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2018 February 23 – Board of Trustees Finance and Administration Committee Agenda and Minutes

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EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE
FEBRUARY 2018 MEETING

10:00-11:30am EST
Friday
February 23, 2018

Surgery Conference Room
Carl Jones Hall Room 238, VA Building 1
Mountain Home VA Medical Center Campus
Mountain Home, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Finance and Administration Committee Minutes of November 10, 2017](#)
- IV. [Employment Policies](#)
 - A. [Anti-nepotism](#)
- V. [Discussion of Mandatory and Non-Mandatory Fees for 2018-19](#)
- VI. [Discussion of Salary Increase for 2018-19](#)
- VII. [Quarterly Reports of Agreements \\$250,000 or Greater](#)
- VIII. Other Business
- IX. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: February 23, 2018
ITEM: Approval of the Minutes of November 10, 2017
COMMITTEE: Finance and Administration Committee
RECOMMENDED ACTION: Approve
PRESENTED BY: David Linville, Secretary

The minutes of the November 10, 2017 meeting of the Finance and Administration Committee are included in the meeting materials.

MOTION: I move that the Board of Trustees adopt the resolution, approving the minutes as outlined in the meeting materials.

RESOLVED: The reading of the minutes of the November 10, 2017 meeting of the Finance and Administration Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

November 10, 2017
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee held a meeting at 10 a.m. on Friday, November 10, 2017, in Meeting Room 3 of the D.P. Culp University Center on ETSU's main campus in Johnson City, Tennessee.

I. Call to Order

Mr. Steven DeCarlo, chair of the Finance and Administration Committee, called the meeting to order.

II. Roll Call

Secretary Dr. David Linville called the roll. Committee members in attendance were:

Steven DeCarlo, chair

Nathan Farnor

Dorothy Grisham (joined meeting immediately following the approval of September committee meeting minutes)

Ron Ramsey

Jim Powell

Secretary Linville told Chair DeCarlo he had a quorum.

Others in attendance included: Acting Chief Operating Officer Jeremy Ross, Acting Chief Financial Officer B.J. King, Associate Dean for Finance and Administration for College of Medicine Greg Wilgocki, Associate Vice President for Budget and Financial Planning Margaret Pate, Comptroller and Director of Financial Reporting Karen Glover, James Batchelder (College of Clinical and Rehabilitative Health Sciences), Vice President of Advancement Pam Ritter, Kristen Swing (University Relations) and Amanda Marsh (taking minutes).

III. Approval of the Finance and Administration Committee Minutes of September 8, 2017

Trustee Powell made a motion to approve the minutes of the September 8, 2017,

Finance and Administration Committee minutes. It was seconded by Trustee Ramsey and unanimously approved.

IV. October Budget Revision

Dr. B.J. King presented the revised budget for the university and explained that the budget will be presented to the Finance Committee and the Board of Trustees for approval twice per year – once to adopt the budget and another to adopt budget revisions. Once budget revisions are approved, they are submitted to the Tennessee Board of Regents (TBR), which approves the budget for debt service conveyance, then the Tennessee Higher Education Commission (THEC), which then forwards the revisions for consolidation with the State of Tennessee. She said the revisions have already been submitted for this year, but in the future, revisions will be brought to the board before submitting to TBR.

Since the adoption of the 2017-18 budget by the Board of Trustees at its June 2017 meeting, Dr. King reported that enrollment was up, which increased tuition and fees received by the university. The original budget predicted a decrease in enrollment over last year. Dr. King said there was also an increase in state appropriations to the Tennessee Consolidated Retirement System (TCRS). The university is also receiving more funds from Washington County because University School added another class. Dr. King also pointed out that some of the revenue had been misclassified at year-end, which has now been resolved. In terms of auxiliaries, Dr. King noted that student housing was at capacity, causing food service meal plans to increase. She said in terms of revenue, it was “good news all around.”

Dr. King stated that the first slide in her presentation showed that revenue was up \$7 million for the university, but the next slide showed a \$15 million adjustment in expenditures. She asked committee members to recall the last budget presented to them, which was almost completely balanced. Even though the budget revision looks “quirky,” Dr. King explained that at the end of the fiscal year, there are numerous fees that aren’t completely spent, so they are carried forward. She said the revised budget accounts for over \$10 million in carried forward funds. Dr. King said she is required to put carried forward funds into the expenditure budget so that the expenditures can be controlled and so the money is expendable, but it’s not coming out of new revenue; it’s part of the fund balance. Dr. King told the committee that every year, they may see revenues go up in October, but expenditures will always increase more than revenue because of the funds being carried over from the prior year.

Chair DeCarlo asked Dr. King if she examines what will be carried over again in the next budget. She said that she reviews it constantly. She added that the new budget model will change some of the carry forward amounts. Chair DeCarlo then asked Dr. King how much was carried over last year. She replied \$9 million. He also asked if the amount was like “a reserve that keeps flowing forward?” Dr. King agreed and said that was a good way to think about it. She then provided an example that the technology fee has a designated use and can be carried over and spent the following year. Chair DeCarlo then asked Dr. King if her method could be defined as cruel accounting. She replied that the funds carried over each year are noted in the budget for control purposes.

Next, Dr. King explained the additions to the main campus expenditure budget by function. She noted that there was an increase in the Instruction line item due to enrollment growth, as well as a reallocation of funds noted on the next line. Dr. King said she was required to move athletic scholarships from Student Services to Scholarships Fellowships and pointed to the negative \$3.1 million on the Student Services line and the positive \$6.2 million on the Scholarships Fellowships line. She told the Committee that the remaining increase in Scholarships and Fellowships is due to a budget increase for scholarships this year.

Then, Dr. King described the additions to the main campus expenditure budget by natural class stating that most of the money is being carried forward as operating expenses. She provided an example by stating if Pam Ritter, Vice President of Advancement, has carried over funds in her department’s operating budget, she can opt to move the money to travel, temporary support (not a permanent position), or other means to help her office. Dr. King said her office puts the carry forward money into operating expenses so that financial managers can oversee the use of the funds and move them at their discretion.

Chair DeCarlo noted that with \$17.3 million in total revenue (including the carried over funds) minus \$15.5 million in expenditures, he wanted to know how Dr. King viewed this. Was it accrued funds, access reserves, or timing? Dr. King responded that it was timing and said she wished she could “tie everything out,” but budget isn’t the same as the way she looks at actuals. If it were actuals, she said she would be looking down to the penny. Seeking clarification, Chair DeCarlo asked if debits still equal credits in governmental accounting to which Dr. King agreed. She said that at the state level, they balance to the penny. Dr. King then reviewed why revenue was up \$7 million for the university, yet expenditures were up \$15 million, which was due to carried over funds from the previous fiscal year.

