

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL COMMITTEE
MINUTES**

The Finance and Personnel Committee met on Tuesday, November 10, 2020, in the Miller Education Center Meeting Room at Middle Tennessee State University.

Call to Order and Opening Remarks

Committee Chair Joey Jacobs called the meeting to order at 11:00 a.m. and requested Board Secretary Heidi Zimmerman to call the roll.

Roll Call

The following Committee members were in attendance: J.B. Baker, Tom Boyd, Pete DeLay, Darrell Freeman, Joey Jacobs, Mary Martin, Steve Smith, and Delanie McDonald. A quorum was declared. Also present were Trustee Chris Karbowiak; President Sidney A. McPhee; Alan Thomas, Vice President for Business and Finance; Mark Byrnes, Provost; Joe Bales, Vice President for University Advancement; Andrew Oppmann, Vice President for Marketing and Communications; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Deb Sells, Vice President for Student Affairs and Vice Provost for Enrollment and Academic Success; Brenda Burkhardt, Chief Audit Executive; Heidi Zimmerman, University Counsel and Board Secretary; and, Kim Edgar, Assistant to the President and Chief of Staff.

Approval of Minutes - Action

The first agenda item was approval of the minutes from the August 18, 2020 Finance and Personnel Committee meeting. Board Chair Smith moved to approve the minutes from the August 18, 2020 meeting, and Trustee DeLay seconded the motion. A voice vote was taken, and the motion to approve the minutes from the August 18, 2020 meeting of the Finance and Personnel Committee carried.

2020-21 October Revised Budget - Action

The next agenda item was a recommendation for approval of the 2020-21 October Revised Operating Budget. Mr. Thomas reminded the Committee that all new funding for higher education, including salary increase funding, was removed from the state budget in June along with most capital outlay and capital maintenance funding. He then provided a summary of the following changes made since the July (Original) Budget:

- Adjustments to Tuition and Fee Revenue, mainly due to not charging the fee for online courses.
- Reduction in the State Appropriation to reflect the June Legislative adjustments to the State budget.
- Adjusted expenditure budgets for: (1) re-budgeting of various student fee balances from the prior year, (2) purchases in process at year-end but not be completed until the current fiscal year, (3) additional safety and security initiatives, (4) scholarships, and (5) marketing and branding.
- Reallocation of expenditure budgets to cover: (1) reduction in appropriation, (2) faculty promotions, (3) increases in funding for scholarships and discounts, (4) software maintenance agreements, and (5) funding for new academic programs approved by THEC for FY 2020-21.
- Adjustments to auxiliary and restricted budgets based on information obtained since the July Budget submission.

Mr. Thomas then directed the Committee to the summary of disclosed Bond Finance projects included in the meeting materials. He noted that financing for the School of Concrete & Construction Management was recently approved by the Tennessee State School Bond Authority (TSSBA), and short-term financing is now available for the project.

Next, Mr. Thomas provided updates on additional COVID-19 related costs and CARES Act funding. He stated that lost revenues and additional COVID-19 expenses since March of approximately \$20 million could be attributed in large part to reduced housing occupancy, reduced athletic

revenues, and online course fee waivers. He informed the Committee that \$17.4 million of the \$19.7 million CARES Act funding had been spent, leaving a balance of approximately \$2.3 million in reserve to cover additional COVID-19 related expenses or fund other items as allowed by the U.S. Department of Education. All of the remaining funding will be spent by the middle of May 2021. Trustee Martin asked which University area was most affected by lost revenues and COVID-19 related costs. Mr. Thomas responded that auxiliaries took a large portion of the hit, with housing being the area most affected; however, they ended the 2020-21 fiscal year well by conservatively spending from March through June, allowing them to build up reserves that can be accessed this year as necessary. Trustee Baker stated the University must be prepared for the possibility of budget cuts due to the COVID-related economic challenges being experienced by the state. Dr. McPhee informed the Committee that he has held virtual campus town hall meetings with every department on campus over the past three weeks. Employees were informed in those meetings that even though higher education was held harmless from the 12% across-the-board budget reduction this year, they must be prepared for other challenges to the state budget that could significantly affect the University budget. He stated that scenario planning had been done at the executive leadership level in preparation for the possibility of a move in that direction. However, he indicated he was hopeful that higher education would not be affected by any state budget reductions during this particular economic downturn. Mr. Thomas added that the Tennessee Higher Education Commission (THEC) had submitted a 2% reduction scenario in the budget submitted to the Governor's Office, which is comparable to what had been presented in previous years.

