

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION
NOVEMBER 2019 MEETING

9:45 – 11:15 am EST
Friday
November 15, 2019

The Millennium Center
2001 Millennium Pl
Johnson City, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Committee Minutes from September 20, 2019](#)
- IV. [October 2019 Budget Revisions](#)
- V. [FY19 Unaudited Financial Statements](#)
- VI. [FY19 Unaudited Composite Financial Index](#)
- VII. [FY19 Federal Funds Report for State of Tennessee](#)
- VIII. [Quarterly Reports on Agreements \\$250,000 or greater](#)
- IX. [Policy Development and Administrative Rule Making](#)
- X. Other Business
- XI. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 15, 2019
ITEM: Approval of the Minutes of September 20, 2019
COMMITTEE: Finance and Administration Committee
RECOMMENDED ACTION: Approve
PRESENTED BY: Nathan Dugger
Associate Secretary

The minutes of the September 20, 2019 meeting of the Finance and Administration Committee are included in the meeting materials.

MOTION: I move that the Board of Trustees adopt the resolution, approving the minutes as outlined in the meeting materials.

RESOLVED: The reading of the minutes of the September 20, 2019 meetings of the Finance and Administration Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

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 Academic, Research and Student Success Committee met at 9:45 a.m. on Friday, September 20, 2019 at the Millennium Center.

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 and informed Chairman DeCarlo that a quorum was present. Trustees in attendance were:

Steve DeCarlo
Dorothy Grisham
Scott Niswonger
Kelly Wolfe
Cristopher Santana (non-voting student member)

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 including:

1. **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.
2. **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.

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.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 15, 2019
ITEM: October 2019 Revised Budgets
COMMITTEE: Finance and Administration Committee
RECOMMENDED ACTION: Approve
PRESENTED BY: B.J. King
Chief Financial Officer

In compliance with Tennessee Code Annotated 49-8-203 (a) (10 (C)) ETSU Budget Control policy requires that three budgets be prepared each year and submitted to the Board of Trustees for approval. The university prepares budgets for the one formula funded unit (Main Campus), two non-formula units (College of Medicine and Family Medicine) and one self-funded unit (College of Pharmacy). The three budgets prepared each year are as follows:

- 1) the proposed budget to fund the fiscal year beginning July 1;
- 2) the revised fall budget that is prepared after the fall enrollment cycle and financial statement preparation for the prior fiscal year; and
- 3) the estimated spring budget that is submitted at the same time as the proposed budget for the next fiscal year.

The Board will consider the October 2019 revisions to the 2019-20 budgets for the one formula funded unit, two non-formula units and one self-funded unit. During the June 17, 2019 meeting, the Board of Trustees adopted the proposed 2019-20 budgets for the university. The proposed budgets for the fiscal year are based on the estimates for revenue and expenditures known at the time the budget is prepared. The fall enrollment and adjusted appropriation figures for revenue budgets have been received along with adjustments from fiscal year-end closing that provides for the carryforward of budgets for operational expenses. Details of the original and revised budgets are outlined below.

MOTION: I move that the Board of Trustees adopt the October revisions to the 2018-19 university budget.

RESOLVED: Upon the recommendation of the Finance and Administration Committee, the Board of Trustees approves the university's October revisions to the 2018-19 university budget

Main Campus October Revised Budget

	Actual 18-19	Original 19-20	October Revised	Increase (Decrease)
Revenue	\$ 270,662,400	\$ 272,257,100	\$ 274,175,200	\$ 1,918,100
<u>Expenditures and Transfers</u>				
Instruction	\$ 101,238,200	\$ 110,711,900	\$ 118,692,900	\$ 7,981,000
Research	2,975,900	2,949,500	5,309,500	2,360,000
Public Service	2,382,800	2,564,200	2,915,400	351,200
Academic Support	23,227,600	24,400,500	27,356,000	2,955,500
Student Services	26,133,600	26,983,400	26,964,600	(18,800)
Institutional Support	15,660,600	16,641,700	18,908,800	2,267,100
Facilities	24,052,800	17,557,500	18,476,200	918,700
Scholarships	33,008,700	34,580,500	35,736,800	1,156,300
Total before transfers	228,680,200	236,389,200	254,360,200	17,971,000
Debt Service	4,230,800	3,798,800	4,845,500	1,046,700
Non-Mandatory Transfers	8,865,900	5,344,500	4,440,400	(904,100)
Auxiliaries Exp & Tnfrs	25,652,100	26,503,700	26,250,100	(253,600)
Total	\$ 267,429,000	\$ 272,036,200	\$ 289,896,200	\$ 17,860,000

FT Unrestricted and Auxiliary Positions	Original 19-20	October Revised	Increase (Decrease)
Faculty	699	711	12
Administration	48	48	0
Maint/Tech/Support	521	519	(2)
Professional Support	526	532	6
Total	1,794	1,810	16

Quillen College of Medicine October Revised Budget

	<u>Actual 18-19</u>	<u>Original 19-20</u>	<u>October Revised</u>	<u>Increase (Decrease)</u>
Revenue	\$ 59,912,900	\$ 64,896,200	\$ 65,248,900	\$ 352,700
<u>Expenditures and Transfers</u>				
Instruction	\$ 38,041,500	\$ 48,843,600	\$ 48,079,500	\$ (764,100)
Research	1,882,700	4,081,700	4,846,300	764,600
Academic Support	5,802,100	6,972,000	6,652,200	(319,800)
Student Services	1,547,200	1,832,400	1,645,200	(187,200)
Institutional Support	3,303,300	3,116,500	3,031,000	(85,500)
Facilities	5,096,400	6,660,900	6,725,700	64,800
Scholarships	256,700	260,000	260,000	-
Total before transfers	55,929,900	71,767,100	71,239,900	(527,200)
Debt Service	84,600	88,800	88,800	-
Non-Mandatory Transfers	3,516,700	(7,021,600)	(3,587,300)	3,434,300
Total	\$ 59,531,200	\$ 64,834,300	\$ 67,741,400	\$ 2,907,100

