



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE October 23, 2025

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 12:30 p.m. (EDT) on Thursday, October 23, 2025. The meeting was held at the University's system administration office located at the UT Tower, Plaza Level, 400 W. Summit Hill Drive, Knoxville, Tennessee.

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

Other Trustees Present: Bradford D. Box; Hon. William E. Haslam; Decosta E. Jenkins; Ashlee C. Mallon (Student Trustee); Shanea A. McKinney; Donald J. Smith; T. Lang Wiseman; and Jamie R. Woodson.

University Administration: President Randy Boyd; David Miller, Senior Vice President and Chief Financial Officer; Luke Lybrand, Treasurer; Cynthia C. Moore, Board Secretary and Special Counsel; Chancellor Melinda Arnold (UT Southern); Chancellor Lori Mann Bruce (UT Chattanooga); Chancellor Peter Buckley (UT Health Science Center); Chancellor Yancy Freeman (UT Martin); and Chancellor Donde Plowman (UT Knoxville). Additional members of the UT senior leadership and staff were also in attendance.

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 Chairperson

Committee Chair Bill Rhodes called the meeting to order and welcomed Trustee David Wade as a new member of the Finance and Administration Committee.

### Requests to Address the Board

There were no requests to address the Board assigned to be heard by the Committee.

### Financial Report

Treasurer Luke Lybrand presented the Fiscal Year 2025 financial overview, reporting that the University ended the year in a strong financial position, with continued enrollment growth and a healthy increase in net position. Total revenues increased approximately 5% year over year, while total expenses increased approximately 8.3%. Auxiliary revenues, including UT Knoxville athletics and the Vol Shop bookstore, grew by 21%, totaling a \$76 million increase. Investment income exceeded \$200 million, supported by cash pools and endowments.

Mr. Lybrand explained that the University's largest cost driver—personnel—rose by approximately \$181 million (9.1%), primarily due to a 5.8% increase in systemwide enrollment and implementation of the 2.6% state pay plan. Operating costs, excluding salaries, also increased approximately \$47 million, reflecting inflationary pressures and expanded institutional activity. Mr. Lybrand stated that inflationary pressures appear to be moderating compared to prior years.

Chair Rhodes noted the gap between revenue and expense growth and asked whether the variance reflected temporary conditions or a structural trend, observing that sustained expense growth above revenue growth would not be sustainable over time. Trustees acknowledged the enrollment-driven growth but expressed concern about ensuring that increases in staffing, particularly administrative and support positions, remain appropriately aligned with student growth and institutional priorities. Committee members emphasized the importance of monitoring headcount growth and evaluating administrative expansion relative to revenue trends. They requested that the Administration provide a future report on staffing growth, including breakdowns by campus and functional category, to better assess alignment with enrollment increases and strategic objectives.

Mr. Lybrand highlighted that the University generated an increase in net position of more than \$300 million, representing approximately 8.4% of total revenues. He characterized this margin as healthy and appropriate for a public institution. The discussion also addressed liquidity and balance sheet strength. Mr. Lybrand reported that cash and investment levels remain strong relative to operating needs and peer benchmarks. Trustees inquired whether liquidity levels were consistent across campuses and whether continued growth in operating expenses, staffing, and capital commitments could create future pressure on cash balances. Mr. David Miller, Senior Vice President and Chief Financial Officer, explained that the UT System Administration will be providing some annual support to UT Southern, with a decreasing amount each year. The goal is to grow enrollment and revenues, which should improve its liquidity position. While no immediate concerns were identified, Committee members emphasized the importance of closely monitoring operating cash flow and maintaining disciplined debt and capital planning practices.

In response to requests made by Committee members, the Administration agreed to incorporate campus-level financial summaries at least annually to improve the Committee's ability to assess financial performance at each UT institution.

### **Enterprise Resource Planning (ERP) Project Update - DASH**

Mr. Miller provided a comprehensive update on the University's enterprise resource planning (ERP) system, commonly referred to as "DASH" (Dynamic Administrative Systems for Higher Ed). He acknowledged that while significant progress has been made since go-live, the implementation has presented post-launch challenges requiring remediation. Mr. Miller expressed appreciation to the hundreds of employees across the system who have worked through increased workloads and manual processes during the stabilization period.

