

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

September 8, 2017
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee held a meeting at 10:15 a.m. on Friday, September 8, 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
Dorothy Grisham
Ron Ramsey
Jim Powell

Secretary Linville told Chair DeCarlo he had a quorum.

Others in attendance included: ETSU President Brian Noland, Board of Trustees Chair Scott Niswonger, Acting Chief Operating Officer Jeremy Ross, Acting Chief Financial Officer B.J. King, Joe Smith (University Relations), Dr. Lauren Collier from THEC, Vice President of Advancement Pam Ritter and Kristen Swing (taking minutes).

III. Approval of the Finance and Administration Committee Minutes of June 9, 2017

Trustee Ramsey made a motion to approve the minutes of the June 9, 2017, Finance and Administration Committee minutes. It was seconded by Trustee Grisham and unanimously approved.

IV. Capital Project Approval

Mr. Jeremy Ross presented on ongoing and future capital projects at the university, noting that the master plan incorporates a specific architecture style the university is trying to have on campus. The plan includes a lot of greenery. Mr. Ross discussed how some other universities are using "out-of-the-box" thinking to incorporate risk-reward pieces. For example, bringing in commercial businesses that students want

onto campus property. This would have to be done through the Foundation. He cited examples in which universities run hotels and other residential spaces.

Mr. Ross said one of the significant reasons students choose ETSU is because the campus is beautiful. He touched on the creation of the quad in the middle of campus and said the goal is to build on that even more. He said what happens between the buildings is just as important as what happens in them. Addressing the “spine” between the Culp Center and the football stadium, Mr. Ross said the university is considering a “la rambla”-type layout that includes a tree-lined center with bocce courts, bike paths, artwork, wi-fi access and more that could tremendously change the area. He said the University of Tennessee is doing this and Europe has done it for years.

Touching on completed projects and projects currently underway, Mr. Ross mentioned the Multicultural Center in the Culp (completed), the Johnson City Day Center (underway), the Data Center (completed) and the interprofessional building on the VA campus (underway).

He also discussed, in depth, renovations about to take place at the Culp Center. Mr. Ross said there would be an interior “street” in the building with a glass curtain wall facing the amphitheatre. The multi-story renovation will be considered “modern architecture” but not “brutalism,” he said. The second floor will include the Tennessee Room, the SORC, the SGA and other offices. The interior street will serve as an area for students to move through as they pass from one side of campus to the other, he noted.

Mr. Ross said the football stadium project worked well, being completed within budget and on time. He called it a “nice throwback stadium” and showed a photo from the first game. Chair DeCarlo said the photo should be used as a recruiting photo.

Mr. Ross also mentioned the renovations that were done to Freedom Hall in partnership with the city for men’s basketball to play there. In addition, he brought up the Fine Arts building for which the groundbreaking was to take place later the same day. He said the arts building will be seven feet below State of Franklin Road due to topography, but having a two-level facility will make that less noticeable. Mr. Ross said the capacity of the arts building will be 1,200 and the facility will feature 190,000 square feet of useable space. Chair DeCarlo asked if there had been any dissent locally for the project. ETSU President Brian Noland said the partnership element with the City of Johnson City is complex and included a need to move through a hotel/motel tax bill for the city to meet its requirements. Dr. Noland said the city was interested in the partnership all along but needed to make sure it was handled in a way that benefitted taxpayers. In all, Dr. Noland estimated the city had put in \$11 million toward the project, which includes \$8 million in construction costs, the donation of the land and a stop light that will be put up at the nearby intersection. In a five-year timeframe, Dr. Noland estimated the city has put in some \$25 million in

joint projects between the city and the university. Mr. Ross said there are approximately 500 donors to the performing arts center, including the Economic Development Council and the Johnson City Power Board. Board of Trustees Chairman Scott Niswonger said that when the referendum was turned down 15 years ago in Johnson City, that was the catalyst to build the Niswonger Performing Arts Center in Greeneville. He estimated that the hotel/motel tax in Greeneville brings in over \$400,000 per year.

Next, Mr. Ross briefly discussed the Lamb Hall renovation project that was approved in the state budget. The state will provide \$17.3 million of the \$25 million needed for the project, which is essentially a new building.

Mr. Ross said the university has an agreement with the city to explore the acquisition of the Millennium Centre. Dr. David Collins is working on a business plan related to this potential acquisition. A study is underway. Board Chair Niswonger encouraged Mr. Ross to reach out to Vicky Hudson. Another possible benefit to acquiring the Millennium Centre is the access to another parking garage. Mr. Ross said the cost to build a parking garage is approximately \$30,000 per car.