<u>FT Unrestricted and Auxiliary Positions</u>	<u>Original 19-20</u>	<u>October Revised</u>	<u>Increase (Decrease)</u>
Faculty	154	156	2
Administration	7	7	-
Maint/Tech/Support	113	112	(1)
Professional Support	89	88	(1)
Total	363	363	-

Family Medicine October Revised Budget

	<u>Actual 18-19</u>	<u>Original 19-20</u>	<u>October Revised</u>	<u>Increase (Decrease)</u>
Revenue	\$ 16,849,600	\$ 17,239,900	\$ 17,318,900	\$ 79,000
<u>Expenditures and Transfers</u>				
Instruction	\$ 11,191,700	\$ 11,540,400	\$ 11,904,500	\$ 364,100
Research	353,300	268,400	273,900	5,500
Academic Support	3,395,100	3,607,100	3,650,500	43,400
Institutional Support	1,629,300	1,706,100	1,669,300	(36,800)
Facilities	339,100	400,000	424,300	24,300
Debt Service	262,900	262,900	262,900	-
Transfer from R&R		(200,000)	(350,000)	(150,000)
Transfer from COM	(444,400)	(350,000)	(400,000)	(50,000)
Total	\$ 16,727,000	\$ 17,234,900	\$ 17,435,400	\$ 200,500

<u>FT Unrestricted and Auxiliary Positions</u>	<u>Original 19-20</u>	<u>October Revised</u>	<u>Increase (Decrease)</u>
Faculty	31	31	-
Administration	-	-	-
Maint/Tech/Support	54	53	(1)
Professional Support	25	26	1
Total	110	110	110

Gatton College of Pharmacy October Revised Budget

	<u>Actual 18-19</u>	<u>Original 19-20</u>	<u>October Revised</u>	<u>Increase (Decrease)</u>
Revenue	\$ 11,674,200	\$ 11,541,800	\$ 11,541,800	\$ -
<u>Expenditures and Transfers</u>				
Instruction	\$ 6,466,700	\$ 7,049,200	\$ 7,904,910	\$ 855,650
Research	149,300	294,100	532,980	238,850
Academic Support	1,331,800	1,462,200	1,637,560	175,430
Student Services	649,600	608,100	714,380	106,360
Institutional Support	452,400	432,900	609,810	176,920
Facilities	493,000	528,400	648,060	119,590
Scholarships	481,400	467,600	467,600	-
Total before transfers	10,024,200	10,842,500	12,515,300	1,672,800
Debt Service	661,000	661,000	661,000	-
Non-Mandatory Transfers	36,600	38,300	38,300	-
Total	\$ 10,721,800	\$ 11,541,800	\$ 13,214,600	\$ 1,672,800

<u>FT Unrestricted and Auxiliary Positions</u>	<u>Original 19-20</u>	<u>October Revised</u>	<u>Increase (Decrease)</u>
Faculty	34	34	-
Administration	1	1	-
Maint/Tech/Support	13	14	1
Professional Support	15	15	-
Total	63	64	1

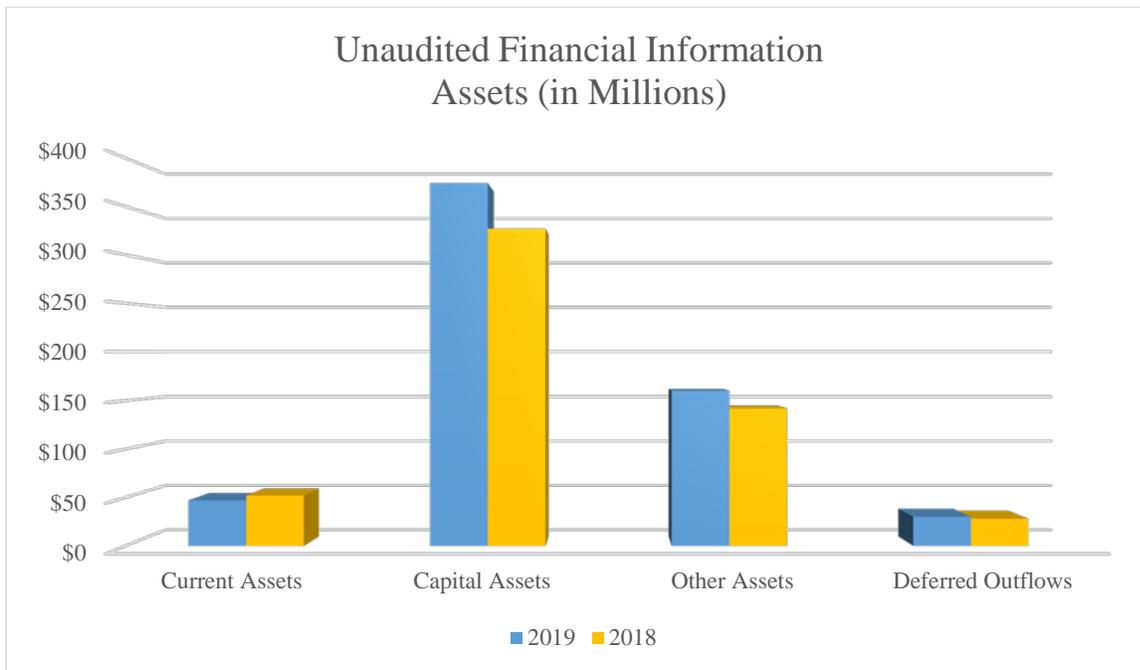
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2019
ITEM: FY19 Unaudited Financial Statements
COMMITTEE: Finance and Administration Committee
PRESENTED BY: B.J. King
Chief Financial Officer