Next, Dr. King presented highlights from each budget entity, beginning with main campus. She stated that debt service was increasing and the reasons are twofold – a lot of debt was refunded, but two projects were added and bonded this year causing the slight increase. She then turned her attention to non-mandatory transfers and told the committee that \$1 million from the new revenue stream will go into reserves. Dr. King said that the university needs to increase its reserves. She then noted the increase in housing and food services and said it allowed more funds to go into renewal and replacement (R&R) to keep the auxiliary units running smoothly throughout the year.

Dr. King then turned the committee's attention to the Quillen College of Medicine budget and reminded them that the college implemented a 2 percent fee increase, which the Board of Trustees approved in the spring. She then indicated that the college had an increase in revenue, but was negative in instruction because enrollment was down by a few students, causing the instruction expense to decrease. Dr. King said everything else remained the same, but there had been some reallocations between different functions. She noted the overall increase in revenue by \$77,000 and a decrease in expenditures by \$208,000 and said Mr. Greg Wilgocki, Dean for Finance and Administration for the Quillen College of Medicine, is available to answer any specific questions. Chair DeCarlo then asked Dr. King to explain the non-mandatory transfer line, which showed a negative \$5.4 million. She replied that the non-mandatory transfer balances the budget. Then, Mr. Wilgocki stated that it had been done that way for the last 10 years because just like main campus, the college has a number of unfilled positions. He said that in the past, the college has been required to fund those open positions, resulting in the negative mandatory transfer each year. Chair DeCarlo then asked if the change from negative \$7 million to negative \$5 million in non-mandatory transfers was seen as an improvement, to which Mr. Wilgocki replied yes. Dr. King said it was an improvement because the funds were being transferred to R&R, and Mr. Wilgocki elaborated that those funds then go back to the budget. He said that at the end of each year, he looks to see what kind of funds are available and will move funds out of the general budget into R&R for additional reserves. To conclude the discussion, Dr. King said that although she wants to balance everything to the penny, she is reminded that the budget is different from actuals.

Next, Dr. King explained the budget for Family Medicine, which recorded an increase in revenue and an increase in expenses, which is mostly from the carry forward money. The increase in revenue is based on history and as Mr. Wilgocki noted, projected clinical income for the year.

Dr. King then turned the committee's attention to the budget for the College of Pharmacy. She noted the negative revenue amount, which was due to a slight decrease in enrollment. Dr. King reiterated what the Board of Trustees heard previously about the College of Pharmacy facing competition from other schools. She stated that the increase in expenditures is related to carry forward funds. To conclude her presentation, Dr. King said pharmacy, as well as the College of Medicine and main campus each has designated fees so those three units will always have carry forward funds in the October revised budget. Trustee Ramsey then asked if the College of Pharmacy is full in terms of enrollment and wanted to know how many students are currently enrolled. Mr. Wilgocki said the College of Pharmacy has 307 students and the original budget projected 312 students. He said the difference equals about \$160,000 in revenue. Dr. King added that a few students make a significant difference in revenue for both the college of pharmacy and medicine. Chair DeCarlo then asked the committee to think about the College of Medicine, Family Medicine and the College of Pharmacy and how each entity will be impacted three years from now because of the hospital systems merger. Trustee Powell replied that he thinks income will be up considerably for research and will filter in to cover some of the expenses related to research positions.

Following the conversation, Trustee Ramsey made a motion to recommend to the full Board of Trustees the approval of the submission of the October Budget Revisions. It was seconded by Trustee Grisham and unanimously passed.

Following the vote, Trustee Powell stated that in the future, the committee should further discuss reserves. Dr. King agreed and said she is collecting information for President Noland regarding history, as well as goals for what the university needs to have in its reserves. Trustee Powell noted that when he was on the board for THEC, he felt no one talked about reserves and that the financial issues that occurred in Blountville are a good example of how "no one was looking over their shoulder at the current bank balance." Dr. King responded that although she has not delved into the subject, it is her understanding that those issues were due to over spending for a number of years. She assured the committee that the university does not have that problem, but does need to build its reserves and she will provide a report about reserves at a future meeting.

Trustee Powell stated that in the future, perhaps during an unofficial meeting, the Committee can discuss how the university will handle cash flow for the Mary B. Martin Center for the Arts until the university receives payments from the City of Johnson City. Dr. King said this topic will be discussed at a later time. Jeremy Ross, Acting Chief Operating Officer, said those reserves can help with bonding and rating,

too. Trustee Powell replied that it could become an issue if money is taken from reserves to pay for the arts center.

V. **Finance and Administration Policies**

Dr. King gave a brief overview of Finance and Administration policies that have been revised to reflect current operations for the university and foundation under the institutional Board of Trustees. She said all policies and procedures will be brought before the board for approval, and noted that the format of the policies will be changing and any changes in procedure will not be required to go to the Board of Trustees for approval. Dr. King explained that all the policies being presented before the committee did exist before the institutional Board of Trustees was established with the exception of the Alcohol Policy, which is new.

- A. **Delegation of Authority/Signature Authorization** – This policy is a combination of an old TBR policy and one that the university already had. It tells how authority can be delegated appropriately and documented. Dr. King said this policy is very important to the audit process.
- B. **Disposal of Surplus Personal Property** – These guidelines come from the state as well as the university. If these controls were not in place, Dr. King said one could image what might happen, therefore it is important to document the university’s assets. She noted that there are procedures in place to document the university’s property and equipment, which is tagged and its current location is noted in the system. Dr. King explained that surplus items are sold on the website govdeals.com and another method with the state is being explored.
- C. **Equipment/Moveable Property Inventory Control** – This is a combination of a board policy and guidelines, and the university’s procedure merged into one document. Dr. King said the policy pertains to equipment tagging, depreciation, how purchases are handled, control and movement of equipment between departments. It also serves as internal controls for auditors.
- D. **Memberships and Subscriptions** – This is a general policy from the TBR. Dr. King said memberships to civic clubs and political organizations are not allowed in the State of Tennessee. She noted that this policy provides efficiency; an example is the institution’s membership to the National Association of College and University Business Officers, which is shared by 25 people at ETSU.
- E. **Alcohol Policy** – It was devised this fall and was reviewed by University Council. Secretary Linville then stated that the policy is revised from a previous one and now reflects what the university has been doing and is based on the alcohol policy at the University of Tennessee. He added that this policy isn’t much different than what was used before, but exceptions were made to the previous policy on a routine basis. Secretary Linville said this new policy “cleans things up” to reflect what the university is allowing and what is allowable by the State of Tennessee.

