

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

September 20, 2019
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met at 9:45 a.m. on Friday, September 20, 2019 in the Millennium Center on ETSU's main campus in Johnson City, Tennessee.

I. Call to Order

Finance and Administration Committee Chairman Steve DeCarlo called the meeting to order at 9:51 a.m.

II. Roll call

Deputy Board Secretary Nathan Dugger called the roll. Board members in attendance were:

Chairman DeCarlo
Dorothy Grisham
Scott Niswonger
Kelly Wolfe
Cristopher Santana

III. Approval of the Finance and Administration Committee Minutes of April 26, 2019

The Finance and Administration Committee Minutes of April 26, 2019, were approved as submitted, with Trustee Niswonger making the motion to approve and Trustee Grisham seconding. The motion passed unanimously.

IV. Approval of the Finance and Administration Committee Minutes of the Special Called Meeting on May 29, 2019

The Finance and Administration Committee Minutes of the Special Called Meeting on May 29, 2019, were approved as submitted, with Trustee Niswonger making the motion to approve and Trustee Grisham seconding. The motion passed unanimously.

V. Quillen College of Medicine Out-of-State Tuition Revision

Dr. King presented a request for reduction in out-of-state tuition for Quillen College of Medicine beginning in Fall 2020. Currently, out-of-state students pay in-state tuition of \$32,834 and an additional out-of-state tuition of \$34,087 for a total tuition cost of \$66,921. The out-of-state tuition is an additional cost of 104% of the in-state tuition.

The College proposes lowering the out-of-state component to 30% of in-state. If this had been implemented for Fall 2019, out-of-state students would pay an out-of-state fee of \$9,850. The total cost of out-of-state would be \$42,684 at the current fee rate. The College would retain the 30% additional fee for out-of-state moving forward. Should fees increase for Fall 2020, an out-of-state student would pay the in-state tuition plus out-of-state tuition calculated at 30% of the in-state.

King explained that tuition and fees only amount to 10% or less of Quillen's budget each year, so the implementation of this request would be negligible to the budget. She emphasized that it will help Quillen draw in a more diverse student body and allow the College to recruit more students from neighboring areas in North Carolina, Virginia, and Kentucky.

Dr. Bill Block, Dean of Quillen College of Medicine, underscored the importance of the impact the revision would have on Quillen's regional recruiting.

A discussion ensued about possible growth of Quillen College of Medicine and whether this tuition revision might help generate that growth.

Trustee Niswonger asked Dr. Block about his thoughts on the growth of the College. Dr. Block stated that he would be interested in growth and that he has requested that the Medical Student Education Committee analyze the current class size and what it could be. However, at this time, these discussions are in the exploratory phase as he does not yet have a commitment from faculty or clinical partners to increase the class size. Currently, the class size is 72 and there are approximately 2,000 applications per year (of which approximately 750 are in-state applicants).

Dr. Block emphasized that the out-of-state tuition revision would allow the College to take a regional approach to recruit, remain competitive, as well as help keep student debt in check, which is something the College's accrediting body considers.

Trustee Wolfe made a motion that the board approve the revision to the Quillen College of Medicine's Out-of-State Tuition as outlined in the meeting materials. Trustee Grisham seconded the motion, and it passed unanimously.

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

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.

In addition, she explained to the Committee that with their approval, she will no longer report the State Building Commission (SBC) projects on this list in the future, as the SBC projects are approved through a state process and they were not presented to the Board in the past.

Trustee Grisham made a motion to approve the list, and Trustee Wolfe seconded the motion. The motion passed unanimously.

VII. Capital Projects and Facilities Update

Mr. Jeremy Ross, Chief Operating Officer, provided an update on select administrative projects including capital construction, planning, and campus safety.

Since this is a master planning year, he began with an overview of several philosophical principles that inform and drive planning. The first concept is archology, which brings together architecture and ecology, focusing on how the built environment should work with the natural environment instead of working against each other. He also pointed out an emphasis on implosion (meeting facility needs by working with existing buildings and facilities) rather than explosion (constructing new buildings to meet the needs).

