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11-13-2020

2020 November 13 - Board of Trustees Finance and Administration Committee Agenda and Minutes

Board of Trustees, East Tennessee State University

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EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION
NOVEMBER 2020 MEETING

10:45 am – 12:00 pm ET
Friday
November 13, 2020

Telephonic Meeting

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of Fiscal Year 2021 October Budget Revisions - King](#)
- IV. [Presentation of Fiscal Year 2020 Unaudited Financial Statements - King](#)
- V. [Presentation of Fiscal Year 2020 Composite Financial Index – King](#)
- VI. [Presentation of Tuition Transparency Report - King](#)
- VII. [Quarterly Reports on Agreements \\$250,000 or Greater - King](#)
- VIII. [Foundation Update - Ritter](#)
- IX. Other Business
- X. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 13, 2020

ITEM: Approval of Fiscal Year 2021 October Budget Revisions

COMMITTEE: Finance and Administration Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: B.J. King
Chief Financial Officer

In compliance with Tennessee Code Annotated 49-8-203 (a) (10 (C) ETSU policy Budget Control requires three budgets be prepared each year and submitted to the Board of Trustees for approval. The university prepares budgets for the one formula funded unit (Main Campus), two non-formula units (College of Medicine and Family Medicine) and one self-funded unit (College of Pharmacy). The three budgets prepared each year are:

- 1) the proposed budget to fund the fiscal year beginning July 1;
- 2) the revised fall budget that is prepared after the fall enrollment cycle and financial statement preparation for the prior fiscal year; and
- 3) the estimated spring budget that is submitted at the same time as the proposed budget for the next fiscal year.

The Board will consider the October 2020 revisions to the 2020-21 budgets for the one formula funded unit, two non-formula units and one self-funded unit. During the April 24, 2020 meeting, the Board of Trustees adopted the proposed 2020-21 budgets for the university. The proposed budgets for the fiscal year are based on the estimates for revenue and expenditures known at the time the budget is prepared. The fall enrollment and adjusted appropriation figures for revenue budgets have been received along with adjustments from fiscal year-end closing that provides for the carryforward of budgets for operational expenses. Details of the original and revised budgets are outlined below.

MOTION: I move that the Board of Trustees adopt the October revisions to the 2020-21 university budget.

RESOLVED: Upon the recommendation of the Finance and Administration Committee, the Board of Trustees approves the university's October revisions to the 2020-21 university budgets.

Main Campus October Revised Budget

	Actual 19-20	Original 20-21	October Revised	Increase (Decrease)
Revenue	\$ 271,916,374	\$ 275,648,500	\$ 261,939,800	\$ (13,708,700)
<u>Expenditures and Transfers</u>				
Instruction	\$ 103,981,613	\$ 111,005,000	\$ 119,143,600	\$ 8,138,600
Research	2,369,939	2,888,600	6,469,000	3,580,400
Public Service	2,769,662	2,742,200	3,042,600	300,400
Academic Support	23,062,777	25,094,500	26,909,900	1,815,400
Student Services	25,259,002	27,712,100	25,266,300	(2,445,800)
Institutional Support	16,315,906	17,494,300	20,912,200	3,417,900
Facilities	15,884,989	17,807,100	18,070,700	263,600
Scholarships	33,906,825	36,138,100	35,465,400	(672,700)
Total before transfers	223,550,713	240,881,900	255,279,700	14,397,800
Debt Service	5,025,933	4,845,500	6,020,600	1,175,100
Non-Mandatory Transfers	11,018,351	4,581,800	4,059,800	(522,000)
Auxiliaries Exp & Tnfrs	24,666,185	25,186,400	18,697,300	(6,489,100)
Total	\$ 264,261,182	\$ 275,495,600	\$ 284,057,400	\$ 8,561,800

FT Unrestricted and Auxiliary Positions	Original 20-21	October Revised	Increase (Decrease)
Faculty	722	705	(17)
Administration	47	44	(3)
Maint/Tech/Support	506	499	(7)
Professional Support	550	538	(12)
Total	1,825	1,786	(39)

Personnel details –

Faculty	CAS (12), CBAT (2), CPH (3)
Administration	Athletics (1), B&F (1), CAS (1)
Maint/Tech/Prof	Campus Radio (1), COE CSS (15), SLE (3)

Quillen College of Medicine October Revised Budget

	Actual 19-20	Original 20-21	October Revised	Increase (Decrease)
Revenue	\$ 60,772,803	\$ 64,576,000	\$ 62,400,600	\$ (2,175,400)
<u>Expenditures and Transfers</u>				
Instruction	\$ 38,858,495	\$ 47,245,100	\$ 46,151,700	\$ (1,093,400)
Research	1,887,708	3,730,300	4,543,000	812,700
Academic Support	6,127,027	7,041,100	7,342,800	301,700
Student Services	1,551,125	1,873,300	1,979,100	105,800
Institutional Support	2,906,457	3,142,400	3,384,400	242,000
Facilities	4,580,735	6,801,200	6,875,400	74,200
Scholarships	250,000	260,000	260,000	0
Total before transfers	56,161,547	70,093,400	70,536,400	443,000
Debt Service	84,615	88,000	142,100	54,100
Non-Mandatory Transfers	5,953,117	(5,702,500)	(5,800,400)	(97,900)
Total	\$ 62,199,279	\$ 64,478,900	\$ 64,878,100	\$ 399,200

FT Unrestricted and Auxiliary Positions	Original 20-21	October Revised	Increase (Decrease)
Faculty	157	157	0
Administration	7	7	0
Maint/Tech/Support	111	110	(1)
Professional Support	88	89	1
Total	363	363	0

Family Medicine October Revised Budget

	Actual 19-20	Original 20-21	October Revised	Increase (Decrease)
Revenue	\$ 17,461,100	\$ 17,550,700	\$ 17,647,200	\$ 96,500
<u>Expenditures and Transfers</u>				
Instruction	\$ 11,768,511	\$ 12,018,000	\$ 12,140,200	\$ 122,200
Research	293,378	260,400	260,600	200
Academic Support	3,703,341	3,788,500	3,840,500	52,000
Institutional Support	1,786,236	1,650,900	1,714,100	63,200
Facilities	332,031	387,900	429,400	41,500
Total before transfers	17,883,497	18,105,700	18,384,800	279,100
Non-Mandatory Transfers	(433,557)	(575,000)	(575,000)	-
Total	\$ 17,449,940	\$ 17,530,700	\$ 17,809,800	\$ 279,100

FT Unrestricted and Auxiliary Positions	Original 20-21	October Revised	Increase (Decrease)
Faculty	32	35	3
Administration	-	-	-
Maint/Tech/Support	52	51	(1)
Professional Support	29	30	1
Total	113	116	3

Gatton College of Pharmacy October Revised Budget

	Actual 19-20	Original 20-21	October Revised	Increase (Decrease)
Revenue	\$ 11,535,823	\$ 11,039,400	\$ 10,690,700	\$ (348,700)
<u>Expenditures and Transfers</u>				
Instruction	\$ 6,762,178	\$ 7,146,300	\$ 8,103,600	\$ 957,300
Research	190,665	108,100	320,900	212,800
Academic Support	1,295,508	1,311,700	1,500,000	188,300
Student Services	599,697	661,500	747,700	136,200
Institutional Support	573,462	595,700	661,900	86,200
Facilities	467,500	494,500	564,200	69,700
Scholarships	589,033	416,000	416,000	-
Total before transfers	10,478,043	10,733,800	12,314,300	1,580,500
Debt Service	661,000	661,000	677,000	16,000
Non-Mandatory Transfers	35,865	(355,400)	(450,800)	(95,400)
Total	\$ 11,174,908	\$ 11,039,400	\$ 12,450,500	\$ 1,501,100

FT Unrestricted and Auxiliary Positions	Original 20-21	October Revised	Increase (Decrease)
Faculty	34	35	1
Administration	1	1	-
Maint/Tech/Support	14	14	-
Professional Support	15	15	-
Total	64	65	1

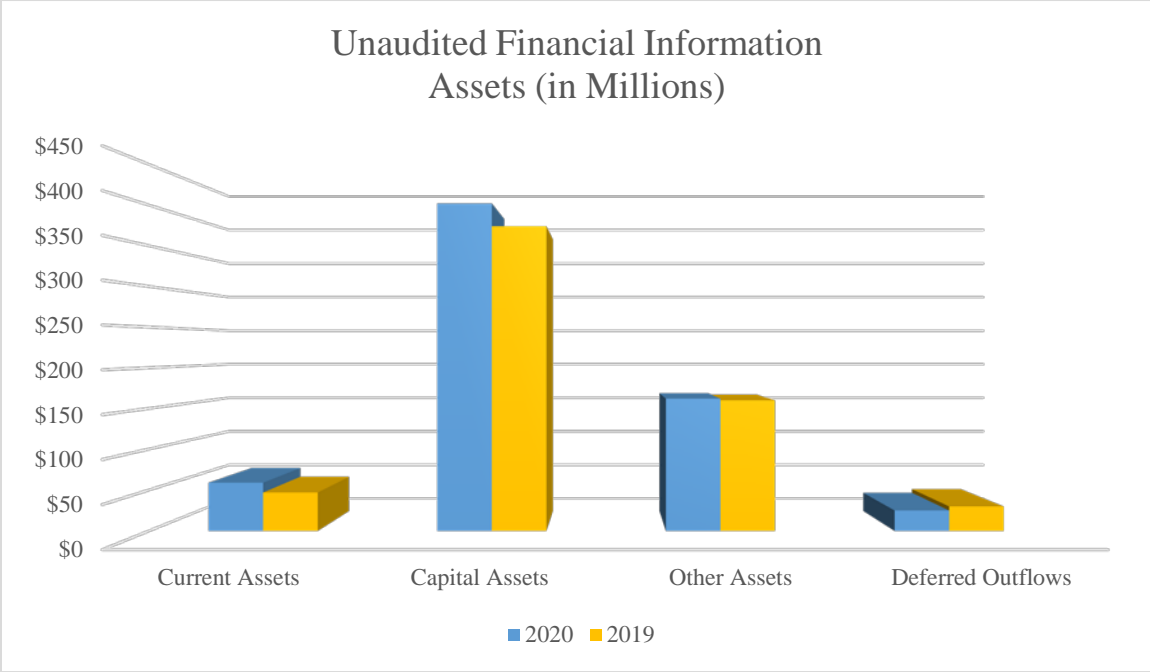
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 13, 2020
ITEM: Fiscal Year 2020 Unaudited Financial Statements
COMMITTEE: Finance and Administration Committee
PRESENTED BY: B.J. King
Chief Financial Officer

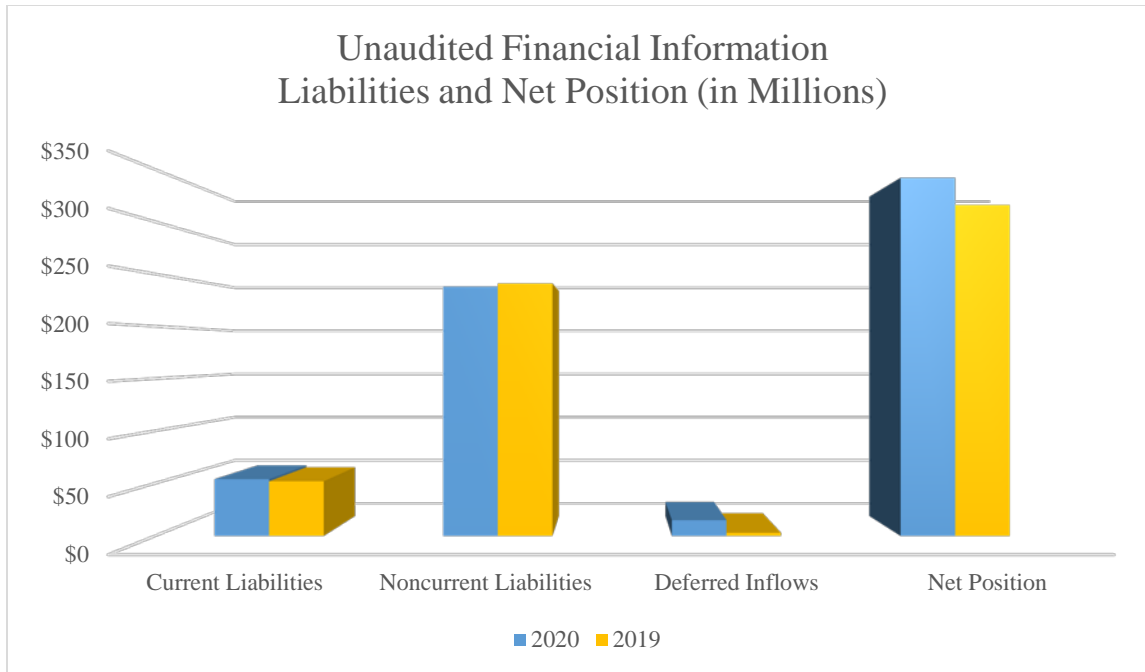
The accounting records for the university are closed and fiscal year financial statements have been forwarded to State Audit for review. A finalized audit report should be available for the April Board of Trustees meeting.

Included are charts and explanation of variance to the prior year for key components of the unaudited financial reports.



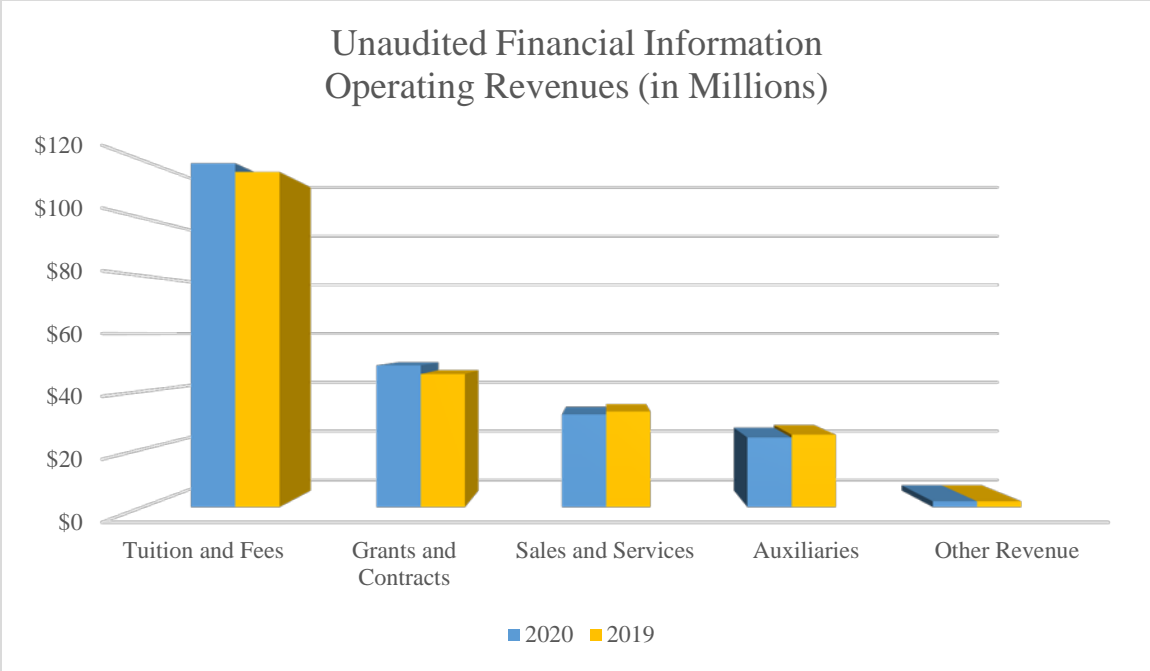
Comparison of Assets for fiscal year 2020 to fiscal year 2019

- ◆ Current assets increased due to increases in cash held for future projects and increases in accounts receivable which includes receivables from CARES Act Funding of \$1.825 million.
- ◆ Capital assets, net of depreciation, increased due to the continued construction of the Martin Fine Arts Center and as well as the renovation of D.P. Culp Center. These projects will be completed in Fall 2020.
- ◆ Other assets experienced an increase as the University’s investment in Tennessee Retirement Group Trust of \$1.146 million is recorded in 2020.
- ◆ Deferred outflows of resources decreased in 2020 as a result of the university’s portion of the decrease in the State of Tennessee deferred outflows of resources related to pensions.