Trustee Ramsey responded that the new football stadium being on campus has “changed things.” Dr. King agreed and provided examples of tailgating as well as events held by the Alumni Association. Chair DeCarlo asked how the university is covered from liability and asked if the state purchases protection. Dr. King responded that the university does not allow the sale of alcohol, only serving of alcohol. Chair DeCarlo asked how the university would be protected if someone drank alcohol on campus and the proceeded to drive a vehicle and have an accident. Dr. King responded that the state’s position would be that the driver would be at fault. Chair DeCarlo said he understood this, but wanted to know if the university purchased liability insurance. Dr. King said there is a tort liability cap for the State of Tennessee that she believes is \$300,000 if the university is found to be at fault. Trustee Ramsey added that the amount had increased from \$150,000 in previous years. Secretary Linville said the State Claims Commission manages these claims should they arise.

At the conclusion of Dr. King’s presentation of the policies, Chair DeCarlo asked a question in regards to item A. Delegation of Authority/Signature Authorization. He said the policy does not mention wires and wanted to know if that fell under accounting policies. Dr. King responded that wires occur in her office and outgoing wires require her signature and standing wires are payroll related and involve health/life insurance. She said those wires are set up with the bank and have specific rules and dollar limits. If there is a wire transaction that does not follow the correct pathway through their system, Dr. King said the bank will contact her. Chair DeCarlo asked if there is a dollar amount that requires a verbal authorization and Dr. King replied yes. She said it doesn’t happen often, but several years ago a transfer was over the set limit and the bank contacted her via email and it was an instance when the increase was okay. Chair DeCarlo said he was aware of spoofing and was recently involved in a \$7 million error so he feels it is important to pay attention to those controls. He stated that certain levels of transfers should be verbally approved. Dr. King then provided an example in which she said information is gathered and the person contacted in advance of outgoing transfers for the university’s study abroad program. Chair DeCarlo was pleased with this practice.

Trustee Powell made a motion to approve the Finance and Administration policies presented in the meeting materials. It was seconded by Trustee Ramsey and unanimously approved.

VI. Medical Student Center Debt Service and Activity Fee

Mr. Greg Wilgocki presented the proposed changes to the Medical Student Center Debt Service and Activity Fee. He said several years ago, students agreed to pay for a

student center behind Stanton Gerber Hall and incur additional fees to pay for the operating costs, as well as debt service. Mr. Wilgocki explained that the TBR instructed that a certain percentage for debt service be used, which was about three percent higher. He said those funds have been accumulating and are being used to pay for the debt service, which is about \$88,000 per year. A portion of the fee, as previously approved by TBR, is being used for operational costs such as utilities and custodial services. Mr. Wilgocki explained that operational costs are increasing, but the fee has accumulated enough funds to cover major maintenance repairs. He stated that the time has come to “back down” and proposed that the fee be reduced by \$100 beginning July 2018. Mr. Wilgocki said the amount might not seem like much, but it is very important to the students and also important to the College of Medicine as it begins its self-study for accreditation, which looks closely at the amount of debt students incur. He said the college has requested to decrease the fee from \$650 to \$550 per semester and requested that \$210 of that fee be allocated toward debt service and \$340 toward operational expenses.

Mr. Wilgocki commented that the students enjoy using the space and this request is feasible for them and keeps the college fiscally sound. He noted that any funds left in operational expenses at year-end carry over and are not used for anything other than the student center building. Mr. Wilgocki described where the building is located and told the committee that only medical students have access. Chair DeCarlos asked for clarification regarding the fee and wanted to know if it had increased in 2017-18. Dr. King responded that the student center debt service and activity fee did not increase, but the tuition maintenance fee increased by 2 percent. Chair DeCarlos said that if we assume there will be a maintenance fee increase next year then this fee decrease will offset it. Dr. King agreed. Then, Chair DeCarlos asked what the 2 percent increase equaled to in dollars. Mr. Wilgocki said the maintenance fee increase was \$600 per student. Trustee Ramsey asked if these fees are issued in addition to tuition. Dr. King said yes and that they are part of the program service fee that includes debt service and student activity fees. Chair DeCarlos asked if these fees are broken down for medical students. Mr. Wilgocki said students see the detailed cost when they meet with the Financial Aid Department.

Trustee Grisham made a motion to approve the Medical Student Center Debt Service and Activity Fee as presented. It was seconded by Trustee Ramsey and unanimously approved.

VII. Presentation of unaudited financial statement

Dr. King presented an overview of the unaudited financial statements for the 2016-17 fiscal year. She said the audited statements should be finalized within a week, but the

official report will not be available until spring. Each Board of Trustees member will receive an official copy. In the past, Dr. King said the unaudited financial statements were posted on the ETSU website. Now, she provides a link to the state's audit website so users can access a copy if desired. Dr. King stated that she did not see anything negative in the financial statement. She referenced a bar graph comparing 2016 and 2017 assets and told the committee that current assets went up because of cash held in plant funds and due to an increase in accounts receivable. Capital assets increased due to the completion of the data center and construction of the football stadium, which was counted as construction in progress and in capital assets. Dr. King stated that other assets increased in 2017 because of additional money being allocated toward renovations of the D.P. Culp University Center and due to additional funds for the Mary B. Martin Center for the Arts. She said deferred outflows remain the same and were driven by bond refunding and pension liability.

Next, Dr. King focused on a graph comparing 2016 and 2017 liabilities. She stated that liabilities increased, but for good reasons including construction progress and unearned grant revenue. Dr. King explained that noncurrent liabilities also increased because of a \$12 million increase in pension liability, which will be described in greater detail in the financial statement released in the spring. Trustee Ramsey asked why the university incurs pension liability if employees are enrolled in the TCRS. Dr. King replied that the state does not record all of the liability on its books for TCRS or other post-employment benefits (OPEB) and pushes it down so all units at the lowest level, like Johnson City Power Board, Johnson City Schools and Washington County Schools, all the unique municipalities and state entities record a pension liability for TCRS. She added that the TCRS website provides pension liability reports for the entire State of Tennessee and everyone on that list has to record these liabilities and adjust them at every year-end based on actuarial calculations. Trustee Ramsey said he was under the impression until now that the liabilities were recorded at the state level. Dr. King said the liabilities are listed on the statement, but they are consolidated from everyone reporting up and the state does not show individual entities because they aren't really part of the state's system. Seeking clarification, Chair DeCarlos wanted to know if the liabilities are pushed to the university, does TCRS still manage the cash, to which Dr. King replied yes. Then, Trustee Ramsey asked if the liabilities have more to do with actuarial studies. Dr. King agreed and said there are alarming issues regarding pensions in other states and that TCRS is within the top five programs in the nation. Chair DeCarlo provided an example that if the state was out of liability \$5 million and they pushed it down and ETSU's liability became \$50 million, he wanted to know how the university would respond to \$50 million and not \$60 million. He asked if it is specific or reflective of the school, to which Dr. King explained that there are separate entities like Washington County School and Johnson

City Power Board, but higher education is one large entity in TCRS. Consequently, each year, TCRS must divide the liability among the institutions and struggles to do so. Dr. King said she watches it closely, as last year's information was wrong and when she questioned it, TCRS found that it was \$2 million off and the amount was recalculated for everyone in higher education. Trustee Ramsey then asked if it was a paper transaction to which Dr. King agreed and said TCRS sends a list of entries to book and distribute across campus. She said expenses can go up and down based on their calculations and it has nothing to do with what the university has paid, as TCRS tells the university what to do with it. Chair DeCarlo said it sounded as if TCRS is the home office and they allocate so it's difficult to argue. Dr. King said the university typically does not argue unless they are told that the closed pension grew, which it cannot. Trustee Ramsey said he previously thought TCRS was one "big umbrella" that pushed funds down to entities. Dr. King replied that she spends at least 40 hours working the TCRS entry each year and a lot of employee time is spent on this across the state. Trustee Ramsey said he didn't understand the reason for it, as pension liability throws a red flag, but there isn't really a red flag.