In all, there are an estimated \$275 million in projects between 2014 and 2019.

Mr. Ross also discussed adjacent properties. He said that while a lot of students come to ETSU because of the beautiful campus, there is a segment of students not coming here – those who want an urban setting. The revamping of the stretch of West Walnut street from ETSU to downtown, however, is changing that, he said. The renovation of the mill in that area will be transforming for both downtown Johnson City and ETSU. Mr. Ross shared two schemes of potential ways that stretch could look, with mixed-use development that includes parks, a hotel, shops and pubs. He said that bluegrass could be our niche. Multiple people currently own the properties along the half-mile West Walnut Street stretch and ETSU has taken an active role in determining what it will look like in the future, even serving on the city task force. Dr. Noland noted that the university put an offer on the Neebo facility and the adjacent property (former club) but the owner wanted \$500,000 more than the appraised value for the property. In response to a question from Chair DeCarlo, Dr. Noland said that once the first domino falls in terms of properties selling, it is likely market value will go up on the other properties in that stretch.

Next, Mr. Ross addressed the possibility of a new humanities building. With the performing arts center and Lamb Hall both now off of the state list, ETSU has to decide what should be put on the list in terms of capital projects. Mr. Ross asked that the committee approve the submission to THEC of a new humanities building for the state list. He said he has made a case for the project during a “first look” meeting with THEC. He noted that the humanities are currently spread throughout three buildings on campus – the Campus Center Building, Burleson Hall and Rogers Stout Hall. There is a deficiency of about 85,000 square feet. Arts and Sciences equals about 20 percent of all degree production on campus. Mr. Ross said students coming from

places like Science Hill High School and Northeast State Community College are going backwards as far as quality and condition of the learning environment for the humanities. He said the university's mission, the Drive to 55 initiative and the blighted building status are good reasons for it to be considered. The new humanities building would be a \$76 million building. It would be five stories and 100,000 square feet. The current Campus Center Building would come down and the new humanities building would be built in its place. Trustee Ramsey asked about the timeline. Mr. Ross said that, once approved by the Board of Trustees, the next step is to take the project to THEC. Dr. Noland pointed out that this is the first year in which THEC is working through its new process in terms of a needs list. The new process calls for a new list every year. The goal is to make the humanities building ETSU's new project on the list as the capital project priority for our campus.

In terms of capital maintenance, Mr. Ross said there is also a new approach from THEC whereby a certain amount of funding is allocated to a university and the institution is then charged with deciding how to use it. Currently, THEC is estimating that amount for ETSU to be \$9.54 in allocations, however what will actually be funded is determined by the governor in his budget and will likely be less than that. Some of the ways in which the allocation may be used at ETSU include improvements to the Mini-Dome in order to increase capacity from 9,600 closer to 14,200. Board Chair Niswonger said his company uses a formula in which 1 percent of cost for a project goes to future maintenance. On mature buildings, it is a pretty big number the university needs to be thinking about, he noted.

Mr. Ross provided a capital severance update, noting that THEC has asked the university to do five things to sever, one of which is an organizational structure chart that shows who at ETSU is now doing the work that had been being done by TBR. Mr. Ross said his folks have been making six trips a month to Nashville for job shadowing with the TBR. Among the other four things asked of the university are a single source of information; items to be on the website; access to architects, engineers and specialty consultants; and data management software. Chair DeCarlo asked if there was an addition of any staff since the work is being moved from TBR to ETSU. Mr. Ross said not yet, but that is needed. He credited the staff with being well trained and capable. Chair DeCarlo asked if the state had contemplated staffing issues and Mr. Ross said that the issue is ETSU's to address.

Mr. Ross also provided a list of disclosed projects, explaining that if there is any possibility of the project, then it is disclosed to THEC. One example is an outdoor track that alumni have been discussing coming together to fund. Mr. Ross explained that it has been disclosed because of the possibility of the project, but that the project has not moved any further at this point.

Following the conversation, Trustee Jim Powell made a motion to recommend to the full Board of Trustees the approval of the submission of the capital outlay, capital maintenance and disclosed projects to the Tennessee Higher Education Commission. It was seconded by Trustee Grisham and unanimously passed.

V. **Advancement Policies**

Ms. Pam Ritter gave a brief overview of the Advancement policies being addressed.