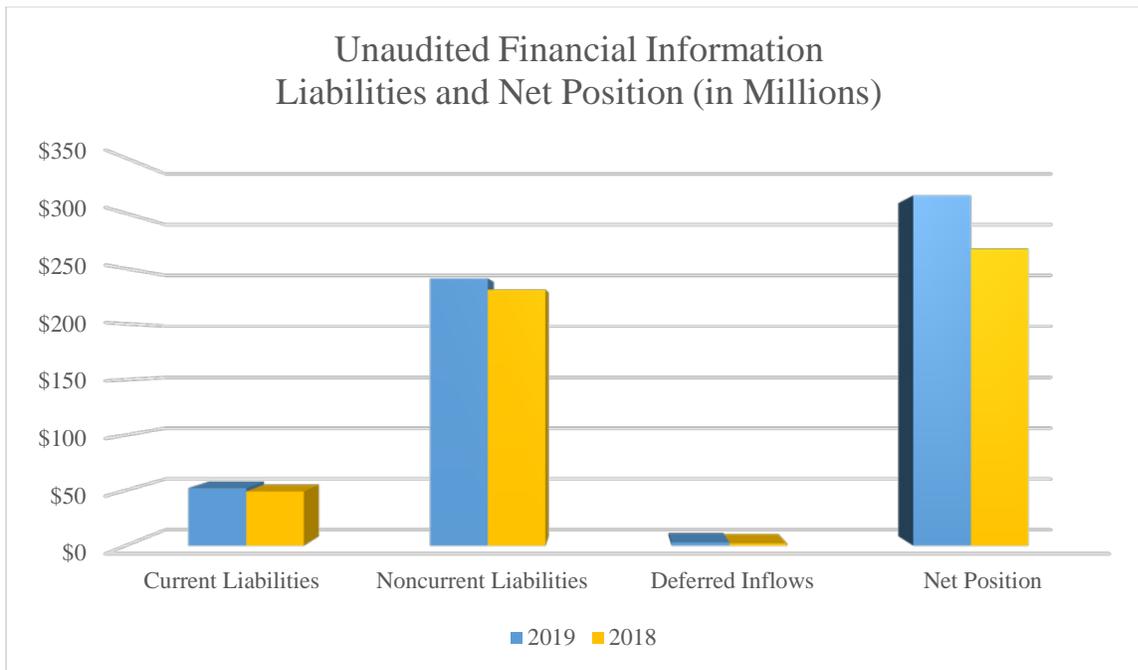
The accounting records for East Tennessee State University are closed and fiscal year financial statements have been forwarded to State Audit for review. A finalized audit report will be presented to the Board of Trustees at the Spring quarterly Board meeting.

The following charts provide a summary overview of the budget with an explanation of variance to the prior year for key components of the unaudited financial reports.



Comparison of Assets for fiscal year 2019 to fiscal year 2018

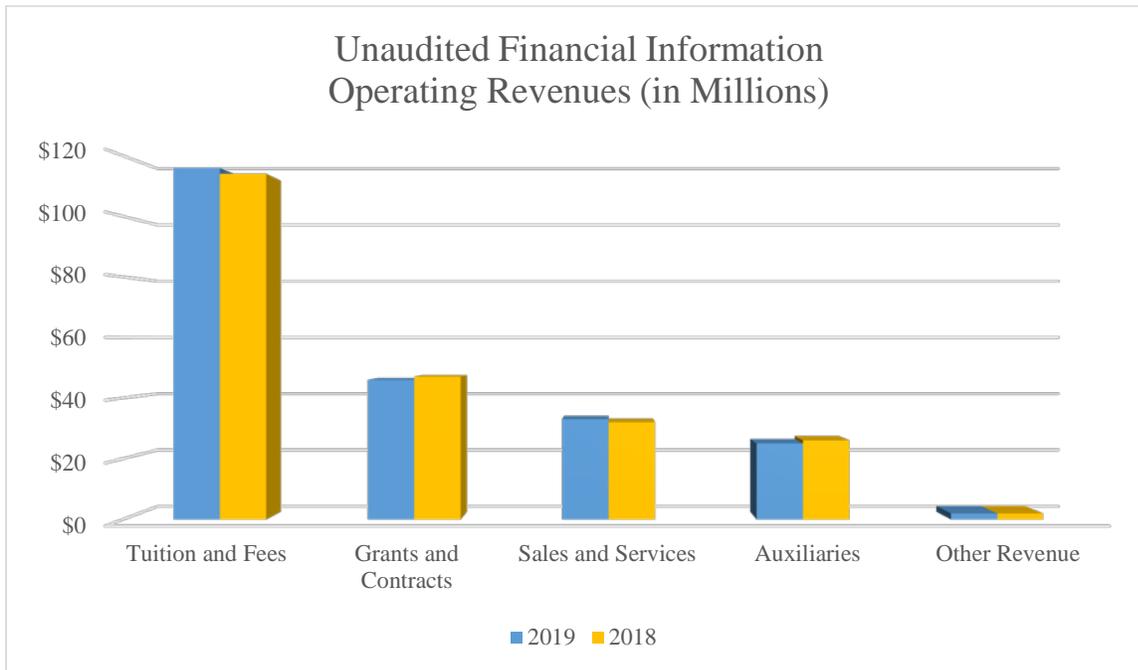
- ◆ Current assets decreased from 2018 to 2019 due to a decrease in accounts receivable related to the construction of the Martin Fine Arts Center collected during fiscal year 2019.
- ◆ Capital assets, net of depreciation, increased due to the completion of the renovation of Building 60 on the Veterans Affairs Medical Center campus as well as construction of the Martin Fine Arts Center and renovation of D.P. Culp Center.
- ◆ Other assets increased from 2018 to 2019 due to an increase in noncurrent restricted cash resulting from the receipt of the receivable for the construction of the Martin Fine Arts Center.
- ◆ Deferred outflows of resources increased in 2019 due to increases in deferred outflows related to pensions and other post-employment benefits.