Mr. Ross gave updates on the following:

- **Culp Center:** While this building is an example of modern (brutalist) architecture, Mr. Ross pointed out that the current renovations are transforming the monolithic, heavy building into a structure that incorporates curves, shapes, and light – using archology to create beautiful views of surrounding campus.
- **Martin Center for the Arts:** Currently under construction, this facility incorporates curvature in design, lighting features and other principles of archology to bring the outside in and create a welcoming, useful space for the university and the community.
- **Lamb Hall:** More information is to come on the \$22 million renovation of this building. The University and the State are in ongoing conversations regarding how much of this project should be implosion and explosion.
- **Boulevard Commons:** A donor has contributed \$1 million for this space to make it more dynamic, transforming it from a “sea of suburbia” to an area that

emphasizes student experience through fire pits, outdoor fitness, plazas, and other engaging opportunities to create community.

- **Housing strategy (relating to Boulevard Commons):** The University is currently looking at the entire housing master plan, including an approximate \$50 million renovation over 10 years.
- **Millennium Center:** Exciting renovations of space in this facility enhance computer/cyber programs and complement the Niswonger Digital Media Center and provide opportunities for new students/enrollment growth.
- **Humanities Building:** The architecture has moved along, but the state level is asking for more planning/design data; the University has data consultants to justify the spaces needed.
- **Updating of classrooms:** New furniture and updates have enhanced many classroom spaces on campus.
- **Brown Hall:** Outdoor furniture, installation of a food truck, and pressure washing have transformed the courtyard of this building, drawing students, faculty and staff to congregate in the area.
- **Mini-Dome:** Renovations of this facility have made it a fine indoor practice facility that is utilized by ETSU Marching Band, Clemmer College's sports science program, and other athletics programs.
- **Baseball field:** Thanks to a gift from a donor, the parking lot was paved and more improvements are in the works for this facility, which is located at the gateway to the campus.
- **Signage:** Campus signage reflecting new branding has been installed.
- **Former book drop adjacent to Sherrod:** This space was transformed from a rarely used book drop to an outdoor eating area with food truck and seating.
- **Football field house:** The University utilized space formerly used to store construction materials for needed space for football.
- **Gilbreath Hall:** The oldest building on campus received welcoming updates, including new flooring and artwork.
- **Security cameras:** Through a state grant, the University will install improved security cameras with analytics.
- **Safety app:** The University is also introducing a new communication app that will be a tool for safety and information on campus.
- **Capital maintenance:** He presented our capital maintenance, at 7.6% and \$73 million funded.

Trustee Niswonger thanked Mr. Ross for his presentation and suggested that he give this report annually to update the committee. He also asked Mr. Ross to provide more specifics on the timeframe and budget of two of the current projects: the Martin Center for the Arts and the Culp Center renovations.

Martin Center for the Arts: Mr. Ross addressed some structural issues that had occurred during construction of the Martin Center, noting that that the Tennessee

Board of Regents and the architect and engineering firms are still in discussion about payment for those issues. In the meantime, the structural issues have been resolved, and the Martin Center is slated to open in April 2020.

Culp Center: The entire renovation is set to be completed in 2020 and is currently under budget and on time. Mr. Ross said that since they are under budget, they are in the enviable position of discussing possible additions to the original project such as renovations to the Ballroom.

VIII. Profiles and Trends in Human Resources

Ms. Lori Erickson, Assistant Vice President for Human Resources, presented information about the Office of Human Resources and trends and profiles of the university's employment data. The presentation included an overview of trend size and type of workforce, salary information, employee satisfaction, and next steps.

- **Trend size and type of workforce:** Ms. Erickson presented the categories of employees at ETSU (as reported to the Integrated Postsecondary Education Data System), noting that there has been some growth in some categories and decline in others over the past five years. Growth has occurred among faculty, which can be partially attributed to the growth of the nursing program. Staff support has grown proportionately. Currently, full-time faculty provide 66% of all instructional hours. ETSU does rely on some adjuncts to provide the diversity of academic programs that the students demand.
- **Salary information:** At ETSU, 64% of expenditures go toward salaries and benefits. Ms. Erikson showed peer faculty salary comparisons, with ETSU ranking 17th of 20 “peer institutions” for faculty salaries. Ms. Erickson noted that the salaries on this chart are not adjusted for geographical location, and thus, can be misleading. She also pointed out that ETSU faculty salaries have gone up by 9.5% since 2012-2013, demonstrating ETSU's commitment to investing in salaries to try to grow them. For staff salaries, ETSU was last among the 20 “peer institutions.” However, the percentage of change for ETSU's staff salaries since 2012-2013 was 12.7%. Ms. Erickson again emphasized that the “peer institutions” to which ETSU is compared are misleading because they are not the institutions that we would traditionally consider peers. She noted that a consultant will be working with the University to provide a better list of peer institutions for future comparisons. She also noted that in the past year, the University increased its minimum pay from \$8.61/hr. to \$9.25/hr. so that a family of four is no longer under the poverty line.
- **Employee satisfaction:** Ms. Erickson reported that ETSU's turnover for the current year is 11.3%, which is higher than the historical turnover rate of 7.6%. She noted that the higher turnover rate can be attributed to Baby Boomers retiring from the workforce, adding that the University is/will lose a lot of institutional