Dr. McPhee thanked the Board for their approval in June of the University's recommendation for a 0% increase in tuition and fees. He indicated this was a factor in the Governor's decision to hold higher education harmless from the 12% across-the-board budget reduction. In a final note, Mr. Thomas informed the Committee that approximately 30 unfilled positions had been cut University-wide as part of the \$6.9 million in reductions needed to balance this year's budget. Chairman Jacobs asked for a motion to approve the revised budget. A motion was made by Trustee DeLay and seconded by Trustee Boyd to approve the FY 2021-22 October Revised

Operating Budget. A voice vote was taken, and the motion to approve the FY 2021-22 October Revised Operating Budget passed unanimously.

THEC 2021-22 Capital Outlay/Maintenance Recommendations – Information

The next agenda item was an information update from Bill Waits, Assistant Vice President for Campus Planning, concerning the University's capital outlay and capital maintenance funding requests. Mr. Waits reminded the Committee that the MTSU Board of Trustees approved the FY 2021-22 Capital Outlay Project Submittal for the Applied Engineering Building in June of this year. The \$55 million project is a 92,000 square foot building that will provide a new center for the University's expanding engineering and technology programs. Mr. Waits stated that he was happy to report that the project ranked #3 on THEC's priority list of capital outlay funding requests. He noted that the first two projects on the list were held over from THEC's prior year recommendations due to the pandemic, so the Applied Engineering Building ranked as high as possible on the list given the current circumstances.

Next, Mr. Waits provided an update on the ten (10) capital maintenance projects approved by the Board of Trustees in June for capital budget inclusion. He directed the Committee to THEC's 2021-22 Capital Maintenance Projects Recommendation list in the meeting materials and noted that all ten projects totaling approximately \$10 million were included in the recommendation in order of priority. He indicated that, as in previous years, 50% of the projects would likely be funded depending on their individual budgets.

Board Chair Smith congratulated Mr. Waits on the ranking for the Applied Engineering Building. Dr. McPhee informed the Committee that THEC relies on outside professionals to determine project rankings, and the University's Applied Engineering Building project ranked number one in this process for the new year. Dr. McPhee thanked the staff and faculty that worked to put the project together. He stated that the Executive Director of THEC had informed him that he was optimistic the project would move forward for state funding.

THEC 2021-22 Operating Recommendations – Information

The next item on the agenda was a report from Mr. Thomas on the recommendations made by THEC at its fall meeting concerning operating appropriations and a tuition guidance range. He informed the Committee that the 2021-22 operating state appropriations recommendation for MTSU was \$107.5, a \$1.0 million increase over 2020-21 appropriations. The net increase resulted from a combination of a decrease of \$2.2 million in the outcomes formula adjustments and a \$3.2 million increase in proposed new funding for higher education. A handout was provided to the Committee members containing metrics used in the funding formula for all of higher education. Mr. Thomas explained how a small decline in some of the metrics could significantly impact appropriations. Funding is reallocated from MTSU even when the University produces more Bachelor's degrees and has larger focus populations among all institutions other than the University of Tennessee at Knoxville. Discussion ensued concerning plans to work with THEC to develop an equitable solution for institutions that are penalized under the current formula for being successful.

Philanthropy Report - Information

The final agenda item was a report from Joe Bales, Vice President for University Advancement, on the Middle Tennessee State University Foundation's philanthropic activity. Items presented for discussion included the following:

- 5-year fundraising results, national trends, and comparisons
- Individual unit performance
- Foundation assets and endowment management
- Current challenges and opportunities
- Trustee Fund update

Mr. Bales informed the Committee that despite the difficult conditions this year due to the pandemic, natural disasters, and presidential race, the Foundation giving totals have remained relatively stable and were even up by a little over 5% last fiscal year. Even though there has been a decline in donations under \$1000, there is an expectation that major gifts for larger projects, such as the Applied Engineering Building, will increase the chance for continued stability. He noted that 92% of donations come from 10% of the Foundation donors, and that trend line is

expected to continue. He also reported that the Foundation's endowment fund performance numbers are in line with peer institutions all across the country. Mr. Bales ended the presentation with a brief update on five funds, including the Trustees Fund, set up to assist students in need. Collectively, the funds generate approximately \$100,000 annually to help address hardships that students are experiencing, particularly those affected by COVID-19.

Closing Remarks

Dr. McPhee ended the meeting with a reminder for faculty, staff, and students to be diligent about wearing masks in all University buildings.

The meeting adjourned at 11:53 a.m.

Respectfully submitted,

Finance and Personnel Committee