

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE
SPECIAL CALLED MEETING

MINUTES

March 29, 2018
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee held a special called meeting at 3 p.m. on Thursday, March 29, 2018, in the President's Conference Room in Burgin Dossett Hall 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 (via video conference)

Jim Powell (via telephone)

Nathan Farnor

Absent were Trustees Dorothy Grisham and Ron Ramsey.

Secretary Linville noted to Chairman DeCarlo that he did not detect a physical quorum, however a quorum did exist by the inclusion of those members participating by electronic means. In accordance with Tennessee Code § 8-44-108 section (b) (2), Secretary Linville offered up to the committee the following circumstances which necessitate the reason for holding this meeting:

- It is necessary for the Executive Committee of the Board to meet in order to review the appeal filed with the Board.
- The prompt necessity of this committee's meeting did not provide adequate time for this committee's membership to make necessary arrangements to be physically present for a quorum.

For these reasons, Secretary Linville contended that participation by a quorum of the committee members by electronic or other means of communication is necessary, and then asked that a motion be made and a roll call vote be taken for a determination on the necessity of holding the meeting. Trustee Powell made a motion recognizing the necessity of the meeting. It was seconded by Trustee Farnor and unanimously approved via a roll call vote.

Secretary Dr. David Linville noted that, because some committee members were calling in for the meeting, he was required to ask each member if they can hear the meeting clearly on

the phone and if anyone is present in the room. Trustees DeCarlo and Powell both confirmed they could hear the meeting and were alone in their respective offices.

Others in attendance included: Dr. B.J. King, Dr. Brian Noland, Mr. Nathan Dugger, Ms. Kristen Swing, Ms. Margaret Pate, Ms. Kathy Glover, Ms. Amanda Mowell, Ms. Sue Taylor, Ms. Sherry Armitage, and Mr. Zach Vance (of the Johnson City Press).

III. Approval of Salary Increase for 2018-19

Dr. B.J. King explained that the Governor's proposed budget contains a 2.5 percent salary increase, with the governor providing approximately \$1.8 million of that cost and ETSU having to contribute approximately \$1.2 million. The university's contribution of \$1.2 million equates to a tuition increase of 1.75 percent.

For reference, Dr. King noted that the university had a 3 percent salary pool last year that was used for a 2 percent across-the-board increase and the other 1 percent went to an equity pool for increases based on market equity research. This year, Dr. King said executive leadership has decided to use the entire 2.5 percent for across-the-board raises (with a \$500 floor). Meanwhile, she said, a Human Resources consultant is helping the university look for a compensation plan that will allow leaders to do something different next year.

Trustee Powell moved that the Finance and Administration Committee recommend the adoption by the full Board of Trustees of the proposed salary increase for 2018-19 as it was presented, contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May. It was seconded by Trustee Farnor and unanimously passed via roll call vote.

IV. Approval of Mandatory and Non-Mandatory Fees for 2018-19

Dr. B.J. King shared that, last year, ETSU approved a maintenance fee increase of 3.17 percent and a total maintenance and mandatory fee increase of 3.97 percent, which was in line with THEC's binding limit of 4 percent. She warned that this legislative session is not yet complete, but said the university is anticipating receiving the funding outlined in the Governor's budget in January as well as a THEC binding limit of 3 percent. She reminded trustees that anything they approve today to move forward to the full Board of Trustees is contingent on the Governor's budget as it was presented in January and THEC establishing and confirming the 3 percent binding limit at its meeting in May. Worst-case scenario, she said, is that the full Board of Trustees approves something in April and then THEC reduces its binding limit. In that case, she said, there would need to be called meetings of the committee and full board to reduce the budget for this year.

The proposed total tuition and mandatory fees increase for 2018-19 is 2.91 percent, with 2.7 percent of that in maintenance fees and the remainder in mandatory fees, which will go toward a facilities fee (approximately two-thirds) and a technology access fee (approximately one-third). Dr. King said the 2.74 percent in maintenance fees should equal approximately \$3.3 million in revenue to go to the general fund. It will be used for salary increases and

anticipated scholarship increase while also accommodating a projected 100-student enrollment decline and a small inflationary factor.

The Quillen College of Medicine is proposing a 2 percent increase and the Bill Gatton College of Pharmacy is proposing a 3 percent increase, Dr. King also noted.

Offering some context, Dr. Brian Noland explained that the university will have to have a 1.75 percent fee increase for mandated salary increases and said the remaining balance is nominal. He said the university is taking a conservative approach to fees as well as the proposed budget. He also emphasized the historic timing of the process this year, noting that it is the first time in modern history that students will have a sense of the next year's tuition and fees before departing for the summer.

Dr. King next addressed the mandatory fee requests, noting again that these generate revenue for the facilities fee and technology access fee. She said Mr. Jeremy Ross would be present, hopefully in September, to talk about last year's facilities fee and what it was used for. She said last year was the first time for the facilities fee. The technology fee, she added, will go toward bandwidth costs, storage costs and access controls on the network.

On Page 9 of the materials, Dr. King noted that it should be labeled Non-mandatory fees and said these are fees related to specific courses. On Page 10, Dr. King noted a fee in Business and Technology that had changed. It is a fee related to a one-hour course for international students. On Page 11, Dr. King noted the Global Sports Leadership cohort fee, saying that it was presented last year but would not start until this fall so it was put into the materials just for clarity.

Trustee Powell moved that the Finance and Administration Committee recommend to the full Board of Trustees the adoption of the proposed mandatory and non-mandatory fees for 2018-19 as presented, contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May. It was seconded by Trustee Farnor and unanimously passed via roll call vote.

