

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

September 15, 2023
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met on Friday, September 15, 2023, at 10:02 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Steve DeCarlo called the meeting to order at 10:02 a.m.

II. Roll Call

Board Secretary Dr. Adam Green conducted the roll call. All committee members were physically present:

Committee Chair Steve DeCarlo
Trustee Charles Allen
Trustee Dorothy Grisham
Trustee Dr. Linda Latimer
Trustee Ron Ramsey
Trustee Aamir Shaikh

III. Approval of the Committee Minutes from April 21, 2023

The minutes from the April 21, 2023, meeting of the Finance and Administration Committee were approved as submitted, with Trustee Charles Allen making the motion and Trustee Dorothy Grisham seconding the motion. The motion passed unanimously.

IV. Action Item: Approval of Use and Transfer of Debt Service Fee for Athletics

ETSU Chief Financial Officer Christy Graham told the committee that included in the university's program service fee are defined amounts per specific debt of the university. She indicated that our goal is to service the debt of the university and accumulate two years of debt service in a reserve for each project. Because the amounts collected depend on student enrollment, those amounts vary each year. Ms. Graham presented a chart showing three projects that are either overfunded or underfunded based on the amounts being collected. Our

soccer and baseball facility debts are both overfunded while the football stadium is underfunded in the reserve. The reserve holds \$1 million, and the goal is to move this balance to almost \$1.6 million. ETSU currently collects \$29 per student per semester to support this debt service. Staff recommends that ETSU reallocate the \$10 per student that is currently earmarked for soccer debt to football to fully fund the football debt. Staff also recommends that ETSU release \$469,461 from the soccer debt reserve and \$327,499 from the baseball debt reserve to fund athletic facility repairs and improvements. This will leave the debt reserve for soccer with enough to fully fund the remaining debt service and will leave two years' debt service payment in reserve for the baseball debt. The additional program service fee will allow the reserve for football to reach the \$1.6 million mark within the next three years. Ms. Graham asked for the committee's approval to make these changes. (President Noland emphasized that this is not an increase in tuition and fees at all but rather a reallocation of existing fee revenue to cover the debt service payments for football.)

Trustee Allen made a motion that the reallocations be approved. Trustee Grisham seconded the motion. It passed unanimously.

V. Quarterly Financial Report

Ms. Graham presented the quarterly financial report as of the end of June 2023. She indicated that the percentages look very similar to those reported at the end of the previous quarter. Among the key points in the report:

- Revenues increased by 10.57 percent year over year and expenses have gone up 8.76 percent.
- Pharmacy revenue decreased because of a decline in enrollment, with a corresponding decrease in expenses.
- Examining revenue by source, tuition and fee revenues decreased by 2.66 percent, which is related to the out-of-state tuition reset made a few years ago.
- State appropriations increased significantly. The \$20 million received for the implementation of the new ERP system is reflected in the 25 percent increase.
- Tuition and fees and state appropriations continue to constitute the majority of ETSU revenues are fairly evenly distributed.
- Salaries and benefits increased almost 14 percent and scholarships decreased by 13.5 percent.
- All-in revenue and expenses:
 - Revenue increased by 7 percent, and the expenses increased by 6.4 percent. Auxiliary revenue increased significantly at 14.6 percent while the expenses actually decreased. Our all-in revenue is almost \$550 million.
 - Expenses: salary and benefits increased by 12 percent. Scholarships decreased substantially, reflecting the reduction in out-of-state scholarships but also reflecting the Higher Education Emergency Relief Fund Scholarships that we were able to award in 2021-22 but that were not awarded in 2022-23.

VI. Quarterly Report of Agreements \$250,000 or Greater

Mr. Ryan Roberts, Director of Procurement and Contracts, reported on the contracts/purchase orders that exceed \$250,000, for the period of April through June 2023 found in the meeting materials.

Mr. Roberts informed the committee of one RFP that is in process: broker services for medical residents' health insurance.

VII. CFO Update

Ms. Graham reported that the Strategic Resource Alignment Advisory Committee has now begun meeting. In reviewing models for resource allocation, the committee's goals are:

- To develop a framework for setting base budgets and to identify performance-driven metrics for annual adjustments.
- To document budget model management, including policy, governance, and reporting.
- To conduct budget training sessions and workshops for stakeholders and community.

Ms. Graham shared a timeline for the committee's work. Future work of the committee will include a review of Huron budget recommendations, a review of current resource utilization, and an exploration and selection of a new allocation model.