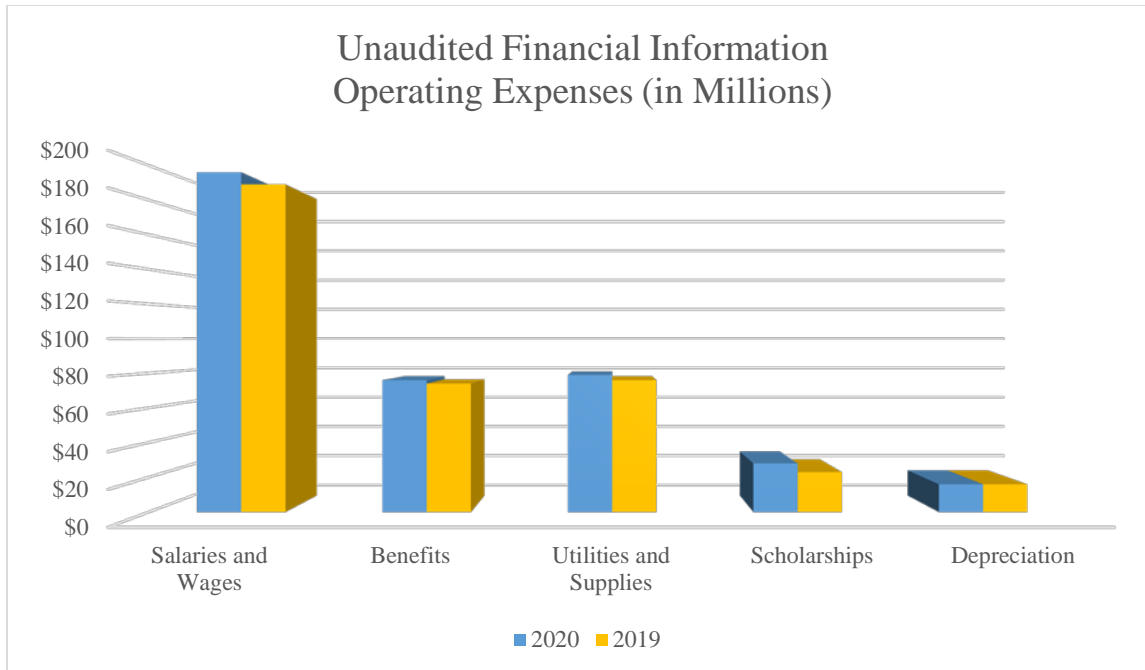
Comparison of Assets for fiscal year 2020 to fiscal year 2019

- ◆ Current liabilities increased during 2020 due to increases in unearned revenue of \$2.6 million. The largest increase in unearned revenue was in grant and contracts which increased \$1.643 million. The current portion of long-term liabilities also increased by \$1.8 million due to bonding of Martin Center, Culp Center renovation, and Millennium Center.
- ◆ In 2020, noncurrent liabilities experienced an overall decrease of \$7 million from the prior year due to a reduction in the university’s OPEB and pension obligations and a Perkins loan fund refund to the U.S. Department of Education.
- ◆ Deferred inflows of resources increased in 2020 as a result of changes in pensions and other postemployment benefits.
- ◆ Net position increased due to increases in
 - net investment in capital assets with the Martin Center and Culp Center construction projects,
 - unrestricted net position related to anticipated future projects.



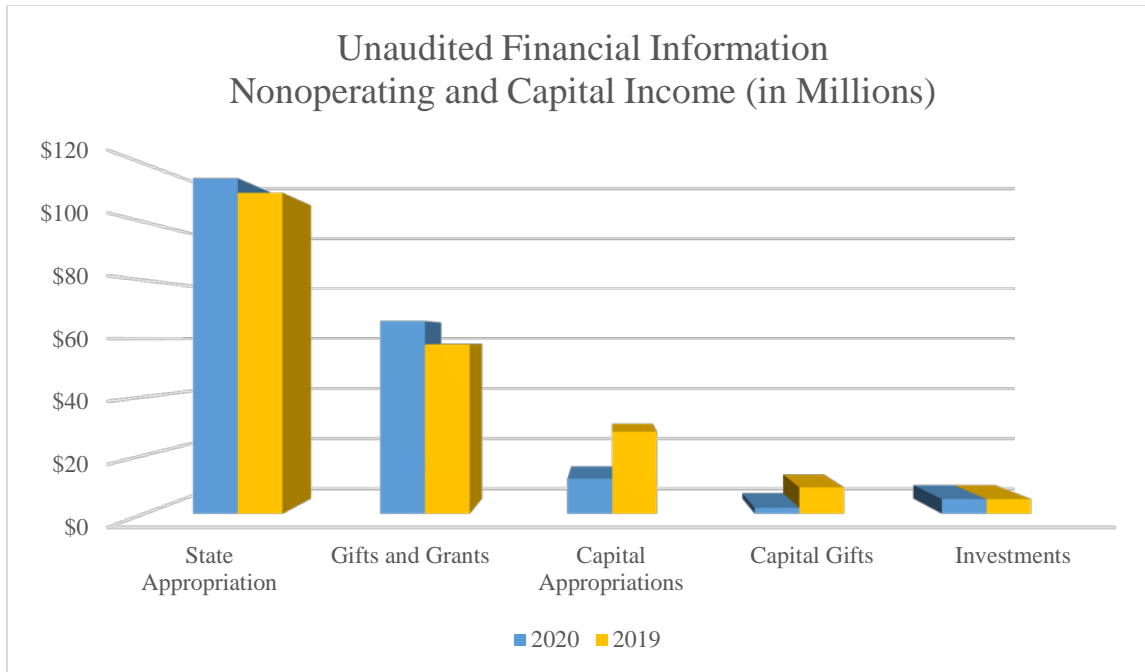
Comparison of Operating Revenues for FY 2020 to FY 2019

- ◆ Tuition and fees increased in 2020 due to an average 2.3% maintenance and mandatory fee increase and increases in other non-mandatory fees.
- ◆ Grants and contracts increased due to an increases non-governmental grants and contracts. During fiscal year 2020, the university received several new grants outreach programs including two grants totaling \$3.2 million.
- ◆ Residential life (housing) experienced a decrease in occupancy during FY20. This decrease along with the shutdown of residence halls during the months of May and June due to the COVID pandemic resulted in a decrease of revenues of \$1 million. The bookstore, food service, and CPA also had decreases in revenue in 2020 due to the pandemic.



Comparison of Operating Expenses FY 2019 to FY 2018

- ◆ Salaries and wages increased in fiscal year 2020 due to a 2% across the board pay increase.
- ◆ Benefits increased with increases in employee benefit plans managed by the State of Tennessee.
- ◆ Operating expenses increased due to increases in marketing and technology services, insurance costs passed through from the State of Tennessee, and expenditures related to a workforce development and training grant.
- ◆ Scholarships increased by \$4.6 million due largely to CARES Act funding for emergency student grants.
- ◆ Depreciation remained relatively flat.



Comparison of Nonoperating and Capital Income FY 2019 to FY 2018

- ◆ State appropriations increased in fiscal year 2020 due to an increase in outcomes funding and funding for salary increases.
- ◆ Nonoperating gifts and grants grew due to increased gifts through the ETSU Foundation and CARES Act funding.
- ◆ Capital appropriations decreased from 2019 to 2020 due to receipt of funding for the Martin Center in 2019.
- ◆ Capital gifts and grants increased by the gifts of property received in Millennium Center and the Pedestrian Sky Bridge from the City of Johnson City.
- ◆ Investment income remained flat.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 13, 2020
ITEM: FY20 Unaudited Composite Financial Index
COMMITTEE: Finance and Administration Committee
PRESENTED BY: B.J. King
Chief Financial Officer

The university prepares the Composite Financial Index (CFI) for review by the Board each year. The ratios were published in *Ratio Analysis in Higher Education* by KPMG and Prager, McCarthy & Sealy, LLC. The ratios were originally designed for private institutions and modified for public institutions in 2002. These ratios are intended to provide a measure of financial health of the institution.

The CFI consists of four individual ratios outlined below which are calculated and then weighted to produce the single CFI measure. The presentation of the CFI includes the financial resources of the ETSU Foundation as they provide support to the university.

Primary Reserve

- Measure of financial strength and flexibility. Comparison of expendable net assets to total expenses.
- Calculation - Expendable Net Assets / Total Expenses
- Standard performance – 0.40; Watch level – 0.13
- Weight – 35%

Viability

- Measure of financial health. Compares total expendable net assets to total current and noncurrent liabilities. Similar to coverage ratio.
- Calculation - Expendable Net Assets / Plant Related Debt
- Standard performance – 1.25; Watch level – 0.41
- Weight – 35%

Return on Net Assets

- Measure of total economic return for fiscal year. Similar to return on equity.
- Calculation - Δ in Net Assets / Beginning Total Net Assets
- Standard performance - Inflation rate plus 3%; Watch level – Inflation rate
- Weight – 20%

Net Operating Revenues

- Indicates an operating surplus or deficit for the year. Similar to profit margin.
- Calculation – Operating Income + Nonoperating Revenues + Foundation Δ in Unrest NA / Operating and Nonoperating Revenues + Foundation Unrestricted Revenue
- Operating and Non-operating
- Standard performance – 4%; Watch level – 0%
- Weight – 10%

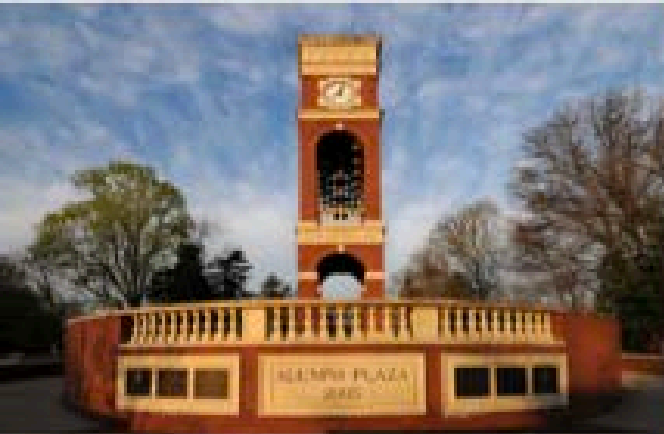
Primary Reserve	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Standard Performance	0.40	0.40	0.40	0.40	0.40	0.40
Watch Level	0.13	0.13	0.13	0.13	0.13	0.13
ETSU Total	0.38	0.37	0.32	0.33	0.32	0.30
Main Campus	0.34	0.32	0.26	0.24	0.22	0.19
Medicine/Fam Medicine	0.38	0.36	0.36	0.48	0.49	0.51
Pharmacy	1.53	1.57	1.50	1.32	1.28	1.26

Viability	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Standard Performance	1.25	1.25	1.25	1.25	1.25	1.25
Watch Level	0.41	0.41	0.41	0.41	0.41	0.41
ETSU Total	0.89	0.86	0.78	0.78	0.74	0.65
Main Campus	0.59	0.56	0.48	0.43	0.38	0.31
Medicine/Fam Medicine	14.16	12.58	11.15	13.62	13.26	12.90
Pharmacy	3.91	3.60	2.87	2.39	2.00	1.77

Return on Net Assets	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Standard Performance	3.60%	4.60%	5.90%	4.60%	3.50%	3.10%
Watch Level	0.60%	1.60%	2.90%	1.60%	0.50%	0.10%
ETSU Total	7.07%	13.78%	11.05%	7.34%	3.71%	5.44%
Main Campus	8.91%	17.17%	14.87%	10.25%	5.03%	5.98%
Medicine/Fam Medicine	2.19%	5.06%	1.95%	0.97%	(0.17%)	6.43%
Pharmacy	5.30%	15.14%	15.21%	11.08%	16.31%	(8.06%)

Net Oper. Revenues	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Standard Performance	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Watch Level	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ETSU Total	3.30%	2.90%	4.39%	4.00%	2.79%	2.41%
Main Campus	4.12%	2.94%	5.11%	4.73%	2.99%	(3.65%)
Medicine/Fam Medicine	0.45%	1.78%	0.73%	0.77%	0.17%	10.13%
Pharmacy	7.39%	11.24%	17.25%	13.22%	19.32%	44.21%

CFI	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Standard Performance	3.00	3.00	3.00	3.00	3.00	3.00
Watch Level	1.00	1.00	1.00	1.00	1.00	1.00
ETSU Total	2.72	3.29	2.93	2.57	2.05	2.07
Main Campus	2.60	3.25	2.96	2.39	1.63	1.08
Medicine/Fam Medicine	4.76	5.10	4.70	4.91	4.79	6.28
Pharmacy	7.88	8.90	8.43	7.59	7.67	4.98



ETSU

2020-21 October Revised Budget

ETSUBT Finance Committee
November 13, 2020

Changes to Main Campus Revenue Budget

Revenue Category	Adjustment	Description
Tuition and Fees	(\$ 2,340,500)	Tuition down with enrollment
State Appropriation	(3,368,200)	Appropriation less than Governor's original budget
Grants and Contracts	190,000	Strong Brain Institute gift
Sales, Services, Other	(1,612,300)	Athletic fees, game guarantees, eliminate daycare
Auxiliaries	(6,577,700)	Housing, Food Services, Parking, Wellness
Total Adjustment	(\$13,708,700)	