- A. **Responsibility and Ethics Policy** – This is a new policy that has been reviewed at several levels already.
- B. **Confidentiality and Data Control** – Ms. Ritter said her group tries very hard to make sure donors wishes are confidential.
- C. **Naming** – There is a committee for naming and final approval always goes to the president of the university. Typically, a gift must be completed within five years for naming rights but the president is allowed to make an exception. Mr. DeCarlo asked if there is a policy for removing a name, to which Ms. Ritter affirmed there is such a policy. Ms. Ritter also noted that a will commitment or other revocable gift does not allow for the naming of a facility. She provided standard donation amounts for naming, including \$10 million to name a college and \$5-10 million to name a department or school. She said these are national standards. Trustee Powell emphasized the need to be very careful in how namings are discussed and who is involved because it can be very sensitive if there is more than one entity wanting naming rights to something.
- D. **Planned Giving Policy** – This is a revised policy. It serves as a guideline to assist with information regarding solicitation and acceptance of planned gifts. In the past, charitable remainder trusts were not able to be done due to infrastructure, but they can be done now.
- E. **Endowment Amounts Policy** – This is now \$25,000.
- F. **Gift In Kind Policy** – This is a revised policy.
- G. **Gift Receipts and Acknowledgment Policy**
- H. **Soft Credit Policy**
- I. **Pledges Policy**
- J. **Acceptance of Gifts of Real Estate Policy**
- K. **Distinguished President's Trust – Cumulative Giving Recognition Societies**

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

VI. **Naming of the Arts Center**

Mr. Joe Smith presented a proposal recommending the new fine arts building be named the James C. and Mary B. Martin Center for the Arts. He noted Mr. Martin's contribution of \$1 million in 2008 (in memory of his late wife) for the creation of the Mary B. Martin School of the Arts at ETSU. He also noted Mr. Martin's lead gift of \$3 million in 2013 for the creation of the performing arts center. The Martins' daughter, Sonia King, also contributed \$1.2 million and additional money has come in from the family since Mr. Martin's death. In total, Mr. Martin's giving to ETSU is \$7 million. Dr. Noland added that this proposed name was brought to the TBR three years ago, however the TBR did not want to name the facility before construction began on it. While the official name would be the James C. and Mary B. Martin Center for the Arts, Dr. Noland said it will be referred to as the Martin Center.

Trustee Grisham made a motion to approve the naming and recommend the name to the full Board of Trustees. It was seconded by Trustee Ramsey and unanimously passed.

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

Prior to a report by Ms. King, Dr. Noland spoke about the budget approved by the Board of Trustees in the spring based on a decline of 250 students. He said enrollment would be above those projections (at least flat from last year) and, at the next meeting, a revised budget would be presented based on an additional 300 students. He said Ms. King tightened a lot of things up to serve the students better. Ms. King said that better installment plans were offered this year and fewer paid with credit card due to the 2.75 percent convenience fee. The first priority with the additional funds will be building the university's reserves, with a goal of \$2 million in reserves. Chair DeCarlo emphasized the need to build metrics this year, since things are new, to compare with how things go next year.

Regarding agreements over \$250,000, Ms. King said she is required to go over such contracts with this committee. They are:

- Education Advisory Board – Ms. King explained that we are one university in Tennessee that is in a larger EAB contract with several universities. She said the contract, which is a multimillion-dollar contract statewide, has been scrutinized at the state level.
- Adobe Systems Incorporated – A digital marketing cloud partnership
- EMD Millipore Corporation – This is for a flow cytometer in Internal Medicine.
- McKesson Drug Co. – We buy pharmaceuticals product from them that we then get reimbursed for on a grant.

Ms. King noted that all of these contracts have been vetted at the state level as well. Chair DeCarlo asked about process when it comes to non-budgeted, non-state reviewed contracts over a certain amount of money. He wondered if those items come to this committee or the full Board. Ms. King said that money is set back in plant funds for “what if” something goes wrong. Renewal and replacement funds exist for the university itself as well as for each auxiliary unit. The R&R fund is built on available cash. Auxiliary units are required to put at least 5 percent of revenue into their R&R funds. There is a five-year maintenance plan for auxiliary units. There is a plan to spend \$700,000 in R&R funds in housing units this year.

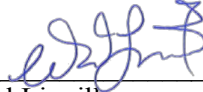
VIII. Other Business

None.

IX. Adjournment

Trustee Ramsey made a motion to adjourn. It was seconded by Trustee Grisham and unanimously approved.

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 November 10, 2017 meeting.