Comparison of Assets for fiscal year 2019 to fiscal year 2018

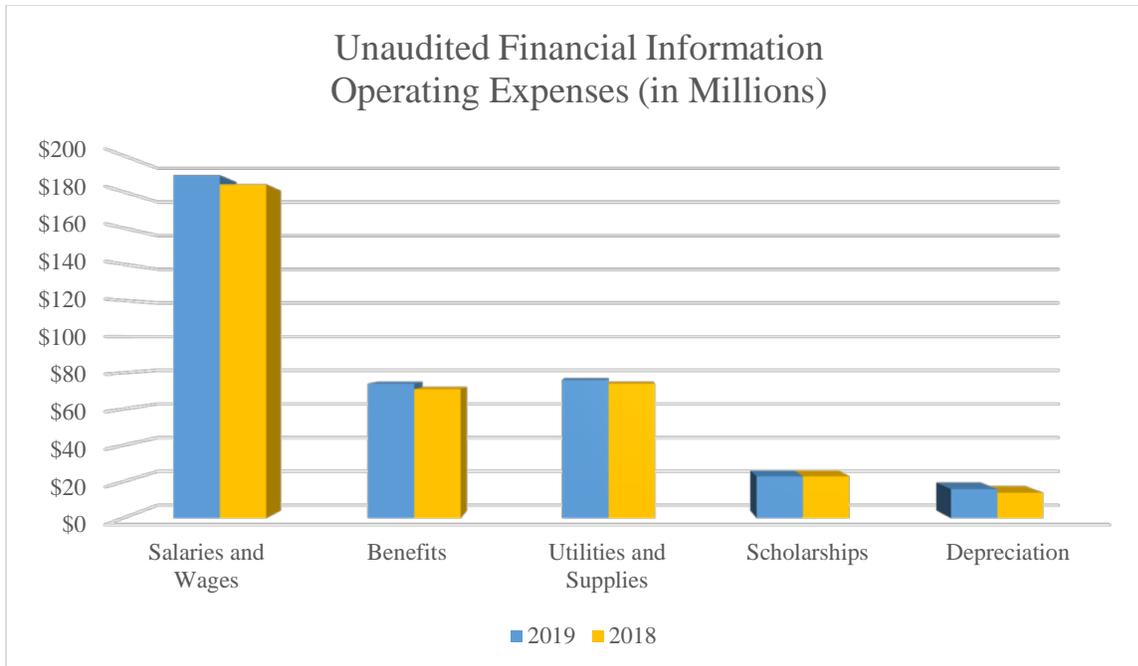
- ◆ Current liabilities increased slightly from 2018 to 2019 due to increases in accrued liabilities for ongoing construction projects including the Martin Fine Arts Center and D.P. Culp Center.
- ◆ In 2019, noncurrent liabilities increased due to an increase in revolving credit obligations in association to ongoing construction projects including the Martin Fine Arts Center and D.P.Culp Center.

- ◆ Net position increased due to increases in
 - net investment in capital assets with the completion of Building 60 and Martin Fine Arts Center and D.P. Culp Center construction projects,
 - restricted expendable net position with balances held for capital projects funded by student fees, and
 - unrestricted net position related to ongoing campus construction projects.



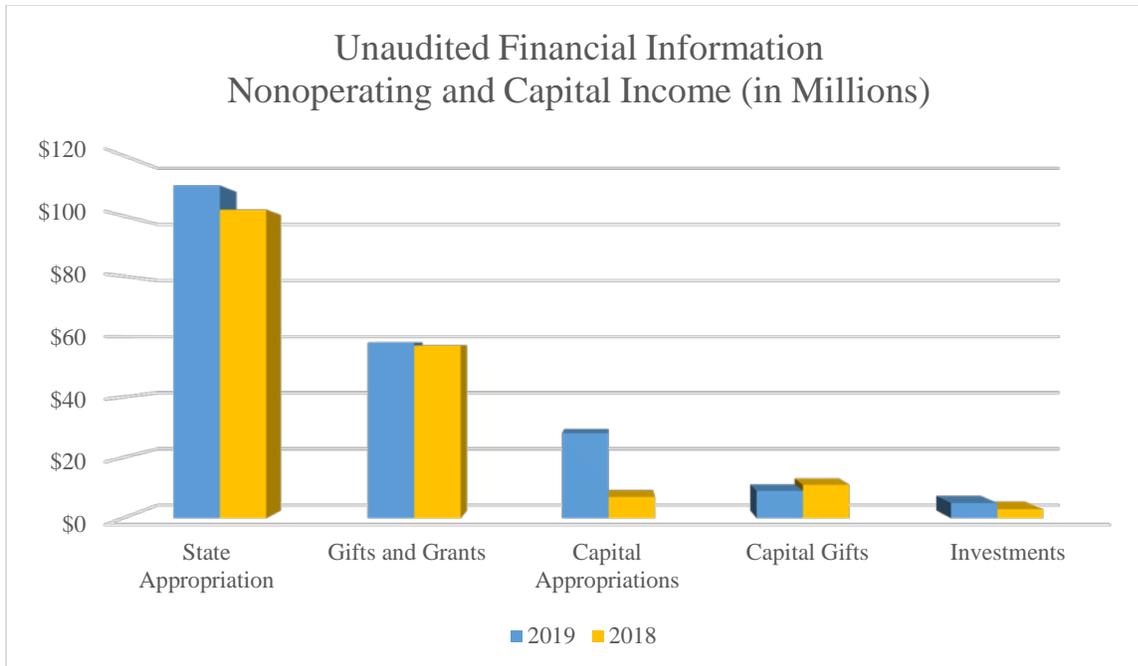
Comparison of Operating Revenues for FY 2019 to FY 2018

- ◆ Tuition and fees increased in 2019 due to an average 2% maintenance and mandatory fee increase and increases in other non-mandatory fees, less discounts for tuition and fees offered to eligible students and reported as a scholarship allowance in the financial statements.
- ◆ Grants and contracts decreased slightly due to decreases in both government and non-governmental grants and contracts.
- ◆ Sales and services increased from 2018 to 2019 due an increase in athletic game revenue.
- ◆ Auxiliary revenues decreased slightly due to a decrease in campus housing and bookstore revenue.



