mr. Miller indicated that after further review and discussion with members of the Committee and the senior leadership it is agreed that having to wait to reach 75% occupancy would be too long. As such, the Administration has recommended a change to the proposed resolution to authorize immediate negotiations to acquire the property sooner.

At the request of Committee Chair Rhodes, Board Secretary and Special Counsel Cynthia Moore read the proposed amendment to the resolution, which would adjust the second paragraph to include the following language "... and to enter into negotiations to seek to acquire the property as soon as practicable." Committee Chair Rhodes stated that this type of productive dialogue – questioning assumptions and refining proposals – is why the Committee exists. Chair Compton expressed support for the shift to purchasing the property outright, seeing it as a financially prudent, long-term solution.

Upon a motion duly made and seconded, the Committee approved recommendation that the Board of Trustees adopt the resolution, as amended.

## Human Resources Reporting

Workforce Review. Chief Human Resources Officer Brian Dickens presented a workforce update. He outlined national trends in salary pressures, well-being concerns, and the need for internal talent development. The University's salary increases have remained competitive (averaging 3%), with the largest gains seen in non-exempt staff (29% over four years). In 2024, the University's turnover rate was 10.2%, below the national higher ed average (14%). He highlighted increasing use of

emotional well-being services, with anxiety, depression, and trauma/stress being top concerns. The University continues to invest in professional development, including the rollout of tools like Oracle's "My Experience." Dr. Dickens highlighted employee engagement trends, citing UT's third consecutive "Great Place to Work" designation. Net Promoter Score (NPS) stood at 30.4, down slightly but still strong. The University has run five surveys to date, with improvements in leadership trust, development opportunities, and departmental action. Trustees asked about participation rates (about 50%) and engagement around the survey results.

Market and Equity Analysis: Comparable Institutions. Mr. Miller and Dr. Dickens presented an overview of a new, system-wide market compensation study being conducted for all positions across the University of Tennessee system. The project is being led by Huron Consulting Group, which was selected through a competitive process. This is the University's first comprehensive compensation review since 2017.

#### Goals of the Study –

- Assess how the University's salaries compare to relevant external markets;
- Ensure internal equity and fairness across roles, departments, and campuses; and
- Use updated compensation benchmarks to support competitive hiring and retention.

Dr. Dickens emphasized the importance of accurate, current data, especially given recent changes in the labor market and wage inflation. Historically, the University has used board-approved peer institutions for salary benchmarking. However, Mr. Miller explained that these peer groups do not provide sufficient data for all job types. Many institutions only report data for a subset of positions to the national CUPA-HR (College and University Professional Association for Human Resources) database. To conduct a meaningful market study across all job categories (including non-faculty and specialized staff), Huron has recommended expanding the list of peer institutions.

#### Expanded Peer Group Criteria –

- Based on Carnegie Classification, enrollment size, setting, and mission;
- Includes similar Tennessee public institutions and others across the southeastern U.S.; and
- Incorporates athletic conference peers and regional comparators to strengthen data sets.

Mr. Miller noted that expanding the peer set is not about "cherry-picking" favorable comparisons but about obtaining adequate market coverage across all positions, from executive to support staff. Chair Compton expressed concerns about using such a broad comparator group (some lists had 50-100+ institutions) and requested further analysis and discussion to understand how this proposed approach aligns with best practices in other sectors (e.g., public companies, where 8-10 peers are common).

#### **Information Technology Security Overview**

The information technology (IT) security update was delivered by Ramon Padilla, Chief Information Officer (CIO) for the University of Tennessee system. He began by acknowledging key members of his executive leadership team, including: Tammy Lemon, Project Manager

(acknowledged earlier for her leadership in the Oracle/DASH implementation); Dan Harder, Chief Academic Technology Officer and Deputy CIO, UT Knoxville; and Matthew Williams, Chief Information Security Officer (CISO) for both the UT System and UT Knoxville, who also serves as Chief Technology Officer.

The presentation focused on the University's cybersecurity posture, current risks, and strategic initiatives designed to strengthen resilience and protect institutional data. Key themes and priorities discussed included:

- Cybersecurity Environment & Threats
- Cybersecurity Strategy
- Collaboration Across Campuses
- Incident Response and Preparedness
- Oracle Cloud (Dash) System Security

Looking ahead, Mr. Padilla indicated that the focus will be on strategic investments and risk mitigation. The team is focusing on continued modernization of the University's security architecture, including automation of identity and access management, expansion of encryption protocols, and improved logging and analytics. The IT security team is actively exploring AI-enabled security platforms for anomaly detection and risk scoring. A renewed emphasis is being placed on IT governance and risk management practices that tie security efforts directly to institutional strategy, research protection, and compliance requirements. Committee members thanked the IT team for their work and emphasized the critical importance of cybersecurity given the scale and sensitivity of the University's operations.

### **Consent Agenda**

Committee Chair Rhodes asked if there were any requests to remove an item from the agenda. There being none, upon motion duly made and seconded, the Committee approved: (i) the Resolution to adopt the minutes of the 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**

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 (October 25, 2024)
- Sale of Transfer of Gift Properties Not Held for Institutional Use

#### Information Items

- Report on Capital Projects Approvals
- CY 2024 Report on Endowment Investment Performance
- Composite Financial Index Report for FY 2023-24

#### Appendix

- 2024 Annual Financial Report