Dr. King then reiterated that the university investment capital assets increased because of the football stadium and data center, and funds are being held in debt service for projects that weren't bonded as of June 30, which impacted the university's restricted expendable net position. Trustee Ramsey then asked what the university's plant funds are. Dr. King replied that there are different fund types at the university including education and general funds, which the budget is based on. There are also restricted funds that come from outside sources used for research and public service, plus loan and auxiliary funds for housing and food service, bookstore, among others. Dr. King stated that the plant funds include:

- Unexpended plant - The university puts money into or gets money from the state or through gifts that are used to build or buy land
- Renewal and replacement - Money that is held each year for maintenance and repairs
- Auxiliary - Sets its own plant funds out of revenue
- Retirement and indebtedness - Includes mandatory and non-mandatory transfers to pay principle interest payments on debt service
- Investment and plant - Accounts for all the university's assets after buildings are completed or repaired and includes all equipment.

Trustee Ramsey said he has observed entities with a lot of plant funds which made him wonder if they were being given too much money, so the term "plant fund" is often mysterious. Dr. King said the plant fund is where money goes when the

university is told it has a match from the state and the funds have to build up there in order to do the project.

Next, Dr. King focused on the graph comparing 2016 and 2017 operating revenues. She stated there was a 2.6 percent increase in tuition and fees, and federal grant contracts increased, as did sales and services due to athletic ticket sales and auxiliaries due to the new food service contract with Sodexo.

Then, Dr. King turned her attention to operating expenses comparison for 2016 and 2017. She said salaries and wages went up due to a 2 percent across-the-board salary increase and an 8 percent benefit increase, mostly for health insurance. She also noted that expenses for utilities and supplies was increased due to repairs for elevators, lighting and campus housing improvements.

Dr. King then presented non-operating and capital income comparisons for 2016 and 2017, which she said was flat with the exception of some capital gifts for construction of the football stadium and some capital projects like the powerhouse boiler and roof replacement.

The next graph Dr. King presented was a comparison of net capital assets for 2016 and 2017, which she said increased because of the data center and construction of the football stadium. She then turned to the next graph - outstanding debt comparison for 2016 and 2017. Dr. King noted that debt is decreasing as some of it is being paid off, but some debt was added in Family Medicine because the Kingsport Family Medicine building was bonded after waiting two years. The football stadium was also bonded.

VIII. Presentation of Composite Financial Index

Dr. King presented an overview of the Composite Financial Index from unaudited statements. She said the index was first introduced to private institutions by KPMG and Prager, McCarthy & Sealy, LLC and was later modified for public institutions. Dr. King noted that the university has been tracking the ratios for at least 10 years to measure the financial health of the institution. She presented a graph comparing return on net assets, which is a measure of total economic return for the fiscal year and is similar to a return on equity. The ratio is determined by taking the change in net assets and dividing by the beginning total net assets. She explained that the graph is broken down by unit, but the next slide represents all units combined, which is how the state and TBR looks at the ratio. Dr. King told the committee that the combined ratio increased in 2017, which is positive for the university. Chair DeCarlo asked if there was any concern about the College of Pharmacy, to which Dr. King replied no.

She added that the difference wasn't substantial and that the College of Pharmacy has great reserves.

Next, Dr. King focused on net operating revenues, which she said is similar to a profit margin. She said Foundation is included in these calculations like all other public schools using these measures; however, the Medical Education Assistance Corporation (MEAC) is not included. In comparing the industry standard for net operating revenues to the university's combined net operating revenues, Dr. King noted an increase in 2017 and said overall all the measures look better than last year. Chair DeCarlo asked if Dr. King was concerned during 2013, when the combined net operating revenues was negative 1 percent. She replied that at the time, she was concerned, but thought it would trend back up as it may have been related to the implementation of the pension liability.

Then, Dr. King focused on the primary reserve graph and said she is concerned because the primary reserve can influence the entire calculation of CFI, the final consolidated index. She believes that addressing primary reserves will positively impact the CFI rating for the university. Dr. King said the graph represents why she is not concerned about the College of Pharmacy. The primary reserve measure is 35 percent of the end calculation (CFI), indicating its importance, she said. Dr. King told the committee that improvements are needed to the main campus primary reserve because it is driving the combined ratio down. The calculation uses expendable net assets and total expenses and although Dr. King said she cannot control expenses too much, she can control the net assets by increasing reserves. She pointed to a graph showing that the university has been below the combined benchmark for the last 10 years and said the committee will discuss this in greater detail in the future.

Dr. King then turned the committee's attention to the viability ratio, which is also 35 percent of the total CFI rating. She pointed to the corresponding graph and said it shows why she does not worry about the College of Medicine. The viability ratio shows plant debt, which the university has a lot of, and the College of Medicine does not other than its student center, she said. The viability ratio is expendable net assets divided by plant-related debt.

Overall, Dr. King said she is not too worried about the individual ratios, but she is more concerned about the composite financial index of the four entities combined. She is focused on primary reserve and viability, and since reserves is part of the calculation for both ratios, she said the best way to change it is to increase the reserves for the university. Trustee Powell asked if housing were removed, would it help the ratio. Dr. King said it might, but it doesn't get to "the heart of things"

because when she looks at non-auxiliary reserves “we’re not where we should be.” She acknowledged the debt in housing and said a revenue stream is coming in to pay it off and the debt is being analyzed, as there are possibilities for new construction in housing. To conclude the discussion, Dr. King reiterated that if the university wants to increase its combined CFI to hit the benchmark, the best way to do that is to focus on the primary reserve and viability ratios by increasing reserves. She added that other schools in the state are struggling with their CFI rating, which may not be favorable because of the amount of debt taken on.