knowledge and is doing succession planning to offset this. She also noted that ETSU's turnover rate is low compared to private industry and that ETSU employee longevity is impressive, with almost half of the workforce with at least 10 years of service and more than 100 employees with more than 30 years of service. In addition, according to the "Great Colleges to Work For" survey, ETSU's average score is up over a five-year period. The only category that experienced decline is "Facilities," which Ms. Erickson said can be directly attributed to the renovation of the Culp Center. The University expects that score will move up substantially when renovations are complete.

- **HR Next Steps:** The Office of Human Resources is developing its first-ever strategic plan. Goals include providing better service from hiring to benefits and professional/development training. Ms. Erickson also noted that the university would be working with a compensation consultant and also is implementing a Business Partner Model, focusing on recruitment of employees.

At the conclusion of Ms. Erickson's report, a discussion ensued about how to recruit a diverse workforce and draw people to the area. Trustee Niswonger pointed out that the \$9.25/hr. minimum was low and this could have an effect on retention. Trustee Wolfe asked if there was a way to increase that amount. Mr. Ross said they were looking into ways to continue to improve salaries. Mr. Ross and Ms. Erickson pointed out that part of that effort is capitalizing on the region's assets, including lifestyle, schools, low cost of living, tuition benefit and more.

IX. Foundation Overview

Dr. King presented an overview of the ETSU Foundation, including changes in investment managers, investment performance, expenditures and transfers to the University, and the recently launched comprehensive campaign.

- **Change in investment managers:** Dr. King explained that after splitting the Foundation's portfolio between two different investment managers, the Foundation realized that one investment manager was performing better and that the cost of the investments was lower. Therefore, in Spring 2019, the Foundation decided to consolidate into one firm – Goldman Sachs in Atlanta.
- **Investment performance & Expenditures and Transfers to the University:** Dr. King informed the Committee that the Foundation Board approved a 2/3/4 earnings distribution for FY19 and FY20. Trustee Niswonger commented that the approach was very conservative. Dr. King noted that ETSU Foundation was one of the few institutions nationwide who were generating spend dollars during 2007 and 2008. She noted that FY19 required distribution was \$2.8M to the Endowment and \$876,000 to the Unrestricted Fund, totaling \$3.7 million. FY20 distribution will be \$2.9M to the Endowment and \$900,000 to the Unrestricted Fund, totaling \$3.8M. Trustee Niswonger noted that this sounded right. Chairman

DeCarlo also asked if the Foundation was allowed to take on debt, commenting that it was a good time to do so. Dr. King explained the process of the state's bonding authority, TSSBA, taking bonds to market.

- **Comprehensive Campaign:** Dr. King noted that the University launched its comprehensive campaign this year and indicated that members of the Committee and Board would be getting a campaign notebook from her office.

As part of the discussion, Dr. King also introduced members of the ETSU Advancement staff, complementing them for their significant role in the growth the Foundation has seen. Those individuals introduced at the meeting included: Pam Ritter, Vice President for University Advancement; John King, Associate Vice President for Advancement; Denise Asbury and Michael Webb, Directors of Development, College of Arts and Sciences; Rebecca Muncy and JaVonte' Ashford, Directors of Development, College of Business and Technology; Denise Asbury, Director of Development, Clemmer College; Anne Godfrey, Director of Development, College of Nursing and College of Clinical and Rehabilitative Health Sciences; Aaron Scott, Director of Development, Bill Gatton College of Pharmacy and College of Public Health; Carol Sloan and Mona Saylor, Directors of Development, Quillen College of Medicine; Kelly Cisney, Director of Development, University Programs; and Dessi Foster, Director of Development, Student Life & Enrollment & Roan Scholars.

Chairman DeCarlo asked how often the Foundation presentation would be made to the Finance Committee. The consensus was that an annual presentation at the September meeting would be ideal.

X. Adjournment

Chairman DeCarlo adjourned the meeting at 11:36 a.m.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its November 15, 2019 meeting.