

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

September 16, 2022
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met on Friday, September 16, 2022, at 9:45 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Steven DeCarlo called the meeting to order at 9:45 a.m.

II. Roll Call

Board Secretary Dr. Adam Green led the roll call and confirmed to the Committee Chair that a quorum was present.

Committee members present were:

Trustee Charles Allen
Trustee Allen Archer (*non-voting student member*)
Trustee Dorothy Grisham
Board Chair Dr. Linda Latimer
Trustee Ron Ramsey
Committee Chair Steven DeCarlo

III. Action Item: Approval of the Finance and Administration Committee Minutes from April 22, 2022

The minutes from April 22, 2022, were approved as submitted, with a motion by Trustee Grisham and a second by Trustee Ramsey. The motion passed unanimously.

IV. Action Item: Approval of Dual Enrollment Tuition and Fee Adjustment

Dr. Heather Levesque, Director of Undergraduate Admissions, provided the committee with an update on the passage of the Hope Expansion Bill, which made changes to the tuition reimbursement scholarship structure for the state's Dual Enrollment programs. The ETSU Board of Trustees approved an increase in the Dual Enrollment fee to \$181 per credit hour or \$543 for a three-hour course in April 2022. After the April meeting, the HOPE Expansion Bill changed the dual enrollment grant to \$538.65, which includes \$513 in tuition and a \$25.65 Dual Enrollment Access Fee for five courses. ETSU has been applying an institutional scholarship of \$4.35 to offset this difference.

The proposed adjustment in tuition for Dual Enrollment courses to \$538.65 for a three credit hour course was approved as submitted, with Board Chair Dr. Latimer making the motion and Trustee Grisham seconding the motion. The motion passed unanimously.

V. Action Item: Approval of Delegation of Authority for Dual Enrollment Tuition and Fee Adjustments

Dr. Levesque also presented a proposal to the committee for consideration of the delegation of authority to change Dual Enrollment tuition and fees at the institutional level when TSAC changes the state funding rate. Such action would be taken upon a recommendation from the Office of Undergraduate Admissions and approved by the University President.

The proposed recommendation was approved as submitted, with Board Chair Dr. Latimer making the motion and Trustee Grisham seconding the motion. The motion passed unanimously.

VI. Action Item: Approval of College of Medicine Summer Term Tuition

Dr. B.J. King, Chief Financial Officer, presented a proposal to the committee for approval of the Quillen College of Medicine's (COM) summer term tuition. In the February 2022 meeting, the Board approved a new curriculum and tuition structure for the COM that was aligned with peer institutions. The curriculum and tuition were implemented for the 2022-23 academic year. Quillen leadership has determined that the college needs to create a summer term at the conclusion of the academic year to ensure the timely progression of students toward degree completion.

The College is requesting tuition of \$2,200 for the two short terms or \$4,000 for the entire term. This requested tuition has been determined by considering the current tuition structure and the fees charged by similar institutions for their summer term.

The proposed summer term tuition for the COM was approved as submitted, with Trustee Ramsey making the motion and Trustee Grisham seconding the motion. The motion passed unanimously.

VII. Action Item: Campus Housing Five-Year Prospective

The Campus Housing five-year prospective was presented by Dr. Joe Sherlin, Vice President for Student Life and Enrollment, and Laura Bailey, Associate Vice President, Facilities and Capital Planning. Housing rates for FY 2024-27 were also presented for approval.

The presentation included an overview of on-campus housing goals, as summarized below:

- The occupancy target for campus housing is 3500 students by 2026.
- Over the next several years, existing housing facilities will be renovated to make them more competitive and to enhance student living conditions.
- The housing program and student experience will encourage student involvement and success by promoting relationships with the institution, peers, and faculty.

Next, a summary of progress since the fall of 2020 was presented to the Trustees as follows:

- In fall 2022, housing occupancy increased from 45 percent to 100 percent capacity.
- Campus meal plan participation is at an all-time high of over 257 students.
- 150 beds that had been used for administrative purposes during the pandemic have been reclaimed. To support ETSU's learning communities, five faculty members, including the Honors Dean, have taken up housing in residence halls.
- A \$25 million renovation plan has been approved, focusing on existing facilities to bring them up to contemporary standards.
- The freshmen class size has increased by approximately 20 percent over the last two years.

Ms. Bailey stated that two independent consultants evaluated ETSU's housing portfolio and concluded that it merits an investment. The structures have solid construction and excellent infrastructure. Ms. Bailey also discussed recent renovations to Stone and Carter Halls. Future challenges as the university moves forward with the renovation and deferred maintenance plan, as noted below, were also discussed:

- Residence halls are currently at full capacity and ETSU will need to move into the occupancy management phase.

- The university will explore long-term lease agreements with off-campus partners to assist students in finding off-campus housing, particularly for upper-class students.
- Project management will be complex due to supply chain delivery delays.
- Powell Hall will undergo extensive renovations.
- High housing occupancy will be necessary to generate sufficient revenue for future building projects. Rental rates will remain low. Because ETSU's housing rates are significantly lower than those of its institutional peers, reasonable rate increases could be considered. A reduction in TSSBA debt service over the next few years will also provide additional funding for new construction opportunities and a new residence facility.
- COVID procedures for housing were discussed. At this time, students testing positive for COVID are encouraged to isolate at home, and if this is not possible, a number of rooms have been held in stock for students to isolate.
- Supply chain issues are leveling off, but it is expected that the university will continue to see challenges through the next two years.
- The university will lose a few rooms over the course of the renovations because ETSU is enhancing community spaces and providing for the overall experience.
- The university is observing an increase in graduate student and professional housing demand. This matter is being discussed and public/private partnerships for graduate and professional housing are under consideration.
- A discussion ensued around a suggestion to look at other universities and their public/private partnership models for off-campus housing and real estate. President Noland stated that Ms. Cathy Ball, the new city manager of Johnson City, and the leadership team would be presenting at the Board of Trustees meeting later in the day to walk through the development plan for the West Walnut Street Project. It is anticipated that Ms. Ball and her leadership team would discuss factors such as zoning regulations and other constraints on the corridor.