IX. Presentation of new budget model procedures

Dr. King told the committee that the university’s new budget process is in draft form and will go to University Council for approval and will be shared with the committee at its next meeting. She said the new budget model will align with strategic planning to promote fiscal responsibility, to ensure transparency and enhance community on campus. A new annual calendar for budgeting will begin after the THEC meeting the following week. Dr. King said recommendations from THEC for appropriations and cap on fees will be submitted to the governor.

Currently, colleges and units are preparing budget proposals to go before the budget advisory committee that serves to advise the president, who is also on the committee, Dr. King said. It is a small group with members across campus that vet the requests for new funding through state appropriations and fee increases against the strategic plans. She said this process will be completed by February and will be brought to the Board of Trustees in the spring. She added that the governor’s budget will be released at the end of January and at that time any changes in fees and state appropriations will be reviewed and adjustments will be made accordingly. Dr. King said this process is much more transparent, but this is a transition year for the university.

X. Quarterly Report of Agreements \$250,000 or greater

Before this informational item was discussed, Chair DeCarlo asked if any additional agenda items needed to be voted on because allotted time for the committee meeting was running out. Secretary Linville stated that the remaining agenda items were informational. Dr. King referenced the spreadsheet attached to the meeting materials and said pending agreements were added to the list and those that had been approved. She added that all agreements listed were routine.

XI. Campus Construction Update

Mr. Ross presented a brief update outlining upcoming construction. He said the fine arts center (\$53 million) is under construction with an estimated completion date of 2019, renovations to the D.P. Culp Center (\$45 million) will begin May 2018, and

Lamb Hall renovations (\$23 million) were recently approved and designer selections should be completed by December. He told the committee that the presentation of the proposed humanities building (\$76 million) was well received and, based on feedback, will be in the top 10 of THEC's recommendations, but he does not know when the project will be funded.

Then, Mr. Ross said conversations continue to focus on campus safety. A top priority is to make sure every classroom can be locked. He added that master planning for the university will continue through the next 18 months, and is currently focused on parking and residence life. Mr. Ross said a survey on the Human Resources Department is being conducted.

Chair DeCarlo asked if there has been any major changes since the last construction update provided by Mr. Ross in September. He said yes because the humanities building is under consideration to be included in THEC's list of recommended projects. Mr. Ross said if that happens it should be celebrated because everyone worked together to make sure the project aligns with the state's goals, Drive to 55 and the university's mission. Mr. Ross noted that facilities on campus are beautiful, but student experience in general education classes is not. He added that the humanities building project aligns with what the state is asking the university to do – keep and retain freshmen and increase degree rates from 71 to 85 percent, which would increase enrollment by 300 students. Trustee Ramsey asked who Mr. Ross presented the humanities building project to. He said it was presented to the Tennessee Higher Education Commission (THEC). Trustee Powell asked what amount of matching funding would be available. Mr. Ross replied that he did not know for sure because of the new funding model that previously funded at 25 percent and would likely change to 15 percent, which is \$11.4 million. Chair DeCarlo asked when Mr. Ross will know if the humanities building project is on THEC's list. He said he will know after THEC's meeting the following week, which will include 10 projects that total \$330 million, which was the amount funded last year by the state. Mr. Ross predicted that the project will be funded in the next two to three years.

XII. Other Business

None.

XIII. Adjournment

Chair DeCarlo made a motion to adjourn. It was unanimously approved.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: February 23, 2018
ITEM: Employment Policies
COMMITTEE: Finance and Administration Committee
RECOMMENDED ACTION: Approve
PRESENTED BY: David Linville, Secretary

The following administrative policies for Employment have been revised to reflect current operations of the university and foundation with the establishment of an institutional board of trustees. The university's policies are now being presented in a new format which provides for separate policy and procedures within the same document.

- Anti-nepotism

MOTION: I move that the Board of Trustees adopt the Employment policies as outlined in the meeting materials

RESOLVED: Upon the recommendation of the Finance and Administration Committee, the Board of Trustees adopts the Employment policies as outlined in the meeting materials.



Anti-Nepotism	
Responsible Official: Chief Operating Officer	Responsible Office: Human Resources

Policy Purpose

The purpose of this policy is to assure that employees are supervised and evaluated objectively and to prevent occurrences whereby relatives who are employees of the university are in direct supervisory line with respect to each other.

Policy Statement

In compliance with T.C.A. § 8-31-101, et seq., the university prohibits full, part-time, student, or temporary employees from being supervised by a relative. This policy shall not be construed to prohibit two or more such relatives from working for the university.

Definitions

- Relative Includes a parent, parent-in-law, child, spouse, brother, foster brother, sister, foster sister, grandparent, grandchild, son-in-law, brother-in-law, daughter-in-law, sister-in-law, or other family member who resides in the same household.
- Supervision Includes authority to substantially influence hiring, evaluation, or promotion and to oversee another person in the performance of that person’s duties and responsibilities.

Policy History

Effective Date:

Procedure (s)

The hiring department must assure compliance with state law. While employment of relatives is permitted, no employee shall participate in the hiring, retention, promotion, or termination of a relative as herein defined.

When employees of the university become in violation as a result of marriage, the violation shall be resolved by means of transfer within the university, transfer to another institution or school, or resignation as may be necessary to remove the violation. If transfer alternatives are available, the employees shall be given the opportunity to select among the available alternatives. If the employees are unable to agree upon any such alternative within sixty days, the University President shall take appropriate action to remove the violation.

This policy does not apply to employment relationships in effect prior to July 1, 1980, provided that the university takes appropriate action to ensure that employees neither initiate nor participate in university decisions involving a direct benefit (retention, promotion, salary, leave, etc.) to a relative.

Procedure History

Effective Date:

Related Form(s)

N/A

Scope and Applicability

This policy applies to employment relationships of administrators, faculty, and staff.

	Governance
	Academic
	Students
✓	Employment
	Information Technology
	Health and Safety
	Business and Finance
	Operations and Facilities
	Advancement

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 23, 2018

ITEM: Discussion of Mandatory and Non-Mandatory Fees for 2018-19

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King, Acting Chief Financial Officer

The history of student fees for the last five years is presented below with a comparison to the other Tennessee Locally Governed Institutions (LGIs) and the University of Tennessee system schools.