Ms. Graham also provided a brief update on the Voyager (Oracle) transition, which is scheduled to go live in 2024. ETSU is the first university in Tennessee to implement the system and has been able to help other institutions in the state as they begin a similar journey. At ETSU, payroll, human resources, and finance will be the components going live at the first of the year. Ms. Graham said one of the upcoming changes will be conversion to a bi-weekly payroll system for all faculty, staff, graduate students, and students.

President Noland stressed that our priority is to get the transition done right, as opposed to getting it done fast. He emphasized that this is a complete rewiring of the business operations at ETSU.

VIII. Annual Foundation Update

Ms. Pam Ritter, Vice President for University Advancement and President and Chief Executive Officer of the ETSU Foundation, reported that the Foundation had a banner year last year. The Campaign for ETSU raised over \$163 million, surpassing the initial goal of \$120 million.

Other highlights for the division include:

- The launch of a donor recognition site online and on the second floor of Burgin E. Dossett Hall.
- A record number of new inductees into the Distinguished President’s Trust, at 74.
- A renaming of The Millennium Center in honor of James and Nellie Brinkley, recognizing their estate gift.
- Two successful “On the Road!” events for ETSU alumni and friends that were held in Atlanta and Charlotte, with plans to go to Houston during this coming year.
- Four Broadway shows staged at the Martin Center, all sellouts.

Ms. Ritter said that 2022-23 was designated as “A Year of Gratitude” for our donors. At a glance, 2022-23 yielded:

- \$14.2 million in new gifts and pledges
- 9,803 gifts
- 4,946 donors, including 974 (or 19.7 percent) who are first-time donors

Among the division’s major priorities and initiatives in fund-raising are:

- Academic Building: \$4 million
- Brown Hall (north side): \$1.9 million
- The Integrated Health Services Building: \$3.1 million

Ms. Ritter emphasized that the division’s top priority is student opportunities. As an example, she noted the ETSU Marching Bucs’ participation in the 2024 Macy’s Thanksgiving Day Parade, which will require approximately \$350,000, or some \$1,000 per student.

Ms. Ritter also presented a brief financial overview of the Foundation, pointing out the excellent work done by the Foundation’s Investment Committee and investment managers at Goldman Sachs. Our endowment now stands at \$127,150,502, as of June. Fiscal-year-to-date performance of the portfolio held by Goldman Sachs was 12.97 percent as of June.

IX. Annual Capital Projects and Facilities Update

Mr. Jeremy Ross, Chief Operating Officer, presented this report, beginning with a summary of capital disclosures, totaling \$95,650,000. Specific items include a new residence hall, a new parking garage, campus-wide paving and repair, and an elevator for the Millennium parking garage.

The capital maintenance submission totaled \$16,940,000 and includes items such as safety lighting and alarm replacement; roof replacements; steam line repairs and replacements;

electrical repairs and replacement; exterior structural repairs; HVAC and plumbing repairs; and electrical upgrades.

Projects in design, totaling \$191,900,000, include the Integrated Health Services Building; the new Academic Building; phase 1 of Brown Hall; housing maintenance and renovation; phase 2 of University Commons; Powell Hall renovation; and improvements at Thomas Stadium and the Warren-Greene Golf Facility. Phase II of Brown Hall will be resubmitted to THEC for funding consideration as part of their annual review.

Mr. Ross also reported on Campus Master Plan issues, including a revisit of the 2014 Campus Master Plan. Roughly 75 percent of it has been completed. He indicated that a master planning group has been conducting workshops, interviews, and surveys across campus and with the city. Among the themes that are developing is the need for certain new academic programs, which is linked closely with space and enrollment. Other factors that the university is tracking include daytime weekly room hours, daytime station occupancy, parking, most common walking routes to and through campus, and building conditions.

Mr. Ross said the consensus of opinion, gathered through the master planning group, is that recent improvements on campus have created a positive, impactful change in the student experience. Mr. Ross then provided an update on the next phase of the University Commons project. At a cost of \$4.5 million, it is projected to be complete in the fall of 2024. Bids will be released in 30 days, with construction to begin next summer. Mr. Ross called the project “a 30-year dream.”

Mr. Ross told the committee that phase 1 of campus steam line repair was completed in August, at a cost of \$7.45 million. Also completed this summer, at a cost of \$4 million, was the renovation of Gilbreath Hall. In addition, Mr. Ross presented a series of slides related to the renovation of Burluson Hall. That project, estimated to cost about \$8.1 million, is scheduled for completion in the fall of 2025.

Mr. Ross concluded by presenting a brief video featuring the recently completed renovations to Lamb Hall.

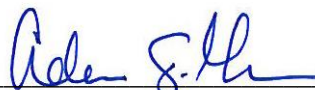
X. Other Business

There was no other business to come before the committee.

XI. Adjournment

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

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees