

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

November 15, 2019
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met at 9:47 a.m. on Friday, November 15, in the Millennium Center.

I. Call to Order

Steve DeCarlo, Chairman of the Finance and Administration Committee, called the meeting to order at 9:47 a.m.

II. Roll Call

Deputy Board Secretary Nathan Dugger led the roll call. Committee members present were:

Chairman Steve DeCarlo
Trustee Dorothy Grisham
Trustee Ron Ramsey
Trustee Kelly Wolfe
Trustee Cristopher Santana (non-voting student member)

III. Approval of Minutes of the Finance and Administration Committee September 20, 2019

The minutes for the September 20, 2019 Finance and Administration Committee meeting were reviewed. Trustee Wolfe made a motion for approval, and Trustee Grisham seconded the motion. The minutes were unanimously approved.

IV. October 2019 Budget Revisions

Dr. B.J. King, Chief Financial Officer for Business and Finance, reviewed October 2019 revisions to the 2019-20 budgets for the one formula funded unit, two non-formula funded units and one self-funded unit. During the June 17, 2019 meeting, the Board of Trustees adopted the proposed 2019-20 budgets for the university. The proposed budgets for the fiscal year are based on the estimates for revenue and expenditures known at the time the budget is prepared. The fall enrollment and adjusted appropriation figures for revenue budgets have been received along with adjustments from fiscal year-end closing

that provides for the carryforward of budgets for operational expenses.

Dr. King provided an overview of the revisions, noting that the total adjustment to revenue was \$1.9 million. The expense adjustment was \$17.86 million.

Overall, tuition was down due to enrollment being lower than expected. However, the course fee enhancements approved last spring made up for some of the tuition decline. Another adjustment to the budget was due to the \$1.5 million supplemental state appropriation for the Center for Rural Health Research, which was received after the July budget was prepared.

Highlights of some of the reasons for revisions to the expenditures and transfers in the main campus budget included:

- **Instruction:** Increase in course fees and carryforward of fees for instructional purposes.
- **Research:** Center for Rural Health Research appropriation and carryforward of some research improvement dollars.
- **Public Service:** The College of Nursing's additional investments in community practice.
- **Academic Support:** This increase was primarily due to the new budget model, allowing colleges and divisions to carry forward 50% of their unspent budget that accrues to their unit.
- **Student Services:** Down slightly due to the reclassification of some athletic scholarships to scholarship program expenditure category.
- **Institutional Support:** Vice presidents not part of academic support carryforward division funds in this category.
- **Facilities:** Operation of plant is going up in some of the expenditures because there were some carryforward and changes in pro rata charges through facilities office.
- **Scholarship:** Increase due to shifting of scholarships and additional scholarships.

Also included in the October revisions were the budgets for Quillen College of Medicine, Family Medicine, and Bill Gatton College of Pharmacy. Dr. King noted that these are more specialized and she briefly summarized changes.

During the overall discussion of budgets, Chairman DeCarlo asked Dr. King if she could provide a trending chart from the past 10 years so that the Committee could examine trends. Dr. King said she could provide these numbers at a future meeting.

Trustee Ramsey made a motion that the Committee recommend that the Board of Trustees adopt the October revisions to the 2018-19 university budget. Trustee Wolfe seconded the motion. The motion passed unanimously.

V. FY19 Unaudited Financial Statements

As an information item, Dr. King presented the FY19 Unaudited Financial Statements, which have been forwarded to State Audit for review. She reviewed charts and accompanying notes provided in the Committee members' packets.

Dr. King also reviewed the audit process for the committee, informing them that there would be an exit conference with representatives of State Audit to go over the report of the financials and compliance. The Audit Committee and executive staff are always invited to this meeting. The date has not yet been set.

Dr. King noted that she does not expect any changes and that Board members would receive via U.S. Mail the audited statements from State Audit. The finalized audit report will also be presented to the Board of Trustees at the spring quarterly Board meeting.

VI. FY19 Unaudited Composite Financial Index

Dr. King presented the Composite Financial Index (CFI) for review as an information item. The ratios were published in Ratio Analysis in Higher Education by KPMG and Prager, McCarthy & Sealy LLC. The ratios are intended to provide a measure of financial health of the institution. The CFI consists of four individual ratios, which are outlined in the members' packets.

Dr. King pointed out that the institution has favorable ratios in three of the four categories: Return on Net Assets, Primary Reserve, and Viability. The only ratio that is down is Net Operating Revenues. Dr. King indicated that this ratio had been above or at industry standard in the past. She reported that the University is in the process of working with a consultant who can help examine the funnel of potential students and what mix of tuition and scholarships would best serve ETSU students. Dr. King believes that the consultant will help fine tune these areas and thus improve the Net Operating Ratios.

All the ratios combined make up the CFI, which is at 3.29. This is higher than the industry standard – 3.0.

Finally, Dr. King told the Committee that at the spring quarterly Board meeting, she would be able to present comparative numbers to show how other schools performed.

VII. FY19 Federal Funds Report for State of Tennessee

The 2019 Public Chapter 480 requires state agencies to prepare and submit a financial report to the Department of Finance and Administration comparing the federal receipts and federal budget estimates for the fiscal year with a plan for a 5%, 25% and 100%

reduction in these federal funds. They were provided a template for this mandatory report. ETSU prepared and submitted the report to the state legislature, as required.

Ms. Karen Glover, Comptroller, reviewed ETSU's report, which was in the Committee's packet, emphasizing that it was a hypothetical report and that they were not anticipating any of the potential reductions examined.

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

As an information item, Dr. King provided the committee with a list of contracts and purchase orders that exceed \$250,000, covering the time period of April-June 2019.

IX. Policy Development and Administrative Rule Making

Trustee Wolfe made a motion to table this agenda item and move it to the Audit Committee for review at their next meeting. Trustee Ramsey seconded the motion. It passed unanimously.

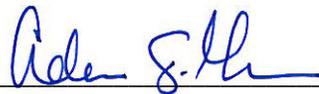
X. Other Business

No other business was brought before the committee.

XI. Adjournment

Chairman DeCarlo adjourned the meeting at 11:22 a.m.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its February 21, 2020 meeting.