Maintenance Fees

	2013-14		2014-15		2015-16		2016-17		2017-18	
	\$	%	\$	%	\$	%	\$	%	\$	%
	2013-14	Incr	2014-15	Incr	2015-16	Incr	2016-17	Incr	2017-18	Incr
Austin Peay	\$5,874	3.2%	\$6,198	5.5%	\$6,348	2.4%	\$6,522	2.7%	\$6,696	2.67%
East Tennessee	6,198	4.7%	6,630	7.0%	6,828	3.0%	7,002	2.5%	7,224	3.17%
Middle Tennessee	6,222	5.5%	6,552	5.3%	6,756	3.1%	6,930	2.6%	7,176	3.93%
Tennessee State	5,844	1.2%	6,198	6.1%	6,378	2.9%	6,528	2.4%	6,726	2.76%
Tennessee Tech	6,096	6.1%	6,474	6.2%	7,182	10.9%	7,380	2.8%	7,656	3.77%
University of Memphis	7,410	6.2%	7,410	0.0%	7,686	3.7%	7,860	2.3%	8,064	2.15%
UT Chattanooga	6,065	6.0%	6,430	6.0%	6,624	3.0%	6,768	2.2%	6,888	1.77%
UT Knoxville ¹	8,648	10.8%	9,493	9.8%	10,190	7.3%	10,858	6.5%	11,110	1.93%
UT Martin ²	6,336	6.0%	6,716	6.0%	6,918	3.0%	7,375	6.6%	7,818	1.8%
University Average	\$6,521	5.5%	\$6,900	5.8%	\$7,212	4.4%	\$7,469	3.4%	\$7,706	2.66%

1 - The 2013-14 to 2016-17 maintenance rates for students admitted in the Fall 2013 or later at UT Knoxville are flat rates for 15 semester credit hours, regardless of the number of credit hours taken by the student. This policy was approved in 2012 by the UT Board for introduction in Fall 2013. Eventually, each class will be charged for 15 credit hours and tuition increases will be applied to cohorts. The rates represented here are weighted averages.

2 - The 2016-17 tuition rate for full-time students who have completed fewer than 60 credit hours is a flat rate for 15 hours a semester regardless of how many hours the student is enrolled in. Part-time students and full-time students who have completed more than 60 credit hours are charged a flat rate for 12 hours regardless of how many hours the student is enrolled in. The rates represented here are weighted averages.

Mandatory Fees

	2013-14		2014-15		2015-16		2016-17		2017-18	
	Incr	%	Incr	%	Incr	%	Incr	%	Incr	%
Austin Peay	\$1,284	4.9%	\$1,264	-1.6%	\$1,453	15.0%	\$1,473	1.4%	\$1,529	3.8%
East Tennessee	1,345	25.1%	1,355	.7%	1,649	21.7%	1,669	1.2%	1,791	7.31%
Middle Tennessee	1,618	1.5%	1,636	1.1%	1,648	0.7%	1,660	.7%	1,772	5.48%
Tennessee State	930	0.0%	1,026	10.3%	1,039	1.3%	1,039	0.0%	1,050	1.06%
Tennessee Tech	1,287	7.3%	1,511	17.4%	1,171	22.5%	1,171	0.0%	1,217	3.93%
University of Memphis	1,256	0.0%	1,563	24.4%	1,583	1.3%	1,637	3.4%	1,637	0.0%
UT Chattanooga	1,490	0.0%	1,708	14.6%	1,732	1.4%	1,776	2.5%	1,776	0.0%
UT Knoxville	1,414	9.6%	1,510	6.8%	1,758	16.4%	1,810	3.0%	1,860	2.76%
UT Martin	1,178	6.8%	1,308	11.0%	1,408	7.6%	1,408	0.0%	1,418	0.71%
University Average	\$1,311	6.1%	\$1,431	9.4%	\$1,477	4.7%	\$1,508	1.4%	\$1,508	2.8%

Total Maintenance and Mandatory Fees

	2013-14		2014-15		2015-16		2016-17		2017-18	
	Incr	%	Incr	%	Incr	%	Incr	%	Incr	%
Austin Peay	\$7,158	3.5%	\$7,462	4.2%	\$7,801	4.5%	\$7,995	2.5%	\$8,225	2.88%
East Tennessee	7,543	7.8%	7,985	5.9%	8,477	6.2%	8,671	2.3%	9,015	3.97%
Middle Tennessee	7,840	4.6%	8,188	4.4%	8,404	2.6%	8,590	2.2%	8,948	3.93%
Tennessee State	6,774	1.1%	7,224	6.6%	7,417	2.7%	7,567	2.0%	7,776	2.76%
Tennessee Tech	7,383	6.3%	7,985	8.2%	8,353	4.6%	8,551	2.4%	8,873	3.77%
University of Memphis	8,666	5.2%	8,973	3.5%	9,269	3.3%	9,497	2.5%	9,701	2.15%
UT Chattanooga	7,555	4.8%	8,138	7.7%	8,356	2.7%	8,544	2.2%	8,664	1.4%
UT Knoxville ¹	10,062	10.7%	11,003	9.4%	11,948	8.6%	12,668	6.0%	12,970	1.93%
UT Martin ²	7,514	6.5%	8,024	6.8%	8,326	3.8%	8,783	5.5%	9,236	1.65%
University Average	\$7,833	5.6%	\$8,331	6.3%	\$8,706	4.3%	\$8,985	3.1%	\$9,268	2.72%

1 - The 2013-14 to 2016-17 maintenance rates for students admitted in the Fall 2013 or later at UT Knoxville are flat rates for 15 semester credit hours, regardless of the number of credit hours taken by the student. This policy was approved in 2012 by the UT Board for introduction in Fall 2013. Eventually, each class will be charged for 15 credit hours and tuition increases will be applied to cohorts. The rates represented here are weighted averages.

2 - The 2016-17 tuition rate for full-time students who have completed fewer than 60 credit hours is a flat rate for 15 hours a semester regardless of how many hours the student is enrolled in. Part-time students and full-time students who have completed more than 60 credit hours are charged a flat rate for 12 hours regardless of how many hours the student is enrolled in. The rates represented here are weighted averages.

The Tennessee Higher Education Commission has proposed a binding limit on maintenance and mandatory fees of 3%. The limit last year was 4% and the university increased these fees 3.97%. This year the university is proposing a 3% increase which would be 2.74% in maintenance fee increase and the remainder in mandatory fees.

Maintenance Fee Request - Per Semester

	2017-18	Proposed	2018-19		Prior	Revenue	Justification
	Actual		\$ Increase	% Increase	Increase	Generated	
Undergraduate @ 15 hrs	\$3,612	\$3,711	\$99	2.74%	3.17%		
UG Out of State	9,339	9,591	252	2.70%	3.22%	\$3,330,000	Unfunded salary pool \$1.2M, scholarship increases with tuition \$1.2M, budgeted enrollment decline 100 students \$760k, inflation
Graduate @ 9 hrs	4,122	4,230	108	2.62%	3.15%		
Grad Out of State	7,353	7,560	207	2.82%	3.16%		
College of Medicine M1, M1, M4	15,779	16,095	316	2%	2%	\$130,000	Cost study conducted
College of Medicine M3	20,986	21,406	420	2%	2%	\$59,000	Cost study conducted
College of Pharmacy	18,045	18,586	541	3%	3%	329,000	Cost study conducted

**Mandatory Fee Request – Per Semester
Fee Capped at 8 credit hours**

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Facilities Fee	\$40/\$5 per hr	\$64.00	\$24/\$3 per hr	Established 2017-18	\$592,000	Increase funds for the designated pool for specific campus renovation or constructions projects including classroom enhancements and campus improvements.
Technology Access Fee Year 2 of a 5 year request	\$120.50/\$15 per hr	\$132.50	\$12/\$2 per hr	2017-18 \$8/\$1 per hr	\$296,000	Increased bandwidth costs, Storage Area Network (SAN) for backup and student network storage, Network Access Control (NAC) technology improvements.