V. 2018-19 Budget Proposals

Dr. King said the Governor's total increase for the entire university is \$5.5 million, with \$500,000 of that related to an insurance increase. That leaves \$5 million, of which \$3.4 million is designated for the salary pool and leaving a \$1.7 million operating increase from the Governor. The Governor also included \$8.6 million in five maintenance projects at ETSU. The proposed humanities building, she noted, was not funded this year. Trustee Powell asked what the Governor provided for maintenance projects last year and Dr. King said it was around \$9.4 million. She said the \$8.6 million is not bad and that she believed ETSU came out well on maintenance projects this year.

In terms of the new locally governed institutions (LGIs), the University of Memphis had the largest appropriation followed by MTSU and then ETSU. Dr. King said ETSU has been very pleased with what Gov. Bill Haslam has given over the last few years. She noted that we are the first institution to have meetings on tuitions and fees and added that ETSU is decreasing

its tuition-and-fees increase by over 1 percent this year over last year. She also said we are coming in more in line with our peers with average tuition and mandatory fees.

Dr. King summarized that the budget is balanced and within available resources; tuition increases continue to trend low and are in line with peers; there are compensation increases; and approximately \$5 million in appropriations (net of health insurance). She said budget hearings started within colleges in the fall, reached the VP level in December and hearings with the VPs took place in January and February. A diverse committee is now going through the budget review process, she added.

In discussing main campus unrestricted funds, Dr. King noted that the university's \$260 million budget is funded by tuition and fees to the tune of \$150 million. State appropriations make up a little over \$65 million; grants and contracts account for approximately \$5.4 million; sales and services represent almost \$12 million; auxiliaries are \$25.6 million and other sources found \$1.4 million. She noted that the materials show revenues going up and expenditures going down, however this relates to carry-forward funds and encumbrances. She assured the trustees that the revenues and expenditures are almost identical and the budget is balanced. Dr. King shared a slide showing revenue by source. The slide showed that 53 percent of the university's revenue budget – the largest source of revenue – comes from maintenance and required fees. In terms of non-mandatory fees, the largest contributor is specialized course fees. In sales and services, the number one contributor of revenue is athletics. For grants and contracts, the largest revenue source is local due to the funding received for the operation of University School. In auxiliaries, housing is the largest source of funds but food service is growing.

In a slide regarding the allocation of new net funding on the main campus, Dr. King explained that \$2.5 million will go to a salary pool while other funds will be used for new positions as well as travel and operating expenses. There is \$4.1 million in total allocation in new funding on the main campus -- \$3 million will be put into salary increases and \$1.1 million will go into new positions and new operating monies.

Dr. King said instruction is 40 percent of ETSU's budget and scholarships are approximately 13 percent of the budget. As far as natural classification, salary and benefits are the largest portion of expenditures.

Chair DeCarlo asked how many positions would be funded through the \$733,000 allocated. Dr. King said, in total, we are asking for 10.5 new positions however four of them are being self-funded by one college. So, that means the \$733,000 is to fund 6.5 positions, including salaries and benefits.

At the Quillen College of Medicine, both the revenues and expenditures are at \$61 million, representing a \$2.5 million increase in revenue. Dr. King said this is in line with last year's proposal, adding that the medical school is increasing expenditures in instructional areas. She said MEAC provides \$39 million to the unit, representing approximately 39 percent of the total budget. State appropriations for Quillen are \$3.4 million. Like the main campus, the

number one expenditure at Quillen is instruction (salary/benefits by natural classification). Tuition and fees will go up 2 percent.

In Family Medicine, revenue is going up about \$500,000 and the budget is balanced. State appropriations are about 44 percent of the Family Medicine budget. Family Medicine is very dependent on clinic and residency revenues, Dr. King noted.

At the College of Pharmacy, there is a proposed 3 percent tuition increase, which equates to another \$300,000 in revenue. The budget is balanced. The pharmacy school does not receive a state appropriation and is almost entirely dependent on tuition and fees.

Summarizing, Dr. King said there has been a thorough budget hearing process; we are recommending low tuition increases with stable state appropriation revenue; investments are being made in employees through a salary increase; and the state has continued investing in campus infrastructure for maintenance projects.

Trustee Powell asked whether pharmacy could help with revenues by following a method similar to medicine with private practice. Dr. Noland pointed out that practice plan options at Quillen College of Medicine are structured around them seeing patients and the nature of independent pharmacists in a clinic setting is different. From a revenue perspective, Dr. Noland said clinical operations for Gatton are possible but he hesitated to say they'd lead to revenue like that at the medical school. Secretary Linville also pointed out the work ETSU's Academic Health Sciences Center is doing with the national Aligned Institutional Mission project from with the Association of Academic Health Centers. He said ETSU and the University of Kansas are the only two universities in the country to be a part of the project, which is taking a deep dive into the clinical operations across the health sciences at ETSU. He said the project will help identify opportunities and synergies that exist to improve the bottom line.

Chair DeCarlo asked about the status of the pharmacy school tuition issue related to the UT pharmacy school. Dr. Noland said the issue traces its roots to changes at UT that now allow an Alabama resident to pay less to attend UT than a Tennessee taxpayer pays to attend Gatton College of Pharmacy. A bill is currently proposed in the state legislature to provide \$2.5 million in scholarships and Dr. Noland said that while he recognizes this is a longer conversation, he is hopeful that the legislation will generate discussion.

In conclusion, Chair DeCarlo said this committee would discuss this again on April 27 prior to the full Board of Trustees meeting that afternoon where it will be presented to the full board.

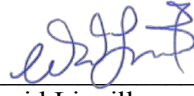
VI. Other Business

None

IX. Adjournment

Chair DeCarlo adjourned the meeting.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'David Linville', positioned above a horizontal line.

David Linville
Secretary of the Board of Trustees

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