Additions to Main Campus Expenditure Budget

Expenditure Category	Adjustment	Description
Instruction	\$8,138,600	Base (\$3.8M), (Raise/Bene \$1.2M), CF & encumb \$13M
Research	3,580,400	Carryforward funds for research, Strong Brain
Public Service	300,400	Base (\$69k), Realloc CON from instruction \$264k, CF \$105k
Academic Support	1,815,400	Base (\$279k), Deans/Division CF \$2.1M
Student Services	(2,445,800)	Base (\$1.5M), Athletics GF (\$1.1M), raise/bene/CF \$160k
Institutional Support	3,417,900	Base (\$843k), VP/Division carryforwards \$4.3M
Operation of Plant	263,600	Base (\$591k), CF & encumbrances \$855k
Scholarships	(672,700)	Reductions with enrollment
Total Adjustment	\$14,397,800	



Main Campus October Budget

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Total	\$264,261,182	\$275,495,600	\$284,057,400	\$8,561,800



College of Medicine October Budget

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Revenue	\$60,772,803	\$64,576,000	\$62,400,600	(\$ 2,175,400)
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Total	\$62,199,279	\$64,478,900	\$64,878,100	\$399,200



Family Medicine October Budget

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Revenue	\$17,461,100	\$17,550,700	\$17,647,200	\$ 96,500
<u>Expenditures and Transfers</u>				
Instruction	\$11,768,511	\$12,018,000	\$12,140,200	\$122,200
Research	293,378	260,400	260,600	200
Academic Support	3,703,341	3,788,500	3,840,500	52,000
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Facilities	332,031	387,900	429,400	41,500
Total before transfers	\$17,883,497	\$18,105,700	\$18,384,800	\$279,100
Non-Mandatory transfers	(433,557)	(575,000)	(575,000)	-
Total	\$17,449,940	\$17,530,700	\$17,809,800	\$279,100

College of Pharmacy October Budget

	Actual 19-20	Original 20-21	October Revised	Increase (Decrease)
Revenue	\$11,535,823	\$11,039,400	\$10,690,700	(\$348,700)
<u>Expenditures and Transfers</u>				
Instruction	\$6,762,178	\$7,146,300	\$8,103,600	\$957,300
Research	190,665	108,100	320,900	212,800
Academic Support	1,295,508	1,311,700	1,500,000	188,300
Student Services	599,697	661,500	747,700	86,200
Institutional Support	573,462	595,700	661,900	66,200
Facilities	467,500	494,500	564,200	69,700
Scholarships	589,033	416,000	416,000	-
Total before transfers	10,478,043	10,733,800	12,314,300	1,580,500
Debt Service	661,000	661,000	677,000	16,000
Non-mandatory transfers	35,865	-355,400	-450,800	(95,400)
Total	\$11,174,908	\$11,039,400	\$12,540,500	\$1,501,100



Personnel Budget 20-21

	Original 20-21	October Revised	Increase (Decrease)
<u>Main Campus Unrestricted and Auxiliary</u>			
Faculty	722	705	(17)
Administration	47	44	(3)
Maint/Tech/Support	506	499	(7)
Professional Support	550	538	(12)
Subtotal	1,825	1,786	(39)
<u>Non-Formula Units Unrestricted</u>			
Faculty	223	227	4
Administration	8	8	-
Maint/Tech/Support	177	175	(2)
Professional Support	132	134	2
Subtotal	540	544	4



Questions???





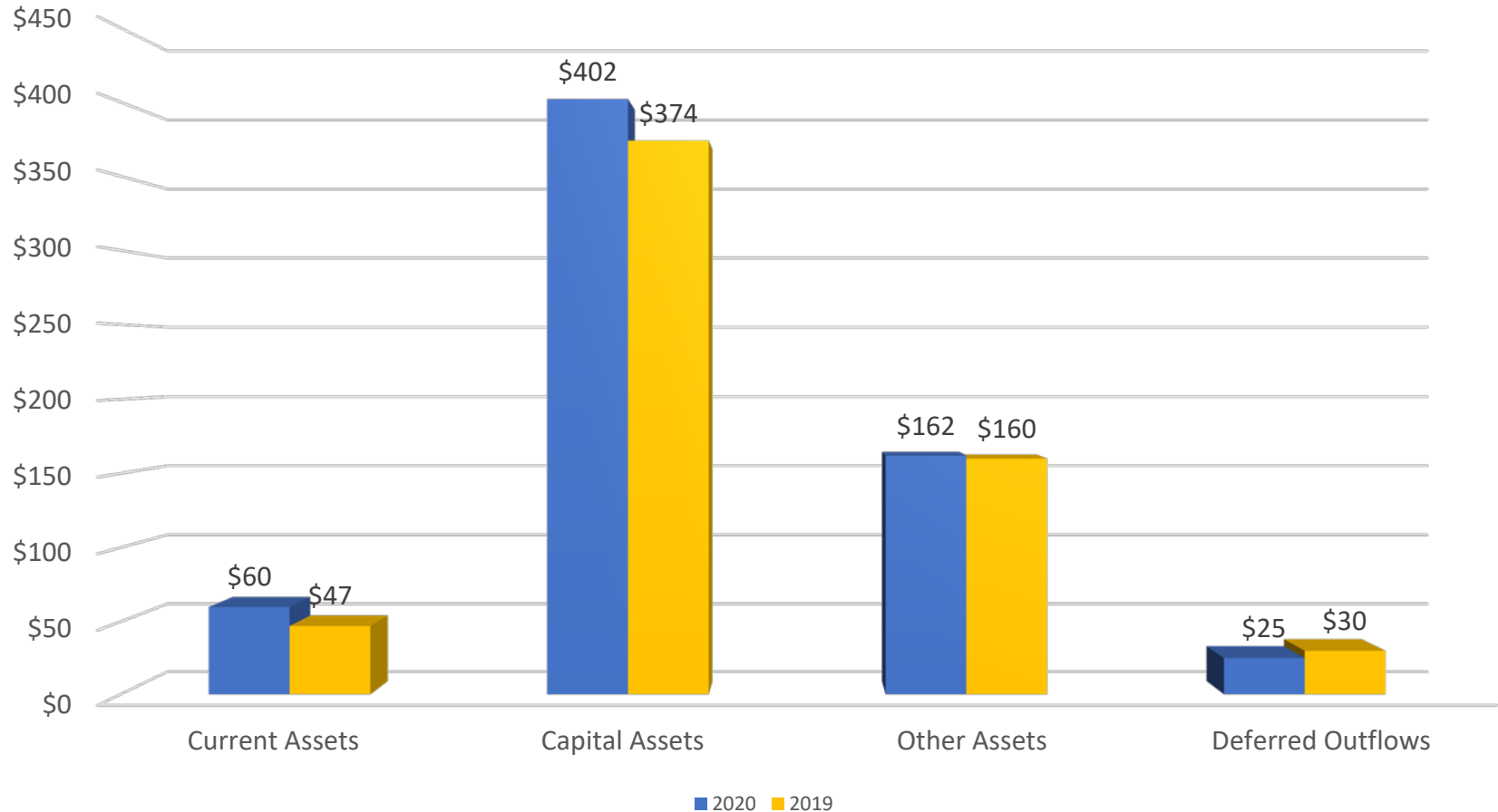
ETSU

Unaudited Financial Statements

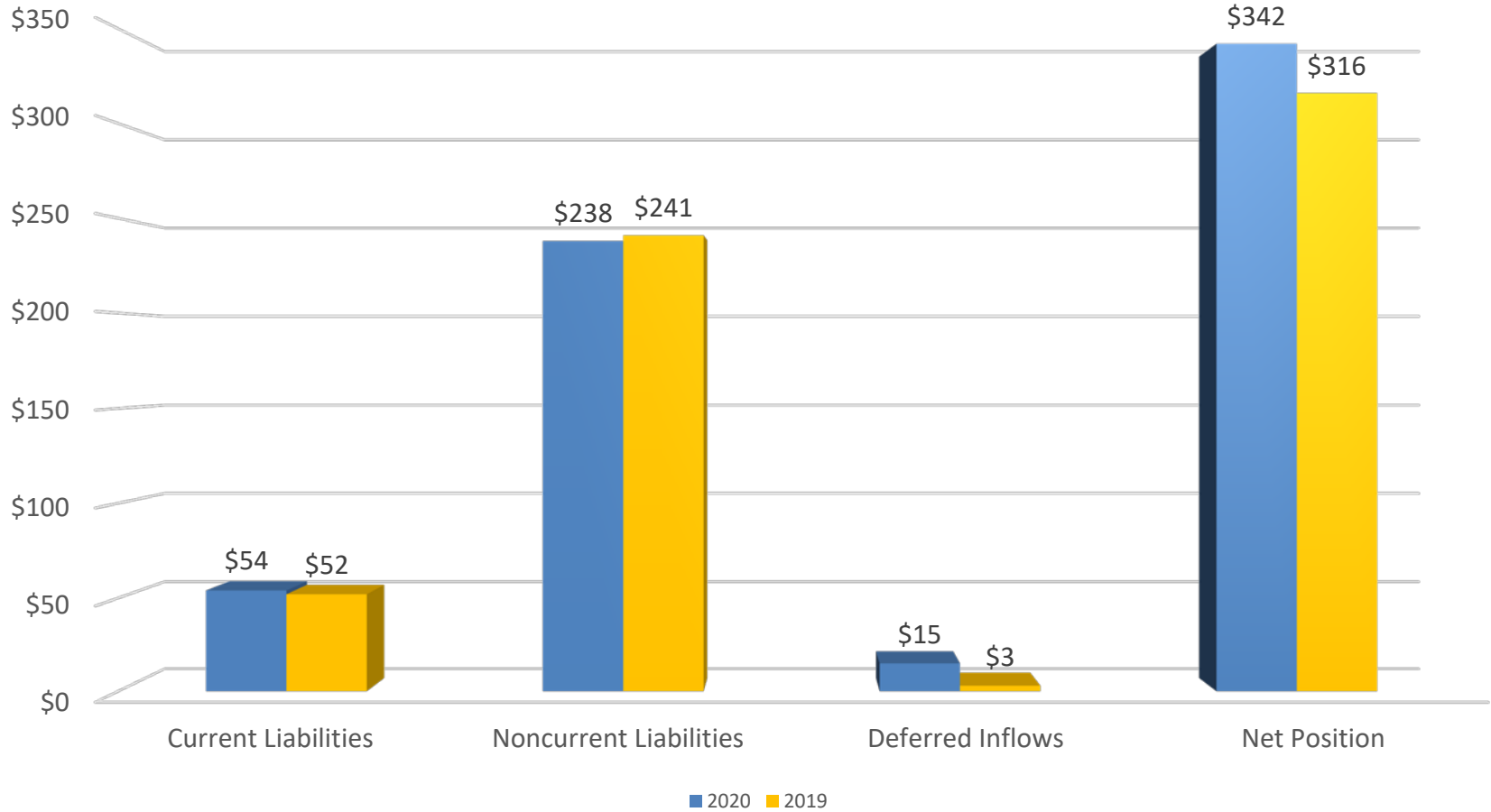
Fiscal Year 2019-20

ETSUBT Finance Committee
November 13, 2020

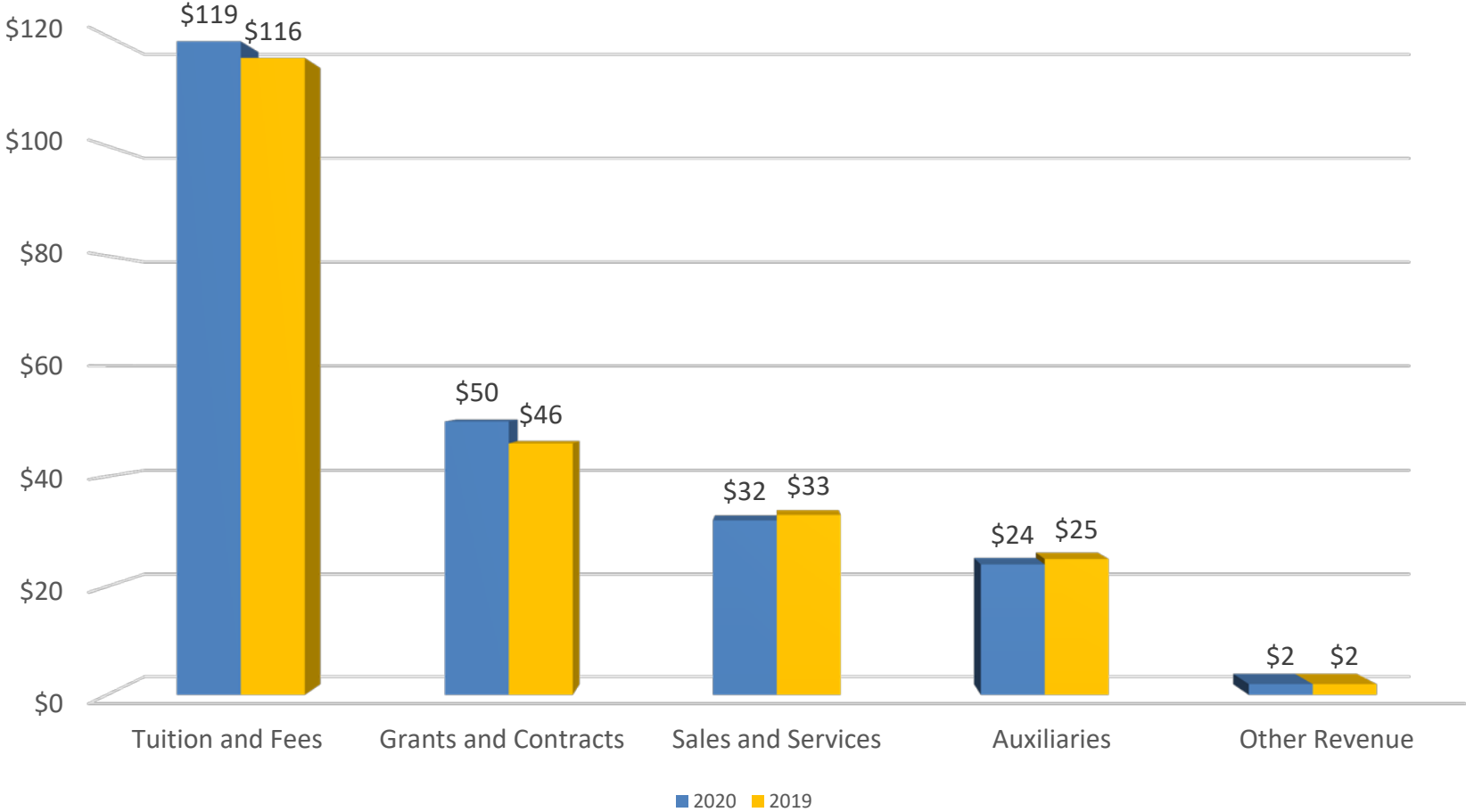
Assets (in Millions)