**Mandatory Fee Request – Per Semester
Fee Capped at 8 credit hours**

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Per Hour Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Bluegrass Band Fee	\$100 flat	\$100 per hr	From flat to cr hr charge	2015-16 \$50 increase to \$100 flat	\$7,000	Advanced bands are 2 credit courses, others are 1 hour. Account for additional instruction and supervision costs.
Studio Art Fee	\$30 per hr	\$50 per hr	\$20	2015-16 \$10 increase	\$50,000	Cover rising costs of materials, equipment, technology, and related repairs and replacements. Make fee consistent with fee for Graphic Design courses. Comparable South Alabama at \$45/hr. Eastern KY ranging from \$30-75 hr.
Art Appreciation Fee	NA	\$15 flat	\$15 flat	NA	\$3,600	Apply similar fee to this new course consistent with previously approved Art History courses.
Social Work Field Practicum Fee	\$50 flat	\$75 flat	\$25 flat	Established 2013-14	\$7,000	Used to support field education activities including liaison to sites. Expansions to Asheville and Abingdon have increased overall support costs.
Specialized Business Fee	\$30	\$35	\$5	2016-17 \$5 increase	\$162,051	Address increase costs in providing educational support. To continue to support faculty salaries in business disciplines, support for student services, instructional resources

provided to the students, and facilities improvements. Increase in fees would allow the college to support the university enrollment growth goal.

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Per Hour Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Accelerated Masters in Business Administration	\$25,000	\$30,000	\$5,000	2014-15 \$5,000 increase	\$150,000	Approx 30 students per year. To address increase in costs associated with the program: faculty/staff salaries, text books, premium facilities, and other state of the art resources.
CBAT International Student Fee	NA	\$150	\$150	NA	\$87,000	Approx. 290 students per semester. To support current international students in the college, as well as pursue growth in the college.
Extended hours course section fee for ENGL 1020	NA	\$100	\$100	NA	\$2,000	Create an extended-hours course section fee of \$100 that will allow departments to offer sections of courses that meet up to 5 hours a week but award the same credit as sections that meet the customary 3 hours a week. ADDITIONAL BENEFITS: Charging a \$100 fee for an extended-hours course section would lower costs for our international students, who currently pay nearly \$300 –if they get

the in-state rate—for ENGL 1009, a 1-credit lab.

Health Science Course Fee

\$40

\$50

\$10

Established 2013-14

\$671,670

Support a strategic growth agenda that maximizes the student experience both inside and outside the classroom; Expand the foundation for excellence and innovation in all disciplines; Support community engagement and service.

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Per Hour Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Silver 7 day Meal Plan	\$1,718	\$1,758	\$40/term	\$43/term	Revenue pass through to Sodexo	Food Services is a 100% auxiliary enterprise operation in contract with Sodexo. The increase is 2.33% and is based on the consumer price index for Meals Away From Home. This increase is part of the contract with Sodexo to provide food service for the campus, including residential students.

Summary of Maintenance and Mandatory Fees

Appropriation Unit	Current Maintenance Fee Per Year	Current Other Mandatory	Total Mandatory	Requested Other Mandatory	Total Before Maintenance Increase	% increase Before Maint Inc	<i>Projected</i> Maintenance Increase	Total Increases	Projected Total Mandatory	% Increase for Total Mandatory
ETSU Undergrad @15	\$ 7,224	\$1,791	\$ 9,015	\$72	\$ 9,087	0.8%	\$ 198	\$ 270	\$ 9,285	3.00%
COM M1, M2, M4	31,558	2,131	33,689	72	33,761	0.2%	632	704	34,393	2.09%
COM M3	41,972	2,834	44,806	96	44,902	0.2%	840	936	45,742	2.09%
COP	36,090	1,556	37,646	72	37,718	0.2%	1,082	1,154	38,800	3.07%

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 23, 2018
ITEM: Discussion of Salary Increase for 2018-19
COMMITTEE: Finance and Administration Committee
PRESENTED BY: B.J. King, Acting Chief Financial Officer

The Governor's Budget was released in conjunction with the State of the State address on January 29, 2018. The budget related to higher education can be found at <https://www.tn.gov/content/dam/tn/governorsoffice-documents/governorsoffice-documents/sots-2018/2019BudgetDocumentVol1.pdf>.

The Governor has recommended a 2.5% salary pool for higher education. The dollar appropriation for the 2.5% salary pool is 60% of the funding required to implement the pool. The remaining 40% will be funded through student fee increases.

	\$ Needed for 2.5% Pool	Governor's Proposed 2.5% Pool	Funded through Student Fees or Other Sources
Main Campus	\$3,000,000	\$1,842,30000	\$1,157,700

The university is currently engaging the services of a consultant to review all functions in Human Resources, including compensation. Management is recommending an across the board 2.5% salary increase for fiscal year 2018-19. We anticipate discussing the consultant recommendations on compensation with the committee when a report is prepared.

The table below shows the salary increase implementation for the past ten years.

Year	Across the Board Increase			Equity Increase To Market		Service Bonus		
2018-19	(1)	2.5%	\$500 min	(2)				
2017-18		2.0%	\$500 min	(2)	1% pool	\$3,000 ceiling		
2016-17		2.0%	\$500 min	(2)				
2015-16		2.0%	\$500 min	(2)	Pharmacy faculty only			
2014-15		0.0%						
2013-14		1.5%	\$250 min	(2)	4.25%			
2012-13		2.5%	\$750 min	(2)	8.50%	\$5,000 ceiling		
2011-12		3.0%	\$750 min	(2)			\$1,000.00	2 years + (3)
2010-11		0.0%			Pharmacy faculty only			
2009-10		0.0%						
2008-09		0.0%					\$400.00	3 years + (3)

(1) Proposed 2.5% across-the-board increase with a \$500 minimum.

(2) Employees with annual performance evaluations which are either unsatisfactory or performance far below expectations do not participate in salary increases.

(3) Service bonus is prorated based on percentage of contract.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 23, 2018

ITEM: Quarterly Reports of Agreements \$250,000 or greater

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King, Acting 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 October 2017 – December 2017.