The proposed plan for housing rate increases for FY 2024-27 was submitted for approval. Furthermore, the proposed five-year prospective for Campus Housing was approved with the understanding that future adjustments to rates will be proposed based on renovation schedule and market and inflation analysis. Trustee Ramsey made the motion and Trustee Grisham seconded the motion. The motion passed unanimously.

VIII. Quarterly Financial Report

Dr. King presented the Quarterly Financial Reports as an informational item comparing information from June 2021 to June 2022.

A report of Financial Activities for State Educational and General Funds included:

- Revenue for unrestricted funds—Tuition and fee revenues decreased on both the Main Campus due to the out-of-state tuition reset and at the College of Pharmacy due to enrollment declines. State appropriations increased for all appropriation units. Revenues for grants and contracts increased.
- Expenditures for unrestricted funds—Salaries and benefits decreased due to actuarially determined pension expenses based on FY 2021. An increase in on-ground campus activities led to a rise in operating expenses. Capital expenditures increased due to in-kind gifts. Scholarship expenditures decreased primarily due to the out-of-state tuition and scholarship reset.

Financial Activities for Current Operating Funds (Unrestricted, Restricted, Auxiliaries funds) include:

- Revenues— Tuition and fees declined on main campus and College of Pharmacy. State Appropriations increased for three units. Other sources of income increased with the reopening of athletics operations and medical clinics. Auxiliaries increased.
- Expenditures - Salaries and benefits declined, driven by the pension expense entry that is based on actuarial data from FY21. Operating expenditures increased with campus-based activities. Capital decreased, primarily in restricted funds. Scholarships increased with student emergency HEERF grants.

The Statement of Net Position was presented to the committee with the following as items of emphasis:

- Cash and investments increased.
- Accounts receivable decreased due to HEERF payment for student outstanding balances in December 2021.
- Net pension asset is based on FY21 actuarial data and increased with the first-time recording of a net pension asset in the closed pension plan.
- Capital assets reflect a change in equipment and library holdings.
- Other assets include accrued loan interest receivable for the Perkins Loan funds, which are in the close-out phase.
- Deferred outflows for pensions and other post-employment benefits (OPEB) is based on FY 2021 performance. The primary driver for the change is the assumptions in the actuarial calculations.
- Accounts payable and accrued liabilities slightly increased.
- Student deposits increased.
- Long-term liabilities decreased with bond payments.
- Deposits held for others increased with hosting camps, conferences, and career fairs.
- Net pension liability was eliminated with the creation of net pension assets.

- Net position increased due to HEERF funds and pension activity.

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

Ryan Roberts, Director of Procurement and Contract Services, presented a list of agreements with amounts totaling \$250,000 or greater for the period of April-June, 2022.

X. Annual Foundation Update

Pam Ritter, Vice President for University Advancement, provided an update on the status of Foundation activities, including investment portfolio information and expenditures on behalf of the University. Highlights from the ETSU Foundation overview included:

- The net production goal for giving in FY 2021-22 was \$19.1 million. By raising \$24 million, the objective was surpassed by 26 percent (this did not include private giving). Private support gifts were \$18.9 million, bringing the total funds raised for FY 2021-22 to \$42.5 million.
- The Model Mill suites were purchased on a five-year lease-to-own basis, approximately equal to five years. The ETSU Foundation has also executed an agreement to purchase the University Plaza shopping complex located at 1735 West State of Franklin Road.
- The comprehensive campaign was completed in 2021-22 with a goal of \$120 million. The goal was exceeded, and the final numbers were revealed at the DPT/Campaign Celebration on October 7, 2022.
- Mini-campaigns to support infrastructure projects have begun.
- The market value for Foundation investments was \$102.7 million as of June 2022.

XI. Capital Projects and Facilities Update

Chief Operating Officer Jeremy Ross presented the committee with an update on Capital Planning and Design and Campus Operations. Mr. Ross presented information regarding ongoing design and construction projects including the East-West Axis, University Commons, Lamb Quad, Lamb Hall, New Academic Building Massing Concepts, Brown Hall, and Integrated Health Services Building.

Mr. Ross also noted that the Tennessee Higher Education Commission (THEC) requires public universities to engage in a master planning process every 10 years. The purpose of a campus master plan is to articulate the multi-year facility needs of an institution in order to accomplish the vision, goals, and objectives established within the institution's strategic

plan. He indicated that feedback would be sought from Board members during the planning process.

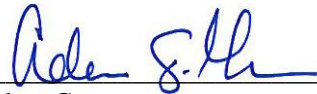
XII. Other Business

There were no other business items to discuss.

XIII. Adjournment

Committee Chair Steve DeCarlo adjourned the meeting at 10:20 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Adam Green", is written over a horizontal line.

Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its November 18, 2022 meeting.