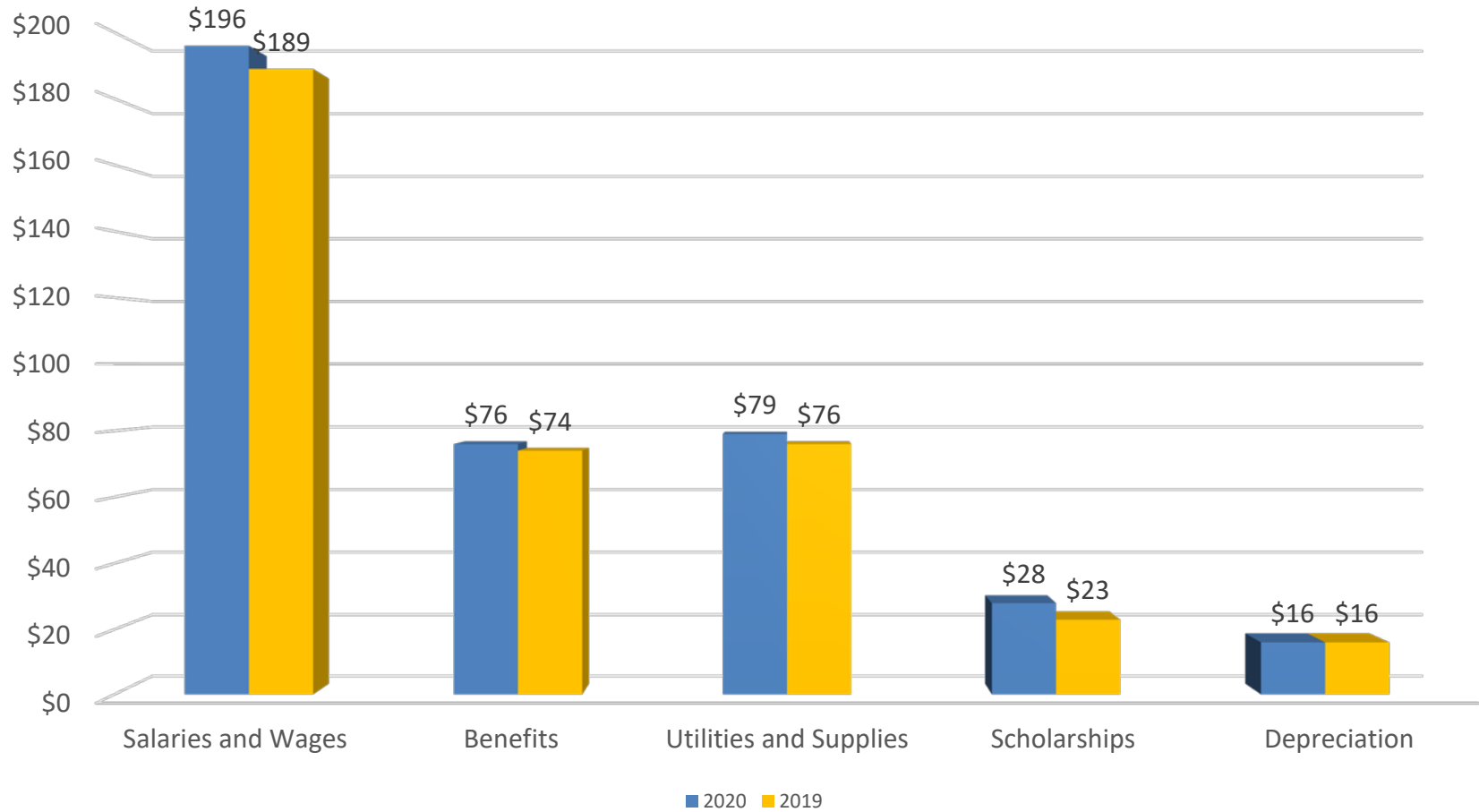
Liabilities and Net Position (in Millions)



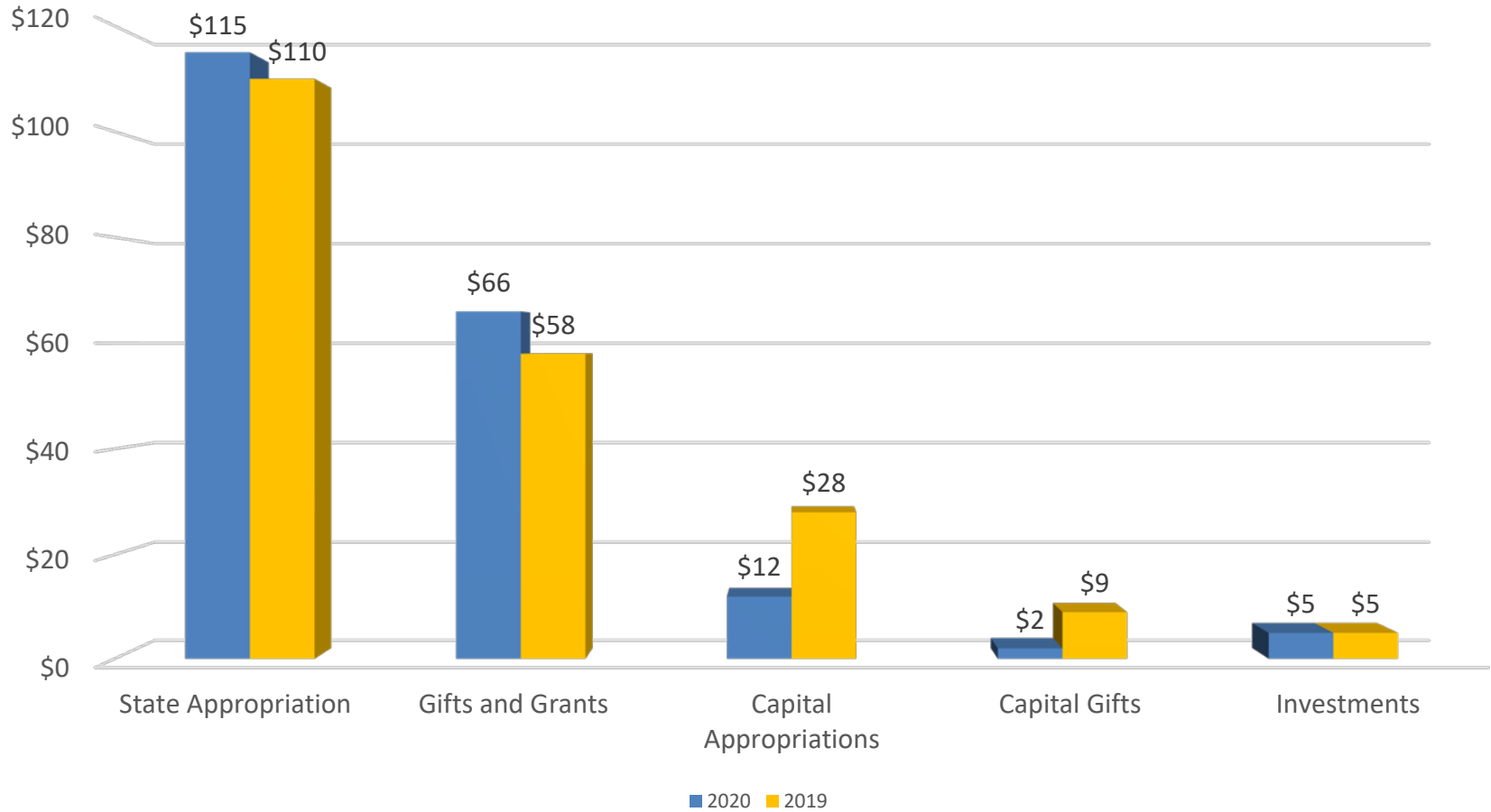
Operating Revenues (in Millions)



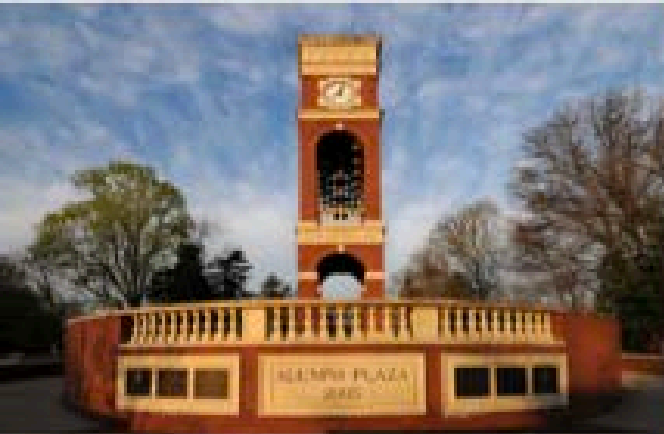
Operating Expenses (in Millions)



Nonoperating & Capital Income (in Millions)



Questions on Financial Statements???



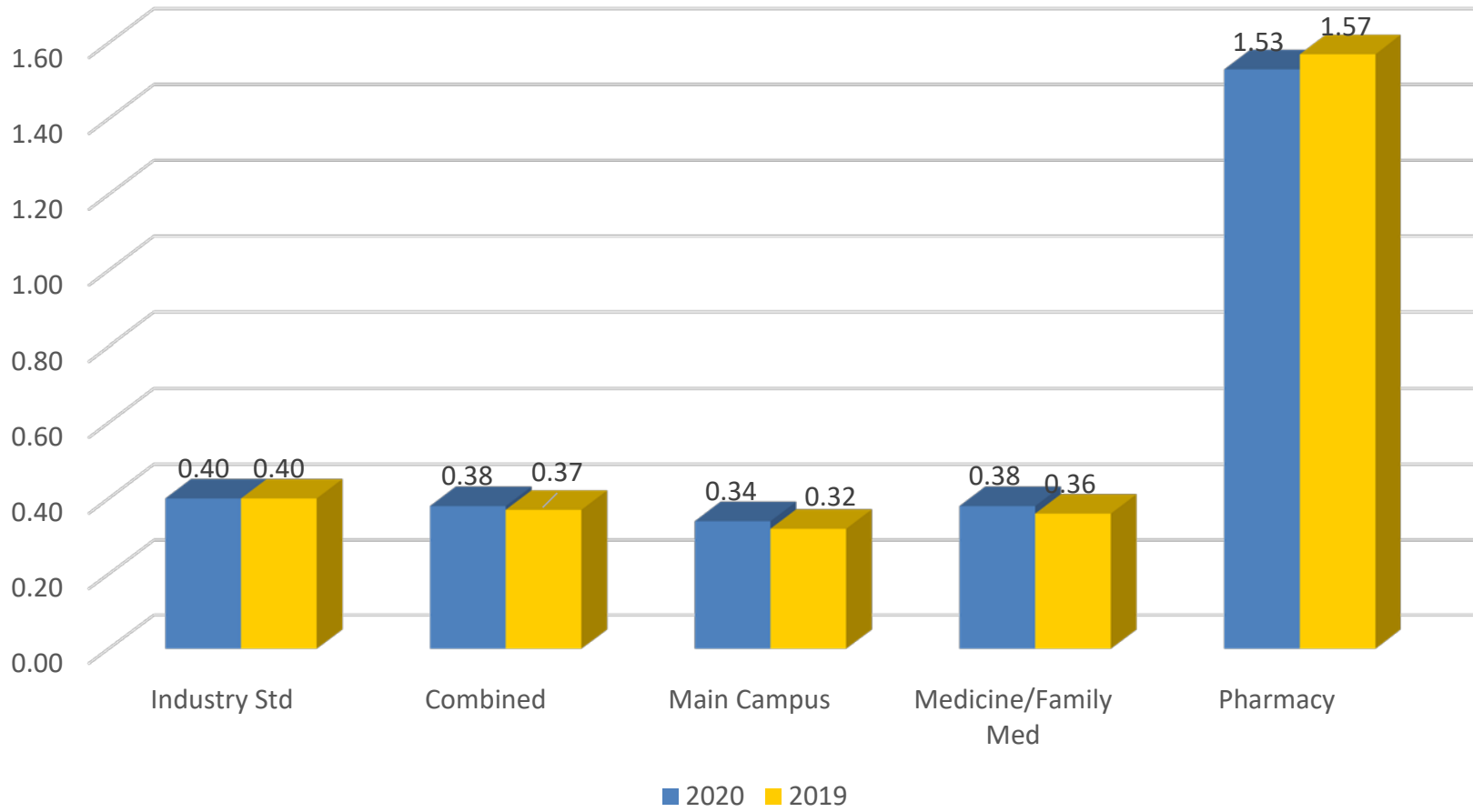
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Unaudited Composite Financial Index

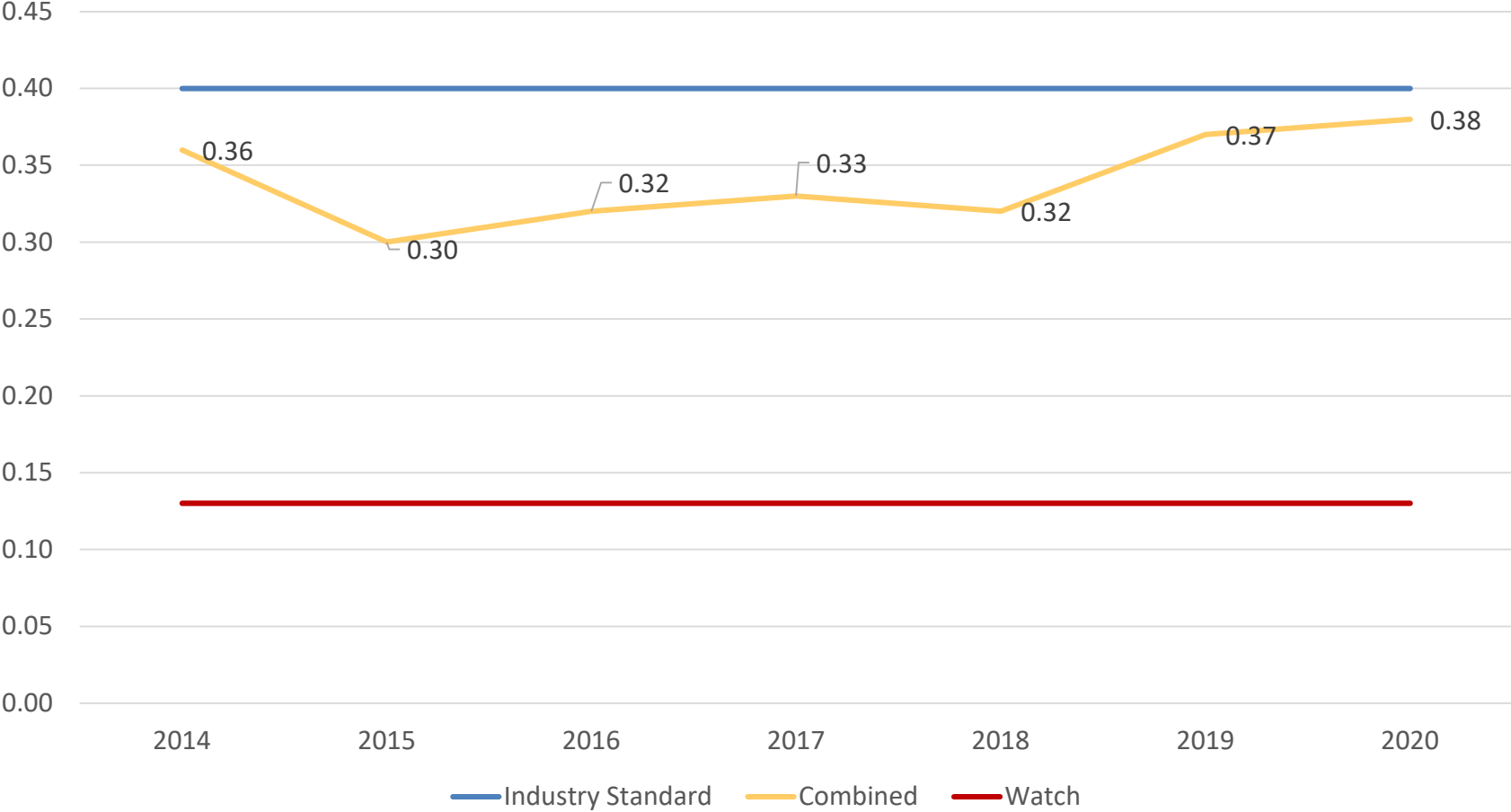
Fiscal Year 2019-20

ETSUBT Finance Committee
November 13, 2020

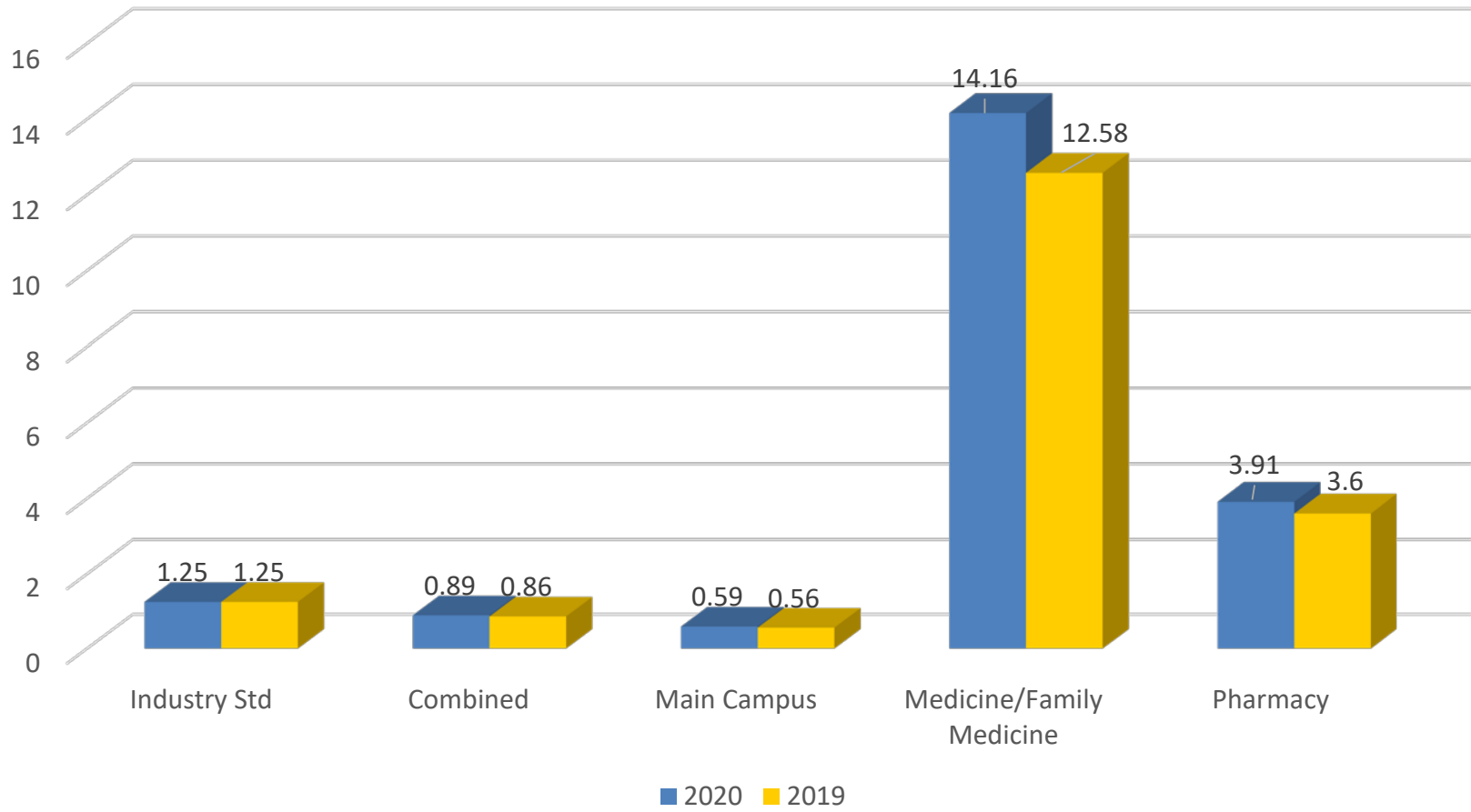
Primary Reserve



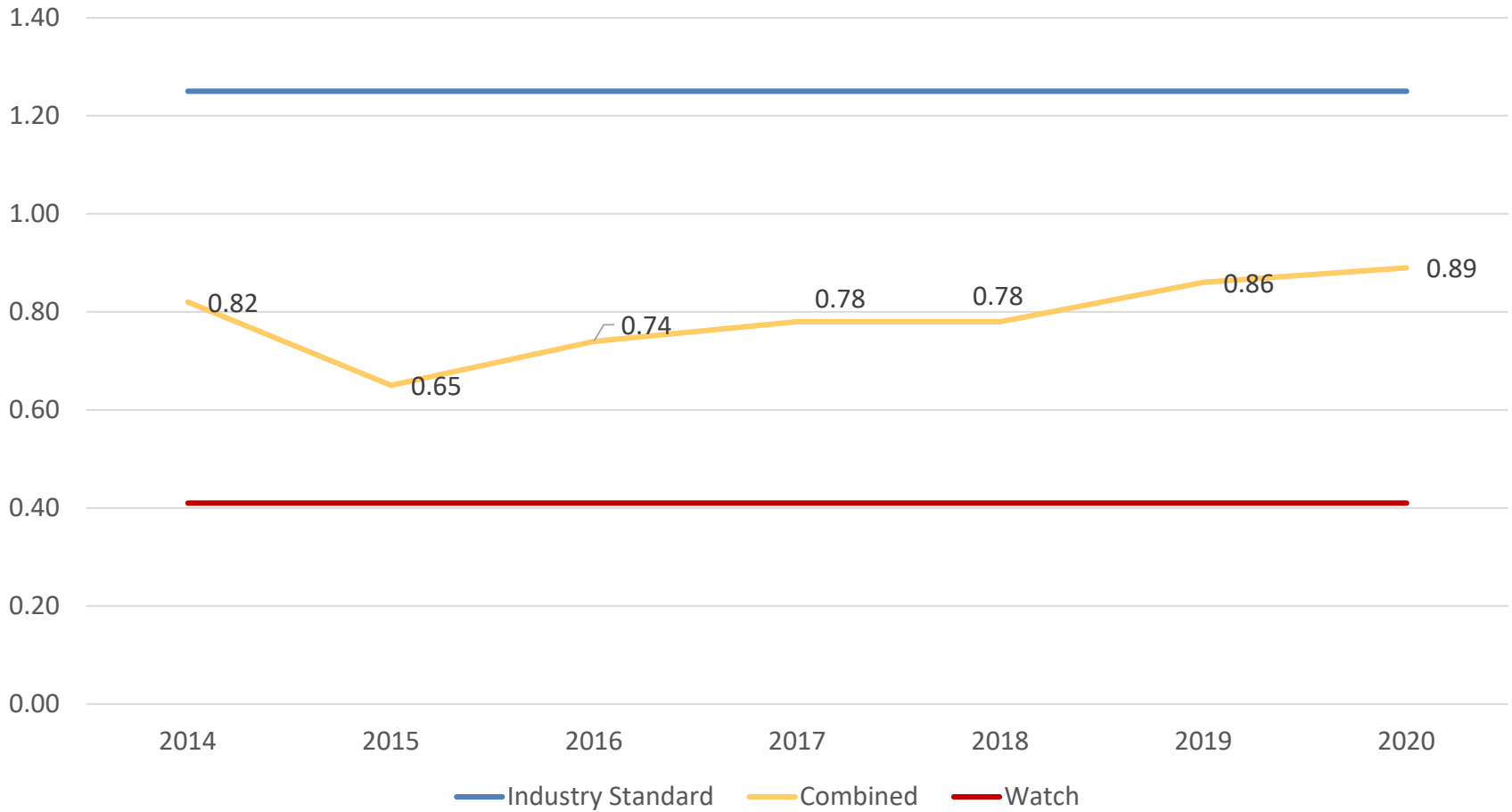
Primary Reserve to Benchmark



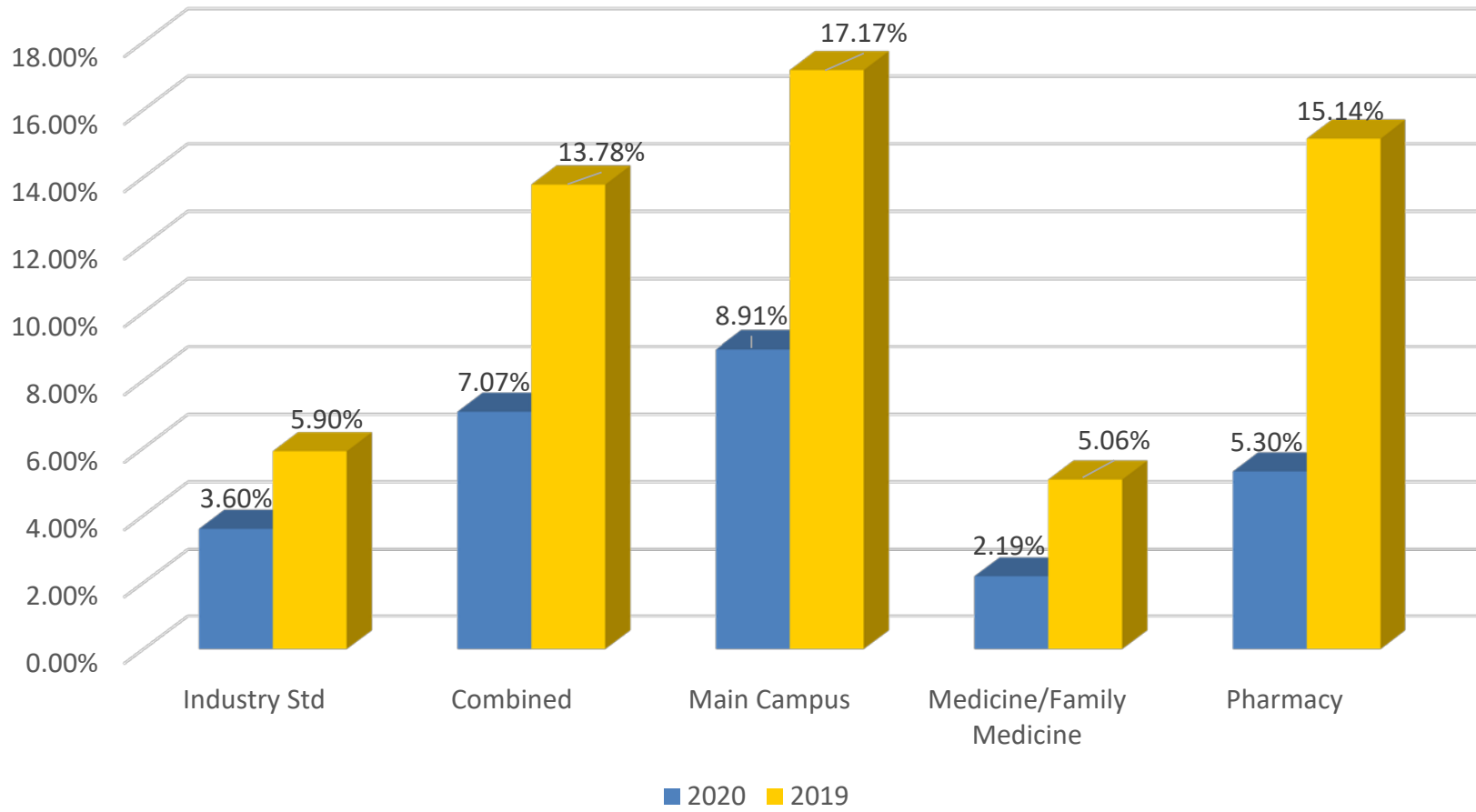
Viability Ratio



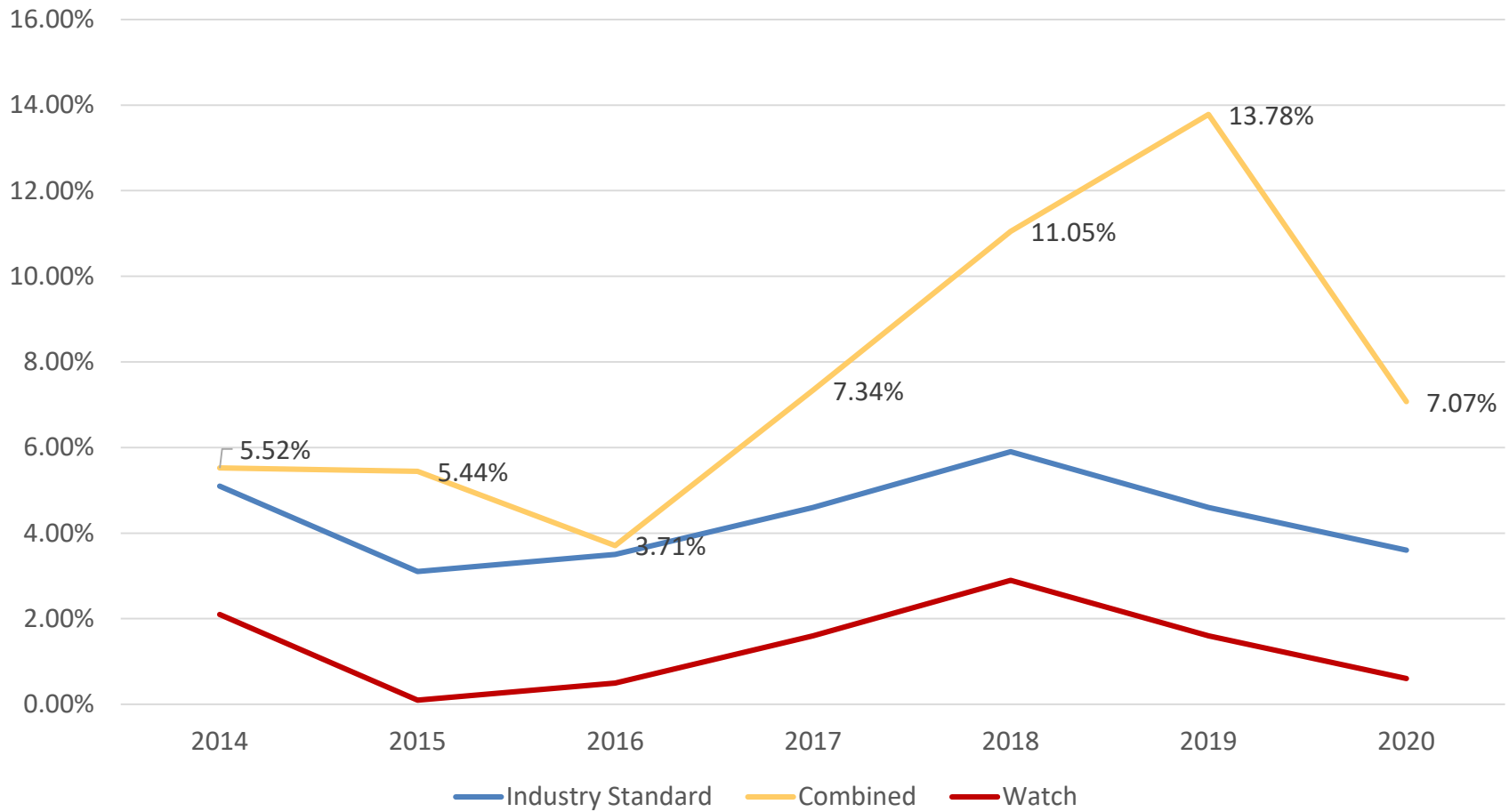
Viability Ratio to Benchmark



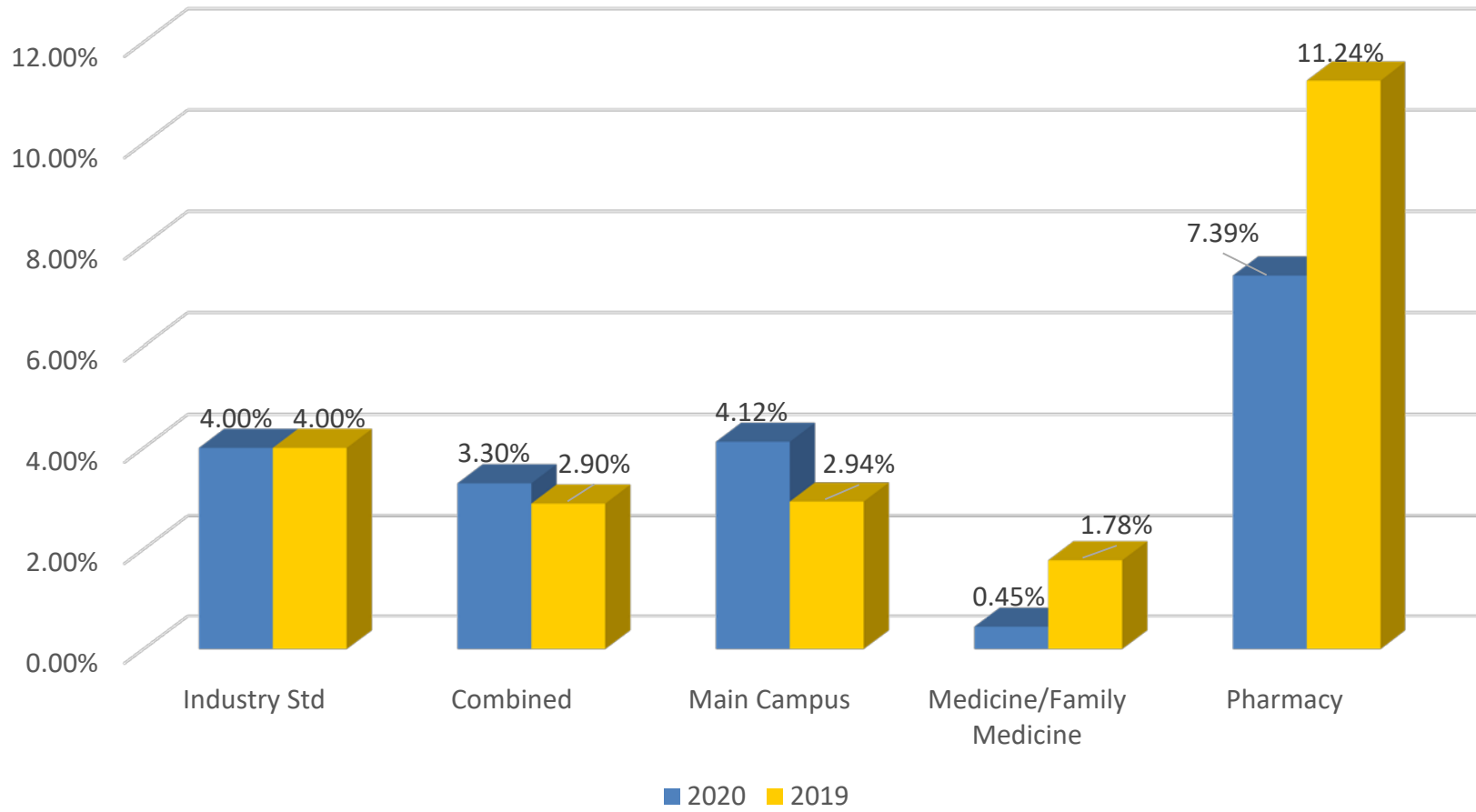
Return on Net Assets



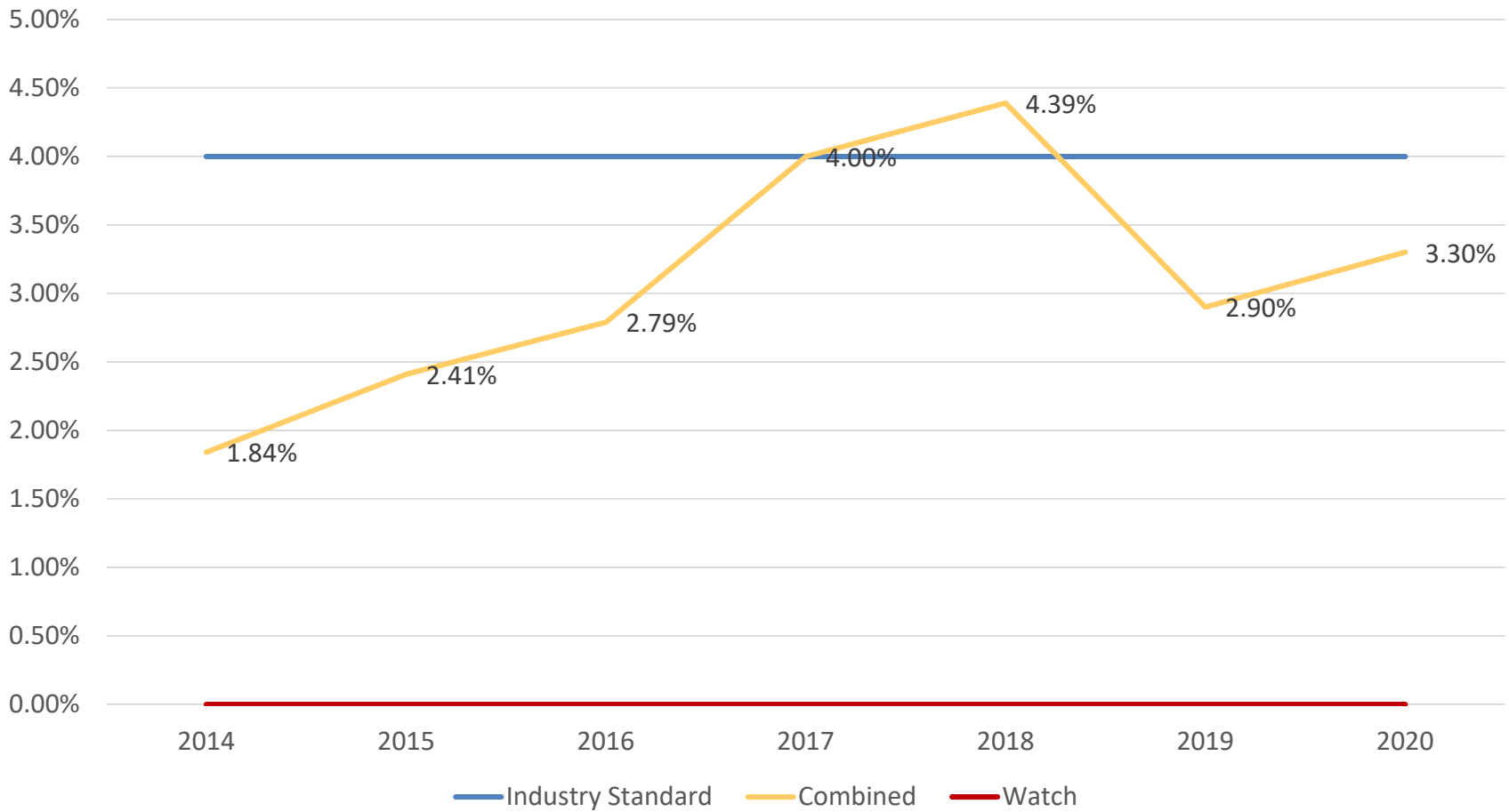
Return on Net Assets to Benchmark



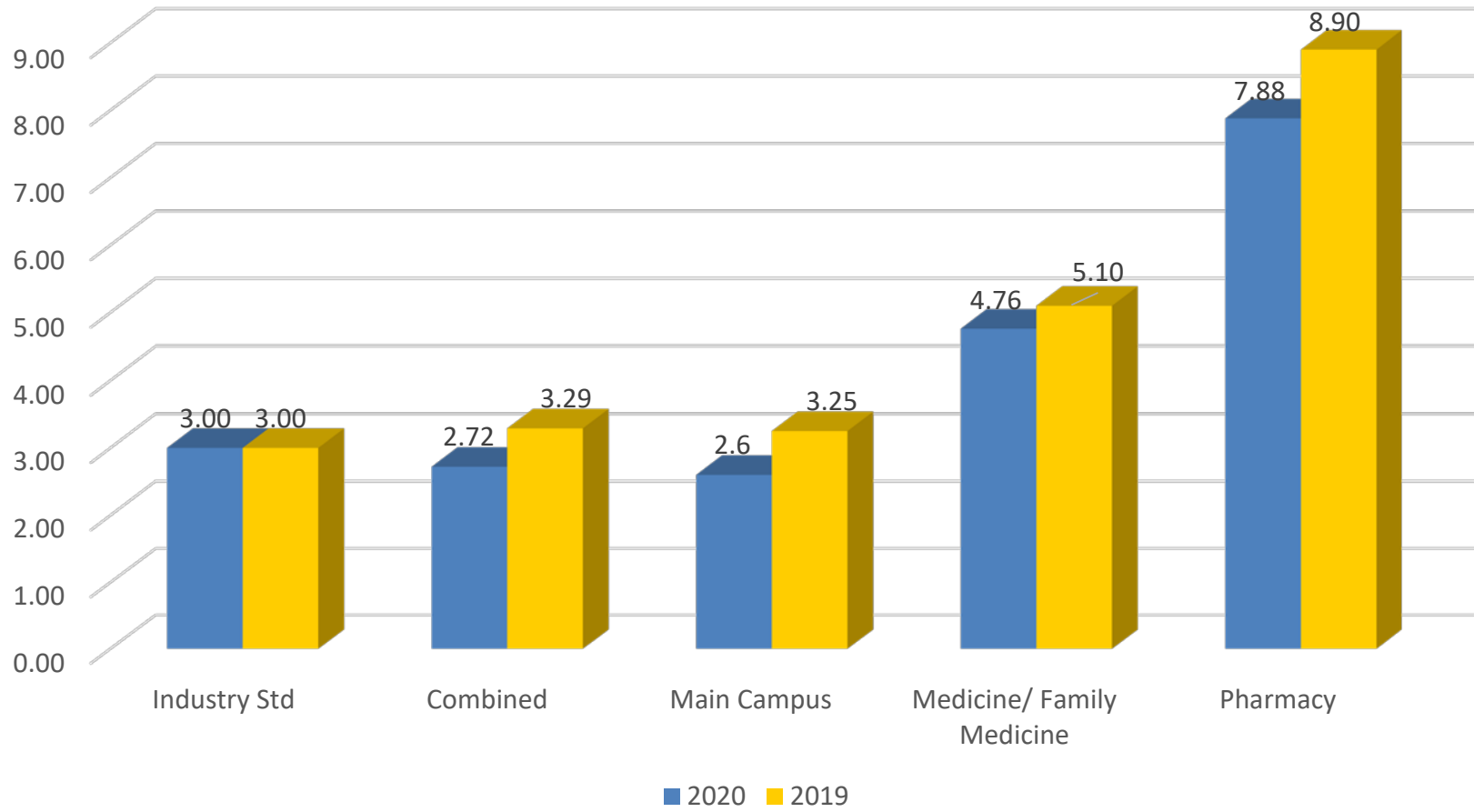
Net Operating Revenues



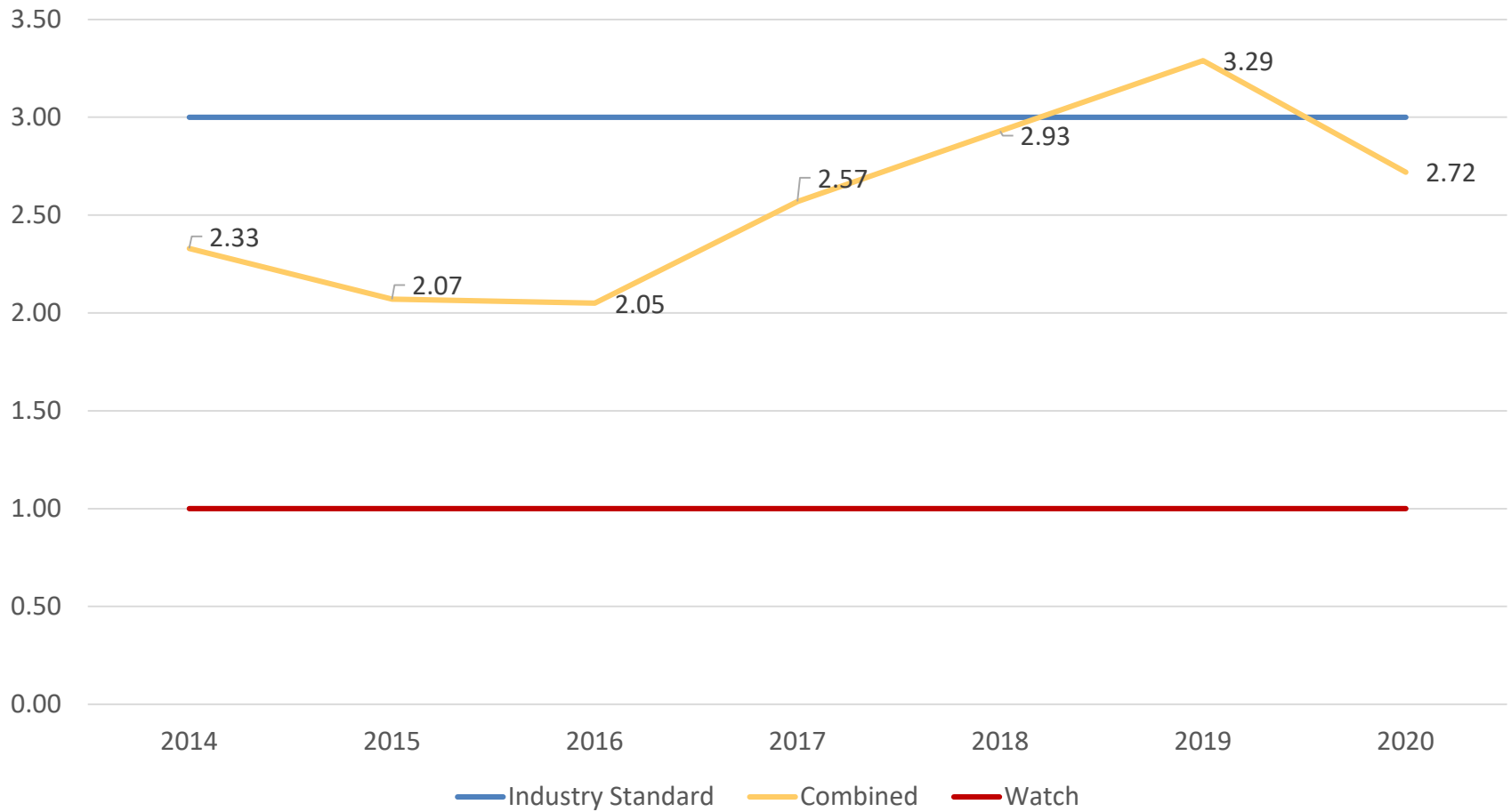
Net Operating Revenues to Benchmark



Composite Financial Index



CFI to Benchmark



Questions on CFI???



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 13, 2020

ITEM: Annual Tuition Transparency Report for State Legislature
per T.C.A. 49-7-1604

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King
Chief Financial Officer

Tennessee Code Annotated §49-7 was amended in 2018 and includes the following provision

49 - 7-1604

By February 1 of each year, each governing board shall provide a report to the office of legislative budget analysis, for distribution to the general assembly, with information regarding expenditures of revenue derived from any tuition and fees increase in the previous full academic year. The report shall include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student.

The report below will be delivered to the Office of Legislative Budget Analysis on behalf of the ETSU Board of Trustees.



Compliance with 2018 Public Acts, Chapter 614

Tuition Transparency and Accountability Act

T.C.A. §49-7-1604

By February 1 of each year, each governing board shall provide a report to the office of legislative budget analysis, for distribution to the general assembly, with information regarding expenditures of revenues derived from any tuition and fees increase in the previous full academic year. The report shall include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student.

For Fiscal Year 2019-20	
Total Tuition and Mandatory Fee increase @ 15 credit hours	2.31%
Tuition Sources and Uses	
Tuition increase of 2.02% = \$2,000,000	
Effect of Average Cost of Attendance per student = \$75 per semester @ 15 credit hours	
Effect on Student Financial Aid = None	
Uses of Revenues	Dollars
Match requirement for 2.0% salary improvement plus benefits	\$1,024,300
Salary adjustment pools faculty, staff and graduate assistants	508,600
Inflationary costs for facilities and other operations	334,850
Inflationary costs for enrollment systems	132,250

Other Mandatory Fees Sources and Uses	
Other Mandatory Fees increase of 3.45% = \$663,900; fee caps at 8 credit hours	
Effect of Average Cost of Attendance per student = \$32 per semester @ 8 credit hours	
Effect on Student Financial Aid = None	
Uses of Revenues	Dollars
SGA Fee– 1) significantly increase quality and number of campus concerts for student 2) increase funds for the SGA directed BUC Fund and 3) SAAC student organization funding.	\$183,500
Student Activity fee for ID Bucs to replace control equipment and expand security access on campus	2,700
Upgrade network to facilitate increased online activity, and increase technology network access control security. Year 1 of a 5 year request.	255,400
Parking Fee increase to cover debt service costs of purchased garage	222,300

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 13, 2020

ITEM: Quarterly Reports on Agreements \$250,000 or Greater

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King
Chief Financial Officer

Included in the meeting materials are a list of agreements, both expense and revenue, with amounts totaling \$250,000 or greater for the period of July 2020 – September 2020.

July – September 2020

Contracts / Purchase Orders over \$250,000

Contract/ PO Date	Start	End	Contractor	Description of Services/Products	Contract / PO Amount	\$ Annual Contract	Competitive
07/24/20	07/24//20	07/24/20	Data Blue LLC	Information Technology equipment	\$421,382	\$421,382	Yes
08/03/20	07/01/20	12/31/20	Elsevier	Library Online Collections/ Subscriptions	\$280,702	\$280,702	Yes

RFPs – Awarded, In-Process and Upcoming

Managed Internet Service – Housing and Residential Life

Renovation Services – Facilities

This report does not include contracts or agreements associated with revenue, software/systems maintenance agreements, contracts with the federal government, and construction projects which are approved through the State Building Commission.

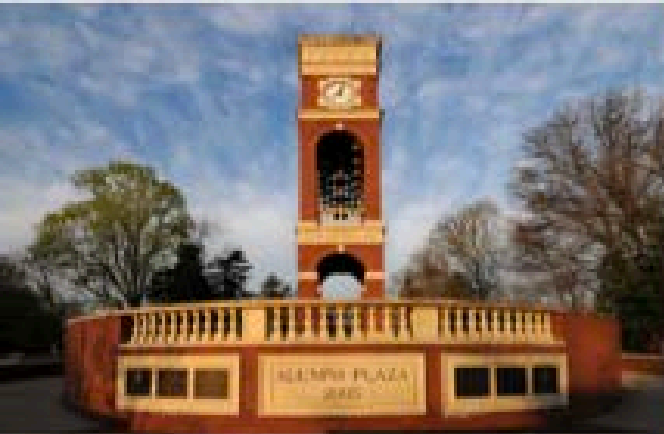
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 13, 2020
ITEM: Foundation Update
COMMITTEE: Finance and Administration Committee
PRESENTED BY: Pam Ritter
Vice President of University Advancement

University Advancement is charged with enhancing the philanthropic mission of East Tennessee State University. In addition to fundraising, Foundation staff work with the Foundation Board of Directors to manage the university's endowment. Ms. Pam Ritter will provide committee members with an update on the status of the Foundation including investment portfolio information and expenditures on behalf of the University. Highlights for 2019-2020 include:

- Record giving total for 2019-20: \$30.5M
- Completed fundraising for the Martin Center for the Arts
- Continued the forward momentum of the Campaign despite the COVID-19 pandemic
- Acquired office space for the Advancement and Alumni staff in the Model Mill
- Pivoted from a University-wide Day of Giving to a COVID-19 Response Campaign—Bucs Help Bucs. Raised over \$130,000 to support the needs of our students, faculty, and staff



ETSU Foundation Overview

ETSU BOT Finance Committee
November 13, 2020

University Advancement

- University Development
- National Alumni Association
- ETSU Foundation



Vision and Mission

Vision: The University Advancement Office will engage stakeholders in meaningful ways, fostering pride, advocacy, and private funding in support of ETSU's vision of becoming the best regional university in the nation.

Mission: We increase private giving to ETSU by delivering an integrated program of communications, marketing, face-to-face engagement, and stewardship, thereby building deep and long-term relationships with alumni, friends, and potential partners that will ensure ever-increasing support for today and for the future.

Campaign for ETSU

- Five Year Comprehensive Campaign
- Goal: \$120M
- Conclusion June 30, 2020



Strategic Goals

- Increase total net production (gifts and pledges) to \$25M per year – every year – by 2026.
- Increase alumni participation rate (alumni making a gift of any amount) from 3.5% to 10% by 2026.
- Engage donors/build enthusiasm for ETSU programs.



ETSU Foundation Endowment

Foundation Investment Committee

- Goldman Sachs – Investment Managers
- March 2020 – \$84M
- October 2020 – \$105M
- Investment Committee meeting with Financial Managers quarterly
- Last meeting held on October 29, 2020

Investment Pool Asset Class Ranges

<u>Asset Class</u>		<u>Minimum</u>		<u>Maximum</u>
Investment Grade Fixed Income		10.00%		30.00%
Other Fixed Income		2.50%		15.00%
US Equity		25.00%		55.00%
Non-US Equity		10.00%		30.00%
Hedge Fund		0.00%		12.50%

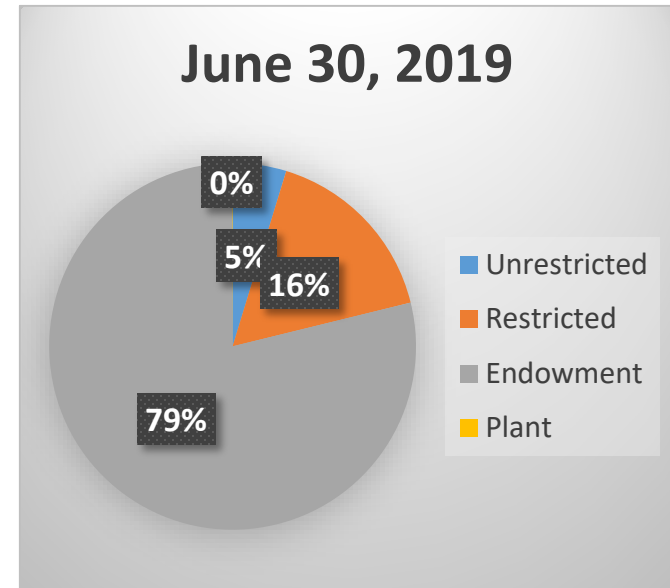
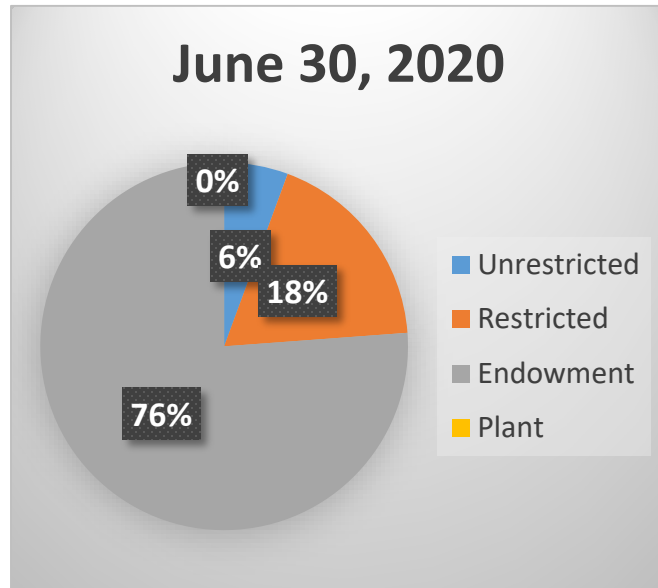


Portfolio Held by Goldman Sachs at June 2020

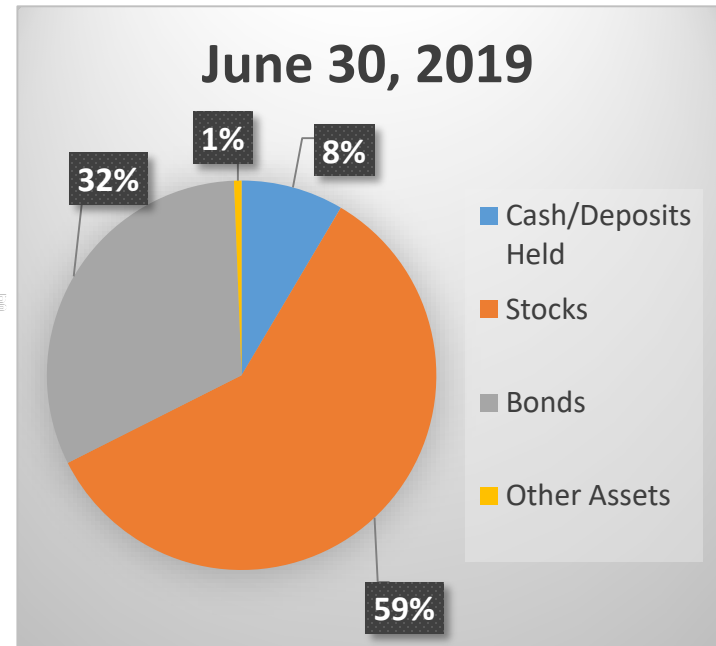
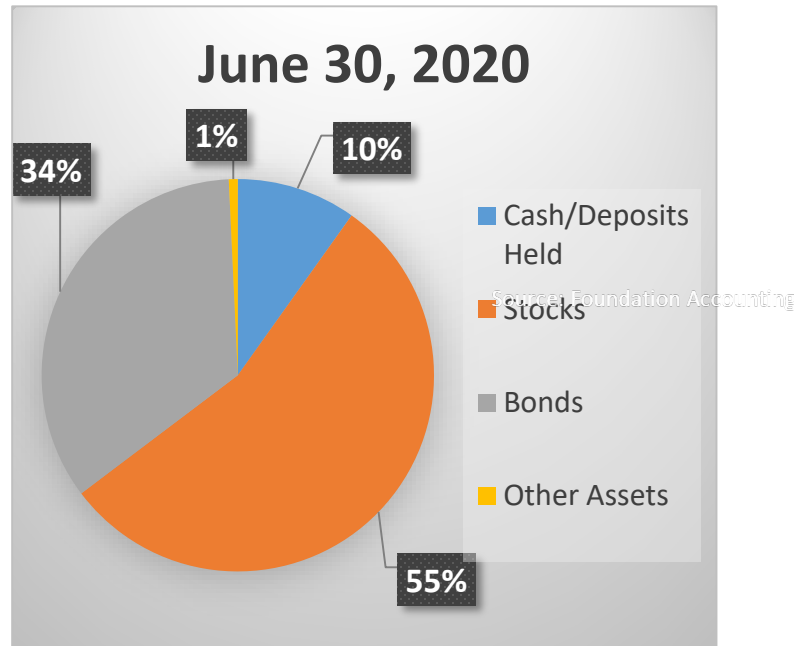
Asset Class	Value	Percent	QTD Perf	6 Mo Perf
Deposits and Money Market	\$ 350,873	0.4%	0.07%	0.41%
Investment Grade Fixed Income	29,644,732	30.1%	2.78%	5.96%
Other Fixed Income	8,589,778	8.7%	9.0%	-4.19%
US Equity	34,541,278	35.1%	20.85%	-6.40%
Non-US Equity	19,632,404	19.9%	17.08%	-10.03%
Hedge Funds	5,717,311	5.8%	6.17%	-2.24%
Total Invested	\$98,476,375	100.0%	12.80%	-2.88%
Benchmark Performance -				
MSCI All Country World ex US TR Index			16.30%	-10.76%
S&P 500 TR Index			20.54%	-3.08%
Barclays Capital US Inter Gov/Credit TR			2.81%	5.28%



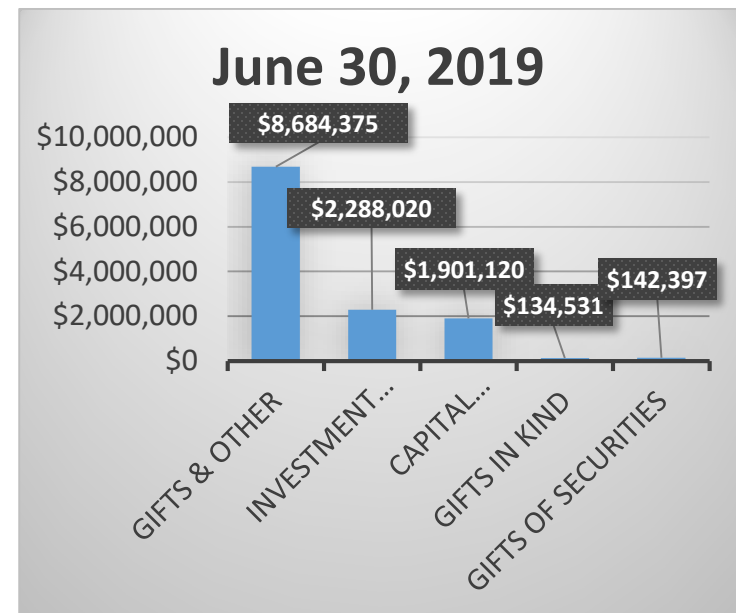
Total Assets by Fund Type



Asset by Classification



FY Income Comparison



Earnings Required for Distribution

- Foundation Board approved a 2/3/4 earnings distribution for FY19 and FY20
- Each Endowment operating fund receives a % of average fair value for 3 previous calendar years based on each fund reserve balance (available years for funds less than 3 years old)
- In first year, all earnings go to the fund reserve, no expenditures

Reserve Balance as % of Avg Fair Value	Spending Rate
6.0% and above	4%
3.0% - 5.99%	3%
0.0% - 2.99%	2%

Earnings Required for Distribution

- Per policy, requires investment income and realized gains for distribution
- If the market does not allow for required investment income and realized gains to fund the distribution, each endowment reserve is used to the amount available.
- FY20 required distribution was \$2.9M to the Endowment and \$900,000 to the Unrestricted fund, total \$3.8M
- FY21 distribution will be \$3M to the Endowment and \$1M for the Unrestricted fund, total \$4M

FY19 Transfers to and Payments on Behalf of ETSU

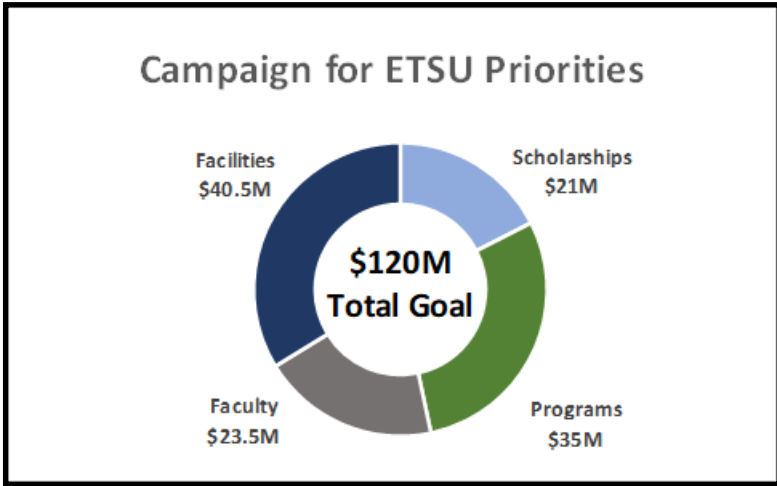
- Transfers for capital included –
 - \$180k for Memorial Center Locker Room renovation
 - \$200k for Lamb Hall renovation
 - \$1M for Boulevard Commons
- Funds in excess of \$2.8M distributed for scholarship awards
- Funds in excess of \$6.6M spent for departmental needs

Foundation Comprehensive Campaign

- Goal – \$120M
- Pledged or received to date - \$85.5M
- Timeline – 5 year campaign with 2 years remaining.



Progress toward Goal



	Goal	Progress
Scholarships	21	22.3
Programs	35	36.4
Faculty	23.5	12.3
Facilities	40.5	11.2
Unrestricted Fund		3.4
TOTALS	120	85.5

Questions



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

November 13, 2020
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met on Friday, November 13, 2020, at 10:45 a.m. Due to the extraordinary circumstances surrounding the COVID-19 pandemic, the meeting was conducted via teleconference, and public attendance to the meeting was available via livestream.

I. Call to Order

Steve DeCarlo, Chairman of the Finance and Administration Committee, called the meeting to order at 10:45 a.m.

II. Roll Call

Deputy Board Secretary Nathan Dugger led the roll call. In accordance with Tennessee Code § 8-44-108 section (c) (3), he asked the members of the committee for the record if they could clearly hear so that they could participate in the meeting, and if they would identify any persons present in the room with them from which they were participating in the meeting. All of the committee members who were present reported that they could hear and that they were alone.

Committee members present (all via teleconference) were:

Trustee Dorothy Grisham
Trustee Austin Ramsey (non-voting student member)
Trustee Ron Ramsey
Board Chairman Scott Niswonger
Committee Chairman Steve DeCarlo
Absent: Trustee Kelly Wolfe

Although a physical quorum was not present, Mr. Dugger reported to Chairman DeCarlo that a quorum did exist by inclusion of committee members participating electronically.

III. Approval of Determination of Necessity of Holding This Meeting

In accordance with Tennessee Executive Order 65 permitting safe, open, and transparent public meetings by electronic means, Mr. Dugger offered up to the board the following reasons that necessitated this meeting:

- Business critical to the operations of the institution are slated for this meeting such as approval of the October Budget Revisions, financial presentations, and an update on the ETSU Foundation;
- Due to the COVID-19 virus outbreak and subsequent recommendations from the Centers for Disease Control and Prevention as well as Governor Bill Lee, physical distancing measures and a limit on group gathers are being observed.

For these reasons, Mr. Dugger contended that participation by a quorum of the Board members by electronic or other means of communication is necessary and asked that a motion be made and a roll call vote be taken for a determination on the necessity of holding the meeting.

Board Chairman Scott Niswonger made a motion that the necessity exists for the meeting to continue. Trustee Dorothy Grisham seconded the motion. The motion unanimously passed by a roll call vote.

Mr. Dugger noted that there was a quorum and the need for the meeting had been voiced. In addition to the members of the Finance and Administration Committee, the following Trustees were also present for the meeting: Virginia Foley, Linda Latimer and Melissa Steagall-Jones.

IV. Approval of Fiscal Year 2021 October Budget Revisions

Dr. B.J. King, Chief Financial Officer for Business and Finance, presented the October 2020 revisions to the 2020-21 budgets for the one formula funded unit (Main Campus), two non-formula units (College of Medicine and Family Medicine), and one self-funded unit (College of Pharmacy). The proposed budgets for the fiscal year are based on the estimates for revenue and expenditures known at the time the budget is prepared. Dr. King explained that because the July budgets were prepared prior to COVID-19 and prior to the finalization of the Governor's budget, revisions were needed to update the budget to the reflect the current circumstances.

Dr. King went over information in the packet outlining the following revisions:

- **Main Campus:** Dr. King explained the primary reasons for the revisions to the Main Campus Budget, including the fact that state appropriations were returned to the F19 year levels and the original budget was based on an

enrollment decrease of 100 students. However, due to COVID and other mitigating factors, enrollment decreased by 474 students, affecting tuition revenues, revenues from auxiliaries (housing and food service), as well as other projected revenues.

Adjustments to the Main Campus Expenditure Budget included a \$7 million base budget reduction across all functional units (4.3 percent budget reduction for academic units and 5.3 percent budget reduction for administrative units); removal of the \$1.2 million salary increase that was part of the original state appropriation; carryforward funds for research; and a reduction in benefits and scholarships, partially due to the decrease in enrollment.

In total, the revised Main Campus Budget is writing revenue down by \$13.7 million and writing expenditures and transfer up by \$8.5 million. The revised budget also reflects a total decrease of 39 full-time unrestricted and auxiliary positions.

- **College of Medicine:** The College of Medicine is reducing its revenues by \$2 million (reductions in tuition and state appropriation being put back to FY19 levels and some reductions in medical residents' participation agreement revenues). Expenditures budget decreased. Other areas are being written-up in this budget due to carryforward funds. Medicine was not requesting any new positions in this budget cycle
- **Family Medicine:** Family Medicine is recording increases in revenue because its state appropriation reduction was offset by some increases in their medical resident participation agreements. Its expenditure increases are related to the addition of three new resident physicians, and Family Medicine is also assisting College of Medicine with the Associate Dean for Rural Programs position, adding that cost into the budget. Family Medicine is requesting three new positions in faculty and is writing its revenue up by \$96,000 and writing expenditures up by \$279,000.
- **College of Pharmacy:** College of Pharmacy has a decrease in revenue due to a slight enrollment decline. The increases in expenditures are driven by carryforward funds from the stewardship from last year. The College is adding one new faculty position and writing its revenue down about \$350,000, and writing expenditures and transfer budget up by \$1.5 million.
- **Summary of non-formula units:** Across all three of the non-formula units, there is a total increase of four faculty positions.

Trustee Ron Ramsey made a motion that the Committee approve the revisions to 2020-2021 Budget. Board Chairman Scott Niswonger seconded the motion. After a roll call vote, the motion passed unanimously.

V. Presentation of Fiscal Year 2020 Unaudited Financial Statements

Dr. King noted that the accounting records for the university are closed and FY20 financial statements have been forwarded to State Audit for review. A finalized report should be available and mailed to the Board by State Audit by April of 2021.

Dr. King reviewed the unaudited financial information, including a comparison of FY20 and FY19 assets, operating revenue, operating expenses, and nonoperating and capital income.

In this discussion, Chairman DeCarlo asked if all the CARES Act funding that has been received is reflected in FY20. Dr. King said that yes, because ETSU had certainty of what the amounts were, the CARES Act funding was recorded as revenue in accounts receivable in FY20 account books. She mentioned that there is minimal funding associated with CARES that would be recorded in FY21.

VI. Presentation of Fiscal Year 2020 Composite Financial Index

Dr. King presented the Composite Financial Index (CFI), intended to provide a measure of financial health of the institution, for the Board's review. The CFI includes the financial resources of the ETSU Foundation, but not does include information for the Medical Education Assistance Corporation. She reviewed the following four individual ratios:

- **Primary Reserve:** This is the measure of financial strength and flexibility. All units are far above watch level and all are increasing except pharmacy, which far exceeds the industry standard.
- **Viability:** This is a measure of financial health. All units are above the watch level, and all units are increasing.
- **Return on Net Assets:** This is a measure of total economic return for the fiscal year. Dr. King mentioned that this ratio could fluctuate due to timing of gifts (such as Millennium Center). She indicated that we are returning to "a more normal level" and that the combined level is above industry standard and above the watch.
- **Net Operating Revenues:** All units are above the watch level and "coming up from where we were in 2019."

The CFI incorporates four ratios and combines them with their weights. Dr. King indicated that ETSU declined "a little on all of them," but that we are in "good financial health." At 2.72, ETSU is approaching the 3.0 CFI industry standard and is at one of the highest levels it has been at in the past six years.

For future Board meeting cycles, Dr. King recommended that the presentation of the CFI move from the November meeting to the February meeting. Since other institutions across the state present their CFIs in December, at the November meeting, Dr. King did not have their data to show the Committee members how ETSU compared to other institutions across the state. In order to have this useful comparison, going forward, she will now defer the CFI presentation to February meetings.

VII. Presentation of Tuition Transparency Report

Dr. King presented ETSU's Tuition Transparency Report, which provides information regarding expenditure of revenues derived by any tuition and fees increase in the previous full academic year.

According to Dr. King, the report for FY20 indicated that ETSU increased tuition and mandatory fees by 2.31 percent and generated approximately \$2.7 million. Of this, there were \$2 million expenditures in salary improvements, benefits increases, inflationary costs for facilities and other operations and enrollment systems, Approximately \$700,000 in fee revenue was used to enhance campus concerts, fund student organizations on campus, improve the ID Bucs system, network technology improvements, and parking facilities.

Chairman DeCarlo asked if King received other universities' reports so she could do a comparison across the board. Dr. King said that although the universities all use the same format, they have not shared with each other what is reported to the State. However, this information could be derived from other sources, such as the Tennessee Higher Education Commission website or universities' Board documents.

VIII. Quarterly Reports on Agreements \$250,000 or Greater

As an information item, Dr. King provided the committee with a list of contracts and purchase orders that exceed \$250,000, covering the time period of July-September 2020.

IX. ETSU Foundation Update

Ms. Pam Ritter, Vice President of University Advancement, updated the Committee on the work of University Advancement, which includes University Development, the National Alumni Association, and the ETSU Foundation. She began with a review of the vision and mission, Campaign for ETSU, and the strategic goals.

She reviewed the work of Goldman Sachs, investment managers for the Foundation endowment. She noted that they were worried when the endowment went down to \$84 million in March 2020. After continuous meetings and careful monitoring by Goldman Sachs, the endowment jumped to \$107 million by the time of this meeting (November

2020). Ritter explained the conservative approach to investments and reviewed the investment pool asset class ranges and total assets by fund type.

She also shared with the Committee some of the creative fundraising techniques that her staff has used in order to develop and maintain relationships with alumni and donors, even in the midst of a global pandemic. Not only have they been Zooming with donors in order to stay safe, they have created and hosted new online educational opportunities for alumni to participate in, and hundreds of alumni have taken advantage of these events. These allow the University to continue to cultivate relationships despite limitations on in-person visits and meetings.

In her report, Ms. Ritter discussed earnings required for distribution, noting that in FY20, the required distribution was \$2.9 million to the endowment and \$900,000 to the unrestricted fund, for a total of \$3.8 million. In FY21, distribution will be \$3 million to the endowment and \$1 million for the unrestricted fund, for a total of \$4 million.

She reviewed the goal of the \$120 million Foundation Comprehensive Campaign, and Chairman Niswonger encouraged them to push on toward that goal. They are currently at \$86.2 million of that goal.

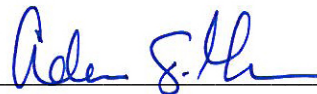
X. Other Business

No other business was brought before the Committee.

XI. Adjournment

Trustee Grisham made a motion to adjourn the meeting, and Trustees Ram Ramsey and Scott Niswonger seconded the motion. The meeting was adjourned at 11:55 a.m.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its February 19, 2021 meeting.