Contract/ PO Date	Start	End	Contractor	Description of Services/Products	Contract / PO Amount	Competitive	If expenditure over \$249,999 and noncompetitive, was Fiscal Review approval obtained or pending?
12/13/17	01/01/18	05/31/18	CenterPoint Energy	Natural gas. Facilities Management. TSU contract.	\$271,050	yes	n/a
12/06/17	01/01/18	12/31/18	Jaggaer	Software system (eBucs) procurement, accounts payable, contracts	\$295,894	yes	n/a
Upcoming and In-Process RFPs							
			Express AV	Production of events. Student Affairs. RFP opened 11/16/17. Est \$780,000 over 5 years			
			TargetX and SalesForce	Constituent Relationship Management. Information Technology. RFP opened 10/17/18. Est. \$712,000 over 5 years.			
				Custodial supplies. Facilities Management. RFP early 2018. Est. \$1,150,000 over 5 years.			
				Security for campus events. Various departments. RFP early 2018. Est. \$952,000 over 5 years.			
				Sponsorship Sales and Mulit-Media Rights. RFP to be issued Feb 2018 for 10 year revenue contract. Est. \$10-20 mil over 5 years.			
				Beverage vending and pouring rights. RFP in process. Auxiliary Services. Est. \$4.5 mil revenue over 10 years.			
				AV Capture for Interprofessional Education and Research Center. Est. at >\$500,000			

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

February 23, 2018
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee held a meeting at 10 a.m. on Friday, February 23, 2018 in the Surgery Conference Room on the second floor of Carl A. Jones Hall on the Quillen VA Medical Center campus.

I. Call to Order

Trustee Ron Ramsey (serving in Committee Chairman Steven DeCarlo's absence) called the meeting to order at 10 a.m.

II. Roll Call

Secretary Dr. David Linville led the roll call. Committee members in attendance were:

Nathan Farnor
Dorothy Grisham
Ron Ramsey
Jim Powell

Others in attendance were Dr. David Linville, board secretary; Dr. B.J. King, acting chief financial officer; Rusty Lewis, chief financial officer, College of Medicine; Sue Taylor, finance and administration, College of Medicine; Margaret Pate, budget and financial planning; Karen Glover, financial services; Dr. Karen King, information technology; Dr. Lauren Collier, THEC; Joe Smith, university relations (taking minutes).

III. Approval of Committee Meeting Minutes from November 10, 2017

The minutes from the Finance and Administration Committee Meeting on November 10, 2017 were presented for approval. Trustee Powell made a motion for approval and Trustee Grisham seconded the motion. Motion passed.

IV. Employment Policies

Secretary Linville presented an employment policy related to anti-nepotism and explained it was a standard policy that is based on review of statutes and guidelines from the State of Tennessee. It was written by ETSU human resources staff, reviewed by the Acting Chief Operating Officer, and it is in compliance with state

code as well as previous policies. Trustee Grisham made a motion for approval and Trustee Powell seconded the motion. Motion passed.

V. **Discussion of Mandatory and Non-Mandatory Fees for 2018-19**

Dr. B.J. King introduced guests in attendance at the meeting who provide leadership for financial services on the main campus and at the College of Medicine (see item II). Dr. King discussed how the Board of Trustees will be asked to approve tuition and fees at the April meeting and that, historically, this is ahead of the timeline that has been followed in the past. This will allow students upon leaving campus at the end of the spring semester to have an idea of what tuition and fees will be for the fall 2018 semester. The major caveat with this is that the proposed tuition and fees will be contingent on the approval of Governor Haslam's budget, and will also be dependent on THEC maintaining the 3 percent binding limit for maintenance and mandatory fees that was proposed at its November meeting.

In addition to outcomes funding, the budget has a salary component of 2.5 percent of which only 60 percent is funded through the Governor's budget. A 1.75 percent tuition increase will be needed to fund the 2.5 percent salary increase. The operating funds money in Governor Haslam's proposed budget is approximately \$1,708,000. This is slightly less than the previous year, but, as Dr. King noted, last year's salary increase was 3 percent. The 1.75 percent tuition increase will provide funding for the salary increase but will not address any operational increases, which means that additional fee increases will be needed.

For the 2018-19 year, ETSU will be looking at a maintenance and mandatory fee increase of 3 percent compared to the prior year increase of 3.97 percent. The maintenance fee increase proposed is 2.74 percent and would generate approximately \$3.3 million in general fund revenue, with \$1.2 million going to the unfunded salary pool and an additional \$1.2 million for increases in scholarships. The 2018-19 budget is based on an enrollment decrease of 100 students in light of the decline in the number of high school students. This decrease of 100 students translates to a projected loss of \$760,000.

The budget includes two requests as part of the mandatory fees. Administration is proposing an increase to the newly implemented facilities fee from \$40 to \$64 which will provide an additional \$600,000 for student classrooms and common space renovations. A \$12 increase for the technology access fee is also being sought that would generate approximately \$300,000 in revenue. Dr. Karen King reported this will be used to support bandwidth costs, storage, backup for student network access and other technology improvements. Maintenance fee increase proposed is \$198 per academic year and the mandatory fee increase proposed is \$72 per academic year for a total increase of \$270.

The Quillen College of Medicine is proposing a 2 percent increase and the Gatton College of Pharmacy is proposing a 3 percent increase. Both academic units will also participate in the increases to the mandatory fees.

Dr. B.J. King said that several ETSU representatives had appeared before the House and Senate education committees and that staff are continuing to address questions regarding the proposed budgets.

In terms of non-mandatory fee requests which support specific course, lab and program fees, the 2018-19 proposed budget calls for an increase of \$1.1 million. The largest non-mandatory fee increase is the health science course fee to support student experiences in and outside of the classroom, student engagement, and the renovation of Building 60. The \$10 course fee increase will generate approximately \$671,000

A pass-through item for the budget is an increase in the food service plan, which was included in the contract with the food service provider. Services will continue in the Culp Center while the renovations are taking place. An increase in housing rates is not being sought. Deliberation of budget hearings are currently occurring on the ETSU campus with the Budget Advisory and Strategic Planning Committee (BASPC). The BASPC committee will meet soon to complete prioritizing budget requests in alignment with strategic goals.

VI. Discussion of Salary Increase for 2018-19

Dr. King noted that the 2.5 percent salary increase could be used either as an across-the-board increase or based on the current equity plan. The current plan is to provide across-the-board increases with a minimum increase of \$500.

VII. Quarterly Reports of Agreements \$250,000 or Greater

Dr. King discussed an RFP currently in process that will provide improved data on prospective students. Another RFP is open that will assist Intercollegiate Athletics with sponsorships and advertising.

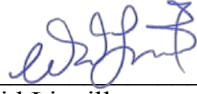
VIII. Other Business

There were no other business matters discussed.

IX. Adjournment

The meeting adjourned at 11:02 a.m.

Respectfully submitted,



David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its April 27, 2018 meeting.