Comparison of Operating Expenses FY 2019 to FY 2018

- ◆ Salaries and wages increased in fiscal year 2019 due to a 2% across the board pay increase.
- ◆ Benefits increased with a 5% increase in payments on behalf of the university for retirees participating in the State Employee Group OPEB plan and the Closed Tennessee OPEB plan.
- ◆ Operating expenses increased due to increases in professional and administrative services, utilities, and supplies.
- ◆ Scholarships remained relatively unchanged from 2018 to 2019.
- ◆ Depreciation increased due to the completion of several renovation projects including Building 60.



Comparison of Nonoperating and Capital Income FY 2019 to FY 2018

- ◆ State appropriations increased in fiscal year 2019 due to an increase in payments made by the State of Tennessee on behalf of the university for retirees participating in the Medicare Supplement Plan. State government revenues also continue to trend up.
- ◆ Nonoperating gifts and grants remained relatively flat.
- ◆ Capital appropriations increased from 2018 to 2019 due to state appropriations for capital projects including the Martin Fine Arts Center.
- ◆ Capital gifts and grants decreased due to significant gifts for the Martin Fine Arts Center recorded during 2018.
- ◆ Investment income increased with market returns.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2019

ITEM: FY19 Unaudited Composite Financial Index

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King
Chief Financial Officer

The university prepares the Composite Financial Index (CFI) for review by the Board of Trustees each year. The ratios were published in *Ratio Analysis in Higher Education* by KPMG and Prager, McCarthy & Sealy, LLC. The ratios were originally designed for private institutions and modified for public institutions in 2002. These ratios are intended to provide a measure of financial health of the institution.

The CFI consists of four individual ratios outlined below which are calculated and then weighted to produce the single CFI measure. The presentation of the CFI includes the financial resources of the ETSU Foundation as they provide support to the university.

Return on Net Assets

- Measure of total economic return for fiscal year. Similar to return on equity.
- Calculation - Δ in Net Assets / Beginning Total Net Assets
- Standard Performance - Inflation rate plus 3%
- Weight – 20%

Net Operating Revenues

- Indicates an operating surplus or deficit for the year. Similar to profit margin.
- Calculation – $\text{Operating Income} + \text{Nonoperating Revenues} + \text{Foundation } \Delta \text{ in Unrest NA} / \text{Operating and Nonoperating Revenues} + \text{Foundation Unrestricted Revenue}$
- Operating and Non-operating
- Standard Performance – 4%
- Weight – 10%

Primary Reserve

- Measure of financial strength and flexibility. Comparison of expendable net assets to total expenses.
- Calculation - $\text{Expendable Net Assets} / \text{Total Expenses}$
- Standard Performance – 0.40
- Weight – 35%

Viability

- Measure of financial health. Compares total expendable net assets to total current and noncurrent liabilities. Similar to coverage ratio.
- Calculation - Expendable Net Assets / Plant Related Debt
- Standard Performance – 1.25
- Weight – 35%

ETSU Total	<u>Standard</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Primary Reserve	0.40	0.37	0.32	0.33	0.32	0.30
Viability	1.25	0.86	0.78	0.78	0.74	0.65
Return on Net Assets	5.90%	13.78%	11.05%	7.34%	3.71%	5.44%
Net Operating Revenues	4.00%	2.90%	4.39%	4.00%	2.79%	2.41%
CFI	3.00	3.29	2.93	2.57	2.05	2.07

Main Campus	<u>Standard</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Primary Reserve	0.40	0.32	0.26	0.24	0.22	0.19
Viability	1.25	0.56	0.48	0.43	0.38	0.31
Return on Net Assets	5.90%	17.17%	14.87%	10.25%	5.03%	5.98%
Net Operating Revenues	4.00%	2.94%	5.11%	4.73%	2.99%	(3.65%)
CFI	3.00	3.25	2.96	2.39	1.63	1.08

College of Medicine	<u>Standard</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Primary Reserve	0.40	0.42	0.42	0.56	0.59	0.62
Viability	1.25	23.42	20.46	24.57	23.65	21.37
Return on Net Assets	5.90%	5.10%	1.56%	(0.02%)	(0.77%)	6.19%
Net Operating Revenues	4.00%	2.34%	0.31%	0.11%	(0.68%)	11.46%
CFI	3.00	5.31	4.79	4.99	4.92	6.62

Family Medicine	<u>Standard</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Primary Reserve	0.40	0.07	0.06	0.08	0.04	0.07
Viability	1.25	0.92	0.66	0.85	0.38	0.75
Return on Net Assets	5.90%	4.47%	8.91%	19.56%	13.57%	12.07%
Net Operating Revenues	4.00%	(0.99%)	2.73%	3.77%	3.97%	3.75%
CFI	3.00	1.34	1.81	3.16	2.08	2.30

College of Pharmacy	<u>Standard</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Primary Reserve	0.40	1.57	1.50	1.32	1.28	1.26
Viability	1.25	3.60	2.87	2.39	2.00	1.77
Return on Net Assets	5.90%	15.14%	15.21%	11.08%	16.31%	(8.06%)
Net Operating Revenues	4.00%	11.24%	17.25%	13.22%	19.32%	44.21%
CFI	3.00	8.90	8.43	7.59	7.67	4.98

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2019
ITEM: FY19 Federal Funds Reporting
COMMITTEE: Finance and Administration Committee
PRESENTED BY: Karen Glover
Comptroller

The 2019 Public Chapter 480 requires state agencies to prepare and submit a financial report to the Department of Finance and Administration comparing the federal receipts and federal budget estimates for the prior fiscal year with a plan for a 5 percent, 25 percent and 100 percent reduction in these federal funds. A unified reporting template was developed for higher education to assist in the preparation of the report. The template includes the following information:

- Federal funds budgeted and collected for the prior fiscal year, categorized as institutional, research and development, and student financial aid.
- State matching or maintenance of effort funds, and FTEs associated with the federal funding categories.
- Impacts on the university and whether the State would have to maintain the federal initiatives if funding was reduced.

The report was prepared and submitted to the state legislature as required. The report is presented below.

Fiscal Year 2018-2019 Federal Funds Report and Plan of Potential Reductions

Institution of Higher Education:

Activity	Fiscal Year 2018-2019 Budgeted	Fiscal Year 2018-2019 Collected	Percentage of Budget Collected
Institutional			
Research and Development			
Student Financial Aid			
Total Federal Funding			

Institutional Funds

Please list any state funding, other funding, or full-time equivalencies that are affected with the potential reductions.

Funding Information	5% Reduction	25% Reduction	100% Reduction
Federal			
State Match			
Other			
FTEs			

Describe the program, activity, or expenditure type that would be impacted by the proposed federal funds receipts reductions. Would this reduction require a change in statute or rules? If so, list references.

5%	
25%	
100%	

Fiscal Year 2018-2019 Federal Funds Report and Plan of Potential Reductions

What would be the impact on recipients (including state and local agencies) receiving these services? What changes in program(s), services, expenditures, fees, staffing, etc. would be made if this reduction is implemented?

5%	
25%	
100%	

Are there mandated federal services that the State would have to maintain even though federal funding is cut? Are there other resources available to meet those needs?

5%	
25%	
100%	

Research and Development Funds

Please list any state funding, other funding, or full-time equivalencies that are affected with the potential reductions.

Funding Information	5% Reduction	25% Reduction	100% Reduction
Federal			
State Match			
Other			
FTEs			

Describe the program, activity, or expenditure type that would be impacted by the proposed federal funds receipts reductions. Would this reduction require a change in statute or rules? If so, list references.

5%	
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Fiscal Year 2018-2019 Federal Funds Report and Plan of Potential Reductions

25%	
100%	

What would be the impact on recipients (including state and local agencies) receiving these services? What changes in program(s), services, expenditures, fees, staffing, etc. would be made if this reduction is implemented?

5%	
25%	
100%	

Are there mandated federal services that the State would have to maintain even though federal funding is cut? Are there other resources available to meet those needs?

5%	
25%	
100%	

Student Financial Aid Funds

Please list any state funding, other funding, or full-time equivalencies that are affected with the potential reductions.

Funding Information	5% Reduction	25% Reduction	100% Reduction
Federal			
State Match			
Other			
FTEs			

Fiscal Year 2018-2019 Federal Funds Report and Plan of Potential Reductions

Describe the program, activity, or expenditure type that would be impacted by the proposed federal funds receipts reductions. Would this reduction require a change in statute or rules? If so, list references.

5%	
25%	
100%	

What would be the impact on recipients (including state and local agencies) receiving these services? What changes in program(s), services, expenditures, fees, staffing, etc. would be made if this reduction is implemented?

5%	
25%	
100%	

Are there mandated federal services that the State would have to maintain even though federal funding is cut? Are there other resources available to meet those needs?

5%	
25%	
100%	

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2019

ITEM: Quarterly Reports on Agreements \$250,000 or greater

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King
Chief Financial Officer

Included in the meeting materials are a list of agreements, both expense and revenue, with amounts totaling \$250,000 or greater for the period of April 2019 - June 2019.

July – September 2019

Contracts/Purchase Orders over \$250,000

<u>Contract/ PO Date</u>	<u>Start</u>	<u>End</u>	<u>Contractor</u>	<u>Description of Services/Products</u>	<u>Contract / PO Amount</u>	<u>Competitive</u>	<u>Fiscal Review Approval</u>
07/05/19	07/01/19	06/30/20	EAB Global (previously Royall)	Student marketing program. Year 5 of 5	\$514,795	Yes	N/A
07/10/19	07/01/19	12/31/19	Elsevier	Online access to collections/ subscriptions for Library	\$270,744	No	N/A
07/24/19	08/09/19	08/08/20	Assessment Technologies	NCLEX assessment and preparations system for nursing students and faculty. Year 2 of 5	\$382,500	Yes	N/A
08/22/19	09/12/19	09/11/21	Virtual OfficeWare LLC	Electronic medical record maintenance, support, and hosting fees. Nursing Year 4 of 5.	\$535,634	Yes	N/A

RFPs – Awarded, In-Process or Upcoming

Student Marketing Program – Admissions – 5 year agreement
Student Financial Aid Optimization – Planning and Decision Support – 5 year agreement
Facilities Renovations – 5 year agreement

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 15, 2019

ITEM: Policy Development and Administrative Rulemaking

COMMITTEE: Finance and Administration Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Mark Fulks
University Counsel

Dr. Mark Fulks will present the new Policy Development and Administrative Rulemaking policy for East Tennessee State University. The policy formalizes the existing policy process while creating an informal policy office (the office of university compliance) to work with originators and sponsors on shepherding policies through the process. The public comment period for this proposed policy ran from September 30, 2019, through October 9, 2019, and Academic Council and University Council approved the proposed policy in their October meetings.

This new policy complies with the Board of Trustees' delegation of authority to the President and the university's shared governance model. The policy also expressly states compliance with Tennessee's Uniform Administrative Procedures Act when promulgating administrative rules.

MOTION: I move that the Committee recommend adoption of the following policy by the Board of Trustees:

Policy Development and Administrative Rulemaking



Policy Development and Administrative Rulemaking	
Responsible Official: University Counsel	Responsible Office: Office of University Compliance

Policy Purpose

This policy provides the university-wide procedure for the development, revision, and review of all university policies and procedures. This policy also provides the authority for East Tennessee State University to promulgate administrative rules under the Tennessee Uniform Administrative Procedures Act.

Policy Statement

All written policies and procedures or administrative rules submitted for review and approval by the East Tennessee State University Board of Trustees or its President must be developed or revised in a transparent, collaborative, and efficient manner. University policies and procedures or administrative rules must be clearly written, accessible to the university community, and periodically reviewed.

Authority: Tenn. Code Ann. §§ 4-5-202, 4-5-206, and 4-5-211

Definitions

Academic Council: An advisory body to the Provost that reviews, recommends, or approves university policies that affect academic issues.