Mr. Miller outlined four primary areas of challenge:

- **Technology Gaps:** Certain functionalities, particularly related to sponsored projects and research accounting, required additional configuration and workarounds.
- **System Misconfigurations:** Some workflows were not optimally designed at implementation and required redesign to improve functionality.
- **Business Process Alignment:** In some areas, legacy practices were carried forward rather than fully adopting best practices aligned with the new cloud-based platform.
- **Change Management:** Continued user adaptation and training have been necessary due to system updates and new functionality.

Mr. Miller indicated that approximately 22 of 31 major business process areas are functioning largely as designed, while 9 areas remain under active remediation. A structured priority resolution dashboard has been implemented to track identified issues and monitor progress. The Committee was advised that the University expects most known deficiencies to be resolved by the end of the calendar year, with stabilization and enhanced functionality continuing into the following spring. Mr. Miller also provided information on implementation costs for the project and explained that there will be additional post-go-live remediation costs incurred to address configuration and optimization needs.

Chair Rhodes noted that large-scale ERP implementations are complex and frequently require post-launch adjustments. While acknowledging that progress is behind initial expectations, he emphasized that a “yellow flag” level of oversight is appropriate and that continued urgency is necessary to ensure timely financial reporting and to reduce workload burdens on staff. The Committee expressed appreciation to the implementation team and external partners for their ongoing efforts.

### **Fiscal Year (FY) 2026-27 Operating Budget Appropriations Request for Specialized Units**

Mr. Miller explained that, once each year, the University submits a funding request to the State of Tennessee for its non-formula (specialized) units, which are not funded through the outcomes-based formula applicable to the main campuses. For FY 2026–27, the Administration is recommending a request for \$3.1 million in recurring state funding to support an expanded Precision Agriculture initiative at the UT Institute of Agriculture. He reported that a similar request was submitted the prior year but was not funded; however, Dr. Keith Carver and his team have refined the proposal to better align with state priorities. The initiative focuses on expanding research and application of technology to improve farming efficiency, strengthening workforce development and training, and delivering meaningful research outcomes to Tennessee farmers, including the hiring of additional recurring personnel. The proposed resolution also authorizes the President and the Chief Financial Officer to negotiate the final amount and configuration of the request with the State, the Tennessee Higher Education Commission, and the Governor as part of the appropriations process. After an opportunity for questions, upon a motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Operating Budget Appropriations Request, as set forth in Tab 2 of the meeting materials.

## Capital Projects

Mr. Austin Oakes, Associate Vice President for Capital Projects, presented three capital items for Committee approval.

### Property Acquisition, UT Health Science Center

Mr. Oakes presented a proposed acquisition of 23 South Pauline Street in Memphis, a 0.42-acre parcel improved with a vacant 66,000-square-foot apartment building. He explained that the current owner has agreed to demolish the structure prior to the University's acquisition of the land. Mr. Oakes highlighted that the transaction is strategically important because it consolidates UT Health Science Center property within a full city block, creating long-term growth capacity and development flexibility for the Memphis campus. The acquisition supports implementation of the campus master plan and positions UT Health Science Center for future academic and clinical expansion.

### Proposed Lease, UT Knoxville

Mr. Oakes next presented a proposed lease transaction intended to support campus operations and strategic growth objectives. Committee members were invited to ask questions as details of the transaction, term structure, and alignment with campus needs were reviewed. The lease was presented as a prudent operational solution that supports near-term space needs without requiring immediate capital construction.

During the discussion of the UT Knoxville lease, Trustees asked for a clearer understanding of the overall strategy for space planning on the UT Knoxville campus, rather than evaluating individual transactions in isolation. Trustees emphasized the importance of viewing leases, acquisitions, and new construction as part of a coordinated, multi-year space strategy. They expressed a desire for a more comprehensive presentation outlining UT Knoxville's total space portfolio, projected growth needs, and how leasing decisions align with permanent capital investments. Administration acknowledged the request and indicated that it would provide broader context regarding campus space planning and utilization at a future meeting, including a breakdown of facilities to be (i) constructed (traditional manner and/or through a public-private partnership model), (ii) leased; and (iii) acquired.

