

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL COMMITTEE
MINUTES**

The Finance and Personnel Committee met on Tuesday, November 9, 2021, in the Miller Education Center Meeting Room at Middle Tennessee State University.

Call to Order

Committee Chair Joey Jacobs called the meeting to order at 2:55 p.m. and requested Board Secretary James Floyd to call the roll.

Roll Call

The following Committee members were in attendance: J.B. Baker, Rick Cottle, Pete DeLay, Joey Jacobs, Steve Smith, Chris Karbowski, Pam Wright, and Gabriela Jaimes. Committee members Tom Boyd and Darrell Freeman participated electronically and, in accordance with T.C.A. 8-44-108(c)(3), confirmed they could hear those present in the meeting, and no one else was present with them. A quorum was declared. Also present were 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 Services; Brenda Burkhart, Chief Audit Executive; James Floyd, 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 the approval of the minutes from the August 24, 2021, Finance and Personnel Committee meeting. Trustee DeLay moved to approve the minutes from the August 24, 2021, meeting, and Trustee Karbowski seconded the motion. A voice vote was taken, and the

motion to approve the minutes from the August 24, 2021, Finance and Personnel Committee meeting passed unanimously.

2021-22 October Revised Budget – Action

The next agenda item was a recommendation for the 2021-22 October Revised Operating Budget approval. Mr. Thomas directed the Committee to the budget information provided in the meeting materials and briefly discussed the adjustments made to the October budget after the close of the 2020-21 fiscal year. He noted increases in the restricted revenue and expense balances were due to the third round of stimulus funding received under the American Rescue Plan (ARP). The revised budget included approximately \$36 million of this funding, with \$25 million shown as financial aid to students and \$11 million for approved IT projects. In May, the 2021-22 Estimated Budget will include additional funding related to this last stimulus package.

Trustee DeLay made a motion to approve the 2021-22 October Revised Budget, and Trustee Wright seconded the motion. A voice vote was taken, and the motion to approve the 2021-22 October Revised Budget passed unanimously.

Salary Data – Information

Kathy Musselman, Assistant Vice President for Human Resources, presented the Committee with updated salary market data reflecting current 2020-21 CUPA market data. Documentation was provided in the meeting materials outlining the costs of adjusting to current market rates. Full implementation of market adjustments for faculty using 2020-21 CUPA data would cost approximately \$7.8 million, including benefits. In addition, the salary ranges for both administrative and classified staff would need to be increased by 15.56% to reflect the current market. This increase in the salary ranges, with full implementation, would cost approximately \$5.4 million for administrative employee salaries and benefits and an additional \$3.1 million for classified employee salaries and benefits. This equates to a total cost of \$16.3 million for all employees.

Trustee Boyd asked Ms. Musselman to provide the total percentage increase needed to bring faculty salaries to the current market rate. Ms. Musselman responded that she would send that information to the Committee. (This information was sent to all Board members on November 17, 2021.)

Trustee Karbowski asked if the below-market salary rates were contributing to staffing shortages at the University. Ms. Musselman responded that her office is seeing more job offers declined because of the low recommended salaries, increasing the number of vacant administrative and classified positions. Discussion ensued concerning the risks created for the University by not being able to competitively recruit and retain employees, especially in critical IT positions. Dr. McPhee stated that below-market salaries are an ongoing problem for all state higher education and plans to address this subject again with his colleagues at the other LGIs before the upcoming budget presentations.

THEC 2022-23 Capital Outlay/Maintenance Recommendations - Information

The next agenda item was an information update from Mr. Thomas concerning the University's FY 2022-23 capital outlay and capital maintenance funding requests. Mr. Thomas informed the Committee that the Tennessee Higher Education Commission (THEC) had requested two project submittals for FY 2022-23. The first submittal was approved by the Board of Trustees in September and was for renovations to Kirksey Old Main (KOM) and Rutledge Hall. The combined project includes extensive renovations to both buildings and is ranked number two on THEC'S priority list.

The second submittal was for a comprehensive capital project for the Aerospace Department. The \$62 million project includes site development and academic facilities and is ranked number one on THEC'S second priority list. Mr. Thomas noted that both capital projects are well-positioned for inclusion in the Governor's budget.

The meeting materials included a copy of THEC's 2022-23 Capital Projects Recommendation Summary.

Next, Mr. Thomas updated the Committee on the status of the University's FY 2022-23 capital maintenance projects submittal. The submittal was approved at the June Board of Trustees meeting and included eight (8) capital maintenance projects totaling \$11.8 million. He informed the Committee that THEC recommended funding for all of the submitted projects for FY 2022-23. Additionally, the projection for inclusion in the Governor's budget is optimistic since deferred maintenance is currently an area of focus at the state level.

The meeting materials contained a list of the individual capital maintenance projects and their associated budgets.

Mr. Thomas also provided information concerning a \$15 million statewide initiative for ADA funding in higher education. If approved by the General Assembly, the University would be able to fund some of the ADA projects with state funding rather than local funding.

Board Chair Smith noted that the University has an unprecedented number of projects in the pipeline and commended Dr. McPhee and his staff on their efforts individually and as a team. Dr. McPhee stated that these programs and facilities would attract the best and brightest students and meet the needs of the state in attracting industry and creating jobs.

THEC 2022-23 Operating Recommendations - Information

Mr. Thomas presented a report on the recommendations made by THEC at its fall meeting concerning operating appropriations and a tuition guidance range. He informed the Committee that the 2022-23 operating appropriations recommendation for MTSU was \$120.4 million, representing a \$7.5 million or 6.6% increase over 2021-22 appropriations. The net increase resulted from a combination of a decrease of \$607,300 in the outcomes formula adjustments and an \$8.1 million increase in proposed new funding for higher education. He noted that THEC's

total appropriation request of \$90 million was higher this year due to increases in the Consumer Price Index (CPI) and the Higher Education Price Index (HEPI). The increased appropriation request allowed THEC to keep the recommended tuition range at zero to three percent. Mr. Thomas further informed the Committee that THEC's operating recommendation did not include a salary component.

The meeting materials included a copy of THEC's 2022-23 state appropriations distributions recommendation schedule.

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 philanthropy nationwide experienced a downtrend over the last 20 months; however, the University stayed ahead of the trend and continued to grow in 2021. Even though donations of less than \$2,500 have been significantly down due to job insecurity and labor reductions, the larger donors have stepped up fundraising efforts to provide significant gifts for project funding. Historically, the top ten gifts to the University represent thirty to fifty percent of the funds raised annually. He noted that the University is also starting to realize benefits from the bequest program instituted in 2002. The program is expected to provide a significant base for funding over the next 15-20 years.

Mr. Bales reminded the Committee that, as required by charter, an extensive review of the endowment management program was performed last year. The results confirmed that current

fundraising strategies, policies, and practices align with the University's best interests, evidenced by a 32.5% return on investment for FY 2020-21 ending June 30. He concluded the presentation with a brief discussion on where the MTSU Foundation ranks relative to its in-state peers and plans for developing a set of aspirational peers for targeted growth.

Closing Comments

Before closing the public session, Chairman Smith asked for consideration of having scheduled executive sessions at all committee meetings. Trustee Karbowski stated that she supports the concept. Dr. McPhee suggested that the University Counsel look into the matter and its relation to the current public statute before making any decisions. Mr. Floyd responded that legislation in Tennessee is unambiguous on the topic, and the scope for public boards engaging in closed executive sessions is very limited; however, he will explore the issue further to ensure that his current analysis is up to date.

Adjournment

The meeting adjourned at 3:58 p.m.

Respectfully submitted,

Finance and Personnel Committee