Administrative Rule: Any ETSU regulation, standard, statement, or document of general applicability that is not a policy that describes the procedure or practice requirements of an agency; or implements, prescribes, or interprets an enactment of the general assembly or congress or a regulation adopted by a federal agency. Administrative rule includes the establishment of a fee, the amendment or repeal of a prior rule, and ETSU statements that relate to the discipline or housing of students. Administrative rule does not include general policy statements that are substantially repetitious of existing law or ETSU statements that relate to admission, graduation, or curriculum of ETSU students.

Approval Date: The date the Board of Trustees or President approves a policy.

Comment Period: A 14 calendar day period during which students, employees, and others may comment on a proposed new policy or revised policy or procedure.

Effective date: The date a policy or procedure goes into effect. Unless otherwise stated, the effective date will be when the office of university compliance posts the policy on the university webpage, thereby providing notice to the university community.

Emergency policy: A temporary memorandum policy enacted by the President when extraordinary circumstances require immediate action.

Originator: The person(s) assigned to draft and develop a policy or procedure.

Policy Template: A standardized guidance document with a proper outline and format for policies and procedures.

Procedures: Specific methods and processes for implementing university policies.

Office of University Compliance: For purposes of this policy, the Office of University Compliance is the university department responsible for offering guidance to a policy originator, ensuring a legal review of draft policies occurs and reviewing policies for accuracy, clarity, and consistency as well as ensuring compliance with this policy and procedure. This office is located in the Office of University Counsel.

Sponsor: A member of the Academic Council or University Council responsible for a policy.

Stakeholder: University units or positions that are particularly impacted by a university policy and procedure. Stakeholders may include faculty senate, staff senate, student government association, or other operational stakeholders.

Substantive Revision: Changes that alter the intent, scope, meaning, or application of a university policy or procedure.

Technical Correction: A change that does not alter the intent, scope, meaning, or application of a university policy or procedure. For example, job titles, department names, responsible personnel, grammatical errors, format revisions, hyperlink updates, policy renumbering and changes in statutory or regulatory citations.

Unit Rule: A written directive that applies to a specified academic, administrative, or other unit of the university and governs a process that is unique to that unit. Unit rules may be referred to by various names which include but are not limited to as department rule, department guideline, department policy, by-law, charter, regulation, handbook, standard operating procedure or statement of standards.

University Council: An advisory body to the President.

University Policy: A guiding principle that addresses the governance or internal management inherent in carrying out the mission of the university that does not affect private rights, privileges, or procedures available to the public. Unless a policy explicitly states otherwise, it is binding on all students, faculty, and staff.

Policy History

Effective Date:

Revision Date:

A. Policy and Procedure Approval Process

1. Policy Requests

- a. Any student or university employee may submit a written or verbal request to develop a new university policy or procedure or revise an existing policy or procedure by submitting the request to a sponsor for the university.
- b. The sponsor may assign an originator to draft or revise the proposed new or revised policy or procedure and notify the Office of University Compliance of the appointment.
- c. The Office of University Compliance begins monitoring the progression of the policy development or revision and works with the originator and sponsor to progress the policy or procedure to completion.

2. Policy Drafting

a. Originator Responsibilities

- (1) The originator is the primary drafter and reviewer of a new or revised policy or procedure.
- (2) The originator contacts the Office of University Compliance for the policy template. The originator periodically consults with the Office of University Compliance throughout the drafting and approval process.
- (3) For policies to be approved by the President, the originator and all reviewers must use the edit and track (“track changes”) feature on draft policy documents so that those reviewing the draft policy can readily identify all changes and comments to the draft.
 - a) The Office of University Compliance, in consultation with the sponsor, may waive this requirement if the policy revision constitutes a substantial rewrite of the policy or procedure.
 - b) If a waiver is authorized, the draft must include comments explaining differences and similarities with the existing policy.
 - c) Waivers should be limited to substantial rewrite and where use of the edit and track feature would create a document lacking clarity.
- (4) Microsoft Word’s “track changes” function must not be used for policies or procedures that go before the Board of Trustees.
 - a) Use lines (“strikethrough” function) through all language to be deleted.
 - b) Underline any added language to indicate the changes being made.
- (5) The originator must include stakeholders impacted by the policy or procedure in the

drafting process.

- (6) Once the originator has completed a draft, the originator sends the policy draft to the Office of University Compliance.

b. Office of University Compliance Responsibilities

- (1) The Office of University Compliance reviews the policy for clarity and ensures consistency with other policies and procedures. The Office of University Compliance also ensures the university's legal counsel conducts a legal review of the policy draft.

- (2) Once the policy review has been completed by the originator and Office of University Compliance, the Office of University Compliance submits the policy and procedures for public comment.

3. 14-day Comment Period

- a. The Office of University Compliance advertises the proposed or revised policy and procedure for a 14-day comment period.
- b. The President or their designee may extend the comment period for extraordinary circumstances.
- c. When a policy or procedure is posted for a 14-day review, all Academic Council and University Council members have a responsibility to encourage their respective colleagues and staff to review and comment on the new or revised policy.
- d. Upon completion of the 14-day comment period, the Office of University Compliance provides all received comments to the originator.
- e. Within 30 calendar days of receiving all comments, and in cooperation with the Office of University Compliance, the originator evaluates all comments and revises the policy or procedure as needed.
- f. The originator and Office of University Compliance submits the draft policy to the sponsor. A short joint memorandum summarizing the comments received, revisions made, and any remaining legal or other issues accompanies the draft.

4. Academic Council or University Council Review and Approval

- a. The sponsor or their designee present the draft policy or procedure to Academic Council or University Council for review.
 - (1) Academic Council reviews all draft policies and procedures that are specifically academic in nature, including but not limited to policies and procedures related to faculty, promotion and tenure, academic freedom, catalogs, curriculum, and research.
 - (2) University Council reviews all other draft policies and procedures.