### Budget Increase – Broiler Facility (UT Institute of Agriculture)

The third action item involved a budget increase for the broiler facility project at the UT Institute of Agriculture. Mr. Oakes explained that the requested adjustment reflects updated cost estimates and market conditions affecting construction pricing. The project supports UTIA's research, teaching, and workforce development mission in poultry science and agricultural innovation. He outlined certain infrastructure upgrades that were unforeseen. The proposed increase ensures completion of a modernized facility capable of supporting advanced research, industry partnerships, and student training. Committee discussion focused on cost drivers and project oversight, with emphasis on ensuring continued alignment with programmatic priorities and fiscal responsibility.

Upon motion duly made and seconded, the Committee approved, in a single vote, a recommendation that the Board adopt the resolutions authorizing the capital project items as presented in Tab 3 of the meeting materials.

### **Report on the Outcomes of Capital Policy Improvements**

Following the action items, Mr. Oakes reported on outcomes associated with recently implemented capital policy and process improvements. He explained that the revised processes have streamlined internal review and approval workflows, clarified delegated authorities, and standardized documentation requirements across campuses. As a result, project initiation timelines have been shortened and administrative cycle time between design milestones has been reduced. He further noted that earlier engagement during programming and design has improved scope definition and cost estimating accuracy, helping to reduce change orders and mitigate late-stage budget adjustments. Efficiency improvements in capital project management have led to significant time and cost savings across 112 projects, including a chemistry building project delivered two years faster, saving \$28 million and accelerating educational and research activities.

The Committee was advised that the cumulative effect of these improvements is enhanced transparency, stronger fiscal controls, and more predictable project schedules, aligning capital execution more closely with Board-approved budgets and strategic priorities.

### **Financing of Academic Facilities**

Mr. Miller provided an update regarding a new debt financing option that is anticipated to increase flexibility in funding academic facilities across the UT System. He explained that, historically, academic facilities have been funded from state capital appropriations, which can limit timing and sequencing flexibility for such projects. A new policy approved with the Tennessee State School Bond Authority will allow the University to use up to 3% of unrestricted education and general (E&G) revenue to repay debt service, less any existing E&G debt service. Currently, it is anticipated that this change will provide approximately \$43 million in debt service capacity to support approximately \$626 million of new debt, subject to certain credit parameters. He emphasized that the option does not represent an expansion of unchecked borrowing authority, but rather a more strategic use of debt capacity. Projects financed under this structure would continue to require Board approval. Committee members discussed the importance of maintaining strong credit metrics and ensuring that any use of this financing mechanism remains disciplined and mission aligned.

### **Affiliation Agreement (Starr Regional Medical Center), UT Health Science Center**

Dr. Peter Buckley, Chancellor, UT Health Science Center (UTHSC), presented a proposed Affiliation Agreement with Starr Regional Hospital. He explained that the agreement was developed in coordination with the Graduate School of Medicine in Knoxville and aligns with the University's broader hospital partnership strategy and rural health initiatives. Dr. Buckley advised that the affiliation will establish a new family medicine rural track residency program at the 118-bed hospital. The program is structured to leverage the UT Knoxville campus for the first year of residency training, with residents completing their second and third years at Starr Regional. The

program will include training opportunities within an 18-bed geriatric psychiatry unit, expanding mental health experience for family medicine physicians.

It was confirmed that the affiliation establishes a new training site designed to extend academic medical education into rural communities. Upon a motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Affiliation Agreement, as set forth in Tab 6 of the meeting materials.

### **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 Resolution to ratify the Report on Uses of FY 2025 Tuition and Fee Revenue.

### **Closing Remarks and Adjournment**

Chair Rhodes recognized Mr. Ron Loewen upon his recent retirement for his more than 35 years of service to the University.

Chair Rhodes highlighted information items included in the meeting materials, including the endowment performance report, noting that the University's endowment totaled approximately \$1.75 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

### **Consent Items**

- Minutes of the Prior Meeting
- Report on Uses of FY 2025 Tuition and Fee Revenue

### **Information Items**

- UTC Report on Use of Differential Tuition Funds
- UTK Report on Use of Differential Tuition Funds
- FY 2025 Annual Flight Operations Report
- Capital Projects Approvals Report
- FY 2025 Endowment Investment Performance Report