- b. After reviewing the draft, Academic Council or University Council may make one of the following recommendations:
 - (1) Approve the policy and procedure and forward it to the President or Board of Trustees, as appropriate, for review and approval.
 - (2) Return the policy and procedure to the originator for further work, with instructions on the changes needed.
 - (3) Reject the policy and procedure.
5. Presidential and Board of Trustees Review and Approval
- a. The President or the Board of Trustees approve the new or substantively revised policy and procedure as submitted, request revisions, or reject the policy or procedure.
 - b. Neither the President nor the Board of Trustees need to approve a technical correction of a policy or procedure.
6. Posting of an Approved Policy or Procedure
- a. The President's Office notifies the Office of University Compliance when the President or Board of Trustees approves a policy or procedure.
 - b. The Office of University Compliance posts the approved policy or procedure on the Policy website and notifies the university community.
- B. Time Considerations
- 1. The Originator, Sponsor, President, and Board of Trustees may review and take any action on a proposed new or revised policy or procedure at anytime.
 - 2. The timing of the review and approval process for new or revised policies rests exclusively with the Board of Trustees or President. However, both entities should provide sufficient time for:
 - a. Stakeholders in the university community to provide comments regarding the proposed policy or procedure; and
 - b. Meeting publication deadline dates of university issued handbooks or manuals.
- C. Policy and Procedure Technical Corrections
- 1. The Board of Trustees has delegated to the President the authority to enact technical corrections, as defined in the Definitions.

2. The originator may recommend technical corrections to the sponsor. The originator provides a tracked version of the policy and procedure to the sponsor.
3. The sponsor provides the Office of University Compliance a tracked version of the proposed technical correction. The Office of University Compliance reviews the proposed technical correction to determine if the change is technical or substantively alters the policy or procedure.
 - a. If there is a disagreement between the originator and Office of University Compliance as to whether a revision constitutes a technical correction, the matter is evaluated by the sponsor and President.
 - b. The President has the final authority on whether the revision constitutes a technical correction.
4. If the Office of University Compliance determines that the proposed technical correction does not substantively alter the policy or procedure, the Office of University Compliance posts the corrected policy on the university policy page.
5. The approval of technical corrections to a policy does not constitute the enactment of a new or revised policy, and it does not change the approval or effective dates of such policies.

D. Emergency Policy

1. When the President determines that emergency policy action is required, the President may enact new policies, revise existing policies, or suspend existing policies.
2. When the President takes emergency policy action, the President issues a written memorandum outlining:
 - a. the reasons emergency action is required;
 - b. any applicable emergency procedures;
 - c. the anticipated duration of the emergency policy; and
 - d. if applicable, any other policies that will be affected by the enactment of the emergency policy.
3. The President may issue this emergency policy without prior consent or approval of any university unit. However, when an emergency policy has been issued, the President must notify Academic Council and University Council.
4. Emergency policies do not require a 14-day comment period.
5. Once enacted, the Office of University Compliance immediately publishes the emergency policy on the university policy website. The Office of University Compliance also sends an email notice to the university community regarding the emergency policy.

6. Following issuance of the emergency policy, the President presents the policy to the Board of Trustees at the first available opportunity.
7. After consulting with the President, the Board of Trustees has the authority to affirm, modify or rescind the emergency policy.
8. The emergency policy must be in effect only for the duration of the emergency, not to exceed one year.

E. Unit Rules

1. Given the size, complexity, and numerous academic, administrative, and other units of the university, it is necessary for units to develop unit-specific rules, as defined in the Definitions. Unit rules and procedures provide additional detail to employees to efficiently and effectively operate within respective university units.
2. Unit rules must be consistent with the intent and purpose of university policy and relevant law.
3. Recommendations for new or revised unit rules go through the unit's established procedures for addressing new rules.
4. Senior administrators are responsible for ensuring the distribution of new unit rules and procedures to all employees in the department.
5. A new unit rule that is properly adopted based on individual units' adoption processes is binding on all employees and students within the relevant unit for which it is developed.

F. Policy Review and Maintenance

1. Sponsors are responsible for reviewing and addressing the policy needs of their respective departments.
2. The Office of University Compliance maintains the policy website or manual as well as a policy archive.
3. The Office of University Compliance coordinates the regular review of university policies. Whenever possible, a policy is reviewed every five years after it becomes effective and every five years after that. The sponsor reviews policies to assess whether policies remain:
 - a. in compliance with applicable laws, regulations, etc.;
 - b. consistent with other university policies;
 - c. current with policy format, personnel, positions, and entity information; and
 - d. relevant to the needs of the university and its mission.

G. Obsolete Policy or Procedure

1. A student, staff member, or faculty member who believes a university policy is no longer needed may recommend to the Office of University Compliance that the policy is removed.
2. The Office of University Compliance informs the sponsor of the recommendation.
3. A sponsor reviews the recommended deletion with the university's legal counsel.
4. Following a legal review, the sponsor presents a written recommendation to Academic Council or University Council that a policy or procedure should be deemed obsolete. The written recommendation includes the reasons the sponsor believes the policy is obsolete.
5. Academic Council or University Council approves or denies the recommendation and notifies the Office of the President. If the deletion is approved, the Office of the President notifies the Office of University Compliance.
6. When notified of a policy deletion, the Office of University Compliance removes the policy from the university policy website and sends an email to all university community members notifying of the deletion.

H. Administrative Rulemaking Requirement

1. When required, the University enacts an administrative rule consistent with Chapter 1360- 01-02, Filing of Rules pursuant to Title 4, Chapter 5, of the Tennessee Uniform Administrative Procedures Act.
2. On July 1 of every year, the University submits a list of all adopted policies to the chair of the Tennessee senate and house government operations committees, including a summary of the policy and the university's justification for adopting a policy instead of promulgating a rule.

Procedure History

Effective Date:

Revision Date:

Related Form(s)

Scope and Applicability

Primary: Governance, Academic, Students, Employment

Secondary: Information Technology, Health and Safety, Business and Finance, Operations and Facilities, Communications & Marketing, Advancement