

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

June 9, 2017
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met at 9:40 a.m. on Friday, June 9, 2017, in Meeting Room 3 in the D.P. Culp University Center on ETSU's main campus in Johnson City, Tennessee.

I. Call to Order

Mr. Steven DeCarlo, Chair of the Finance and Administration Committee, called the meeting to order.

II. Roll Call

Board of Trustees Secretary Dr. David Linville called the roll and declared that a quorum was present. Committee members in attendance were: Chairman DeCarlo, Mr. Nathan Farnor, Ms. Dorothy Grisham, Mr. Jim Powell, and Mr. Ron Ramsey.

Among the guests in attendance were: Ms. Bridget Baird, ETSU Associate Vice President for Community and Government Relations; Dr. James Batchelder, Assistant Dean for Fiscal Affairs, ETSU College of Clinical and Rehabilitative Health Sciences; Mr. Alex Cassell, ETSU President's Office; Mr. David Floyd, *Johnson City Press*; Ms. Mary Jordan, ETSU Special Assistant to the President for Equity and Diversity; Dr. B.J. King, ETSU's Acting Chief Financial Officer; Ms. Amanda Marsh, ETSU University Relations; Dr. Brian Noland, ETSU President; Ms. Margaret Pate, Associate Vice President for Budget and Financial Planning at ETSU; Mr. Bill Rasnick, ETSU Associate Vice President for Facilities Management; Dr. Richard Rhoda, Interim Dean of the Claudius G. Clemmer College of Education at ETSU; and Fred Sauceman, ETSU University Relations (taking minutes).

III. Approval of the Finance and Administration Committee Minutes of May 26, 2017

Trustee Powell moved that the minutes of the committee's May 26, 2017, meeting be approved. Trustee Grisham seconded. The motion passed unanimously.

IV. Adoption of Policies

Consensual Romantic or Sexual Relationship Policy

Evaluative Authorities have a distinct and prestigious role in the educational process at this university. This policy is meant to prevent any abuse of this special role – even unintentionally – and to protect all parties involved from being in a vulnerable position or from feeling pressure. Also, consensual relationships can lead to favoritism from the Evaluative Authority; others may believe that there is favoritism even if there is not.

Definitions:

Evaluative Authority: any person with authority over another individual (e.g. grading, employment, supervision, writing letters of recommendation, award/scholarship recognition, scheduling, or the ability to provide special consideration or treatment).
Consensual relationship: any intimate relationship when both parties consent and the relationship is of a romantic or sexual nature, whether that be dating, marriage, or another arrangement.

Policy:

The University prohibits a consensual relationship between an Evaluative Authority and any other individual over whom that person has a form of authority. Such a relationship implies a conflict of interest. Any consensual relationship that constitutes a potential conflict of interest must be reported to the Evaluative Authority's supervisor by the Evaluative Authority. The conflict of interest must be resolved. If an Evaluative Authority fails to report, then the Office of Equity and Diversity will investigate and take action as appropriate.

Ms. Jordan reviewed with the committee the internal processes and steps that led to the creation of the new policy and explained that all applicable state and federal laws had been consulted. She told the committee that, previously, four different such policies had been found on campus, and the new policy provides standardization and uniformity. Chairman DeCarlo asked Ms. Jordan if she knew of any such conflicts that currently exist on the campus. She responded that ones the institution was aware of have been resolved. Trustee Grisham asked if the policy would apply to faculty-student relationships. Ms. Jordan responded affirmatively, indicating that it covers any types of evaluative relationships that might exist on campus.

Trustee Farnor moved that the policy be approved by the committee. Trustee Ramsey seconded. The motion passed unanimously.

V. Proposal for a Pilot In-State Equivalent Tuition Rate for Social Work BSW and MSW programs in Asheville and Abingdon

Background

ETSU's Mission Statement asserts that "Education is the university's highest priority." It further elaborates that "the institution is committed to increasing the level of educational attainment in the state and region" and that it "honors and preserves the rich heritage of Southern Appalachia . . . and is actively engaged in regional stewardship."

- ETSU's Strategic Plan includes a priority to have enrolled by 2026 (1) 18,000 students on campus, on-line, or at a remote location and (2) 3,500 out-of-state and international students.
- ETSU is pursuing—as a growth agenda—a strategic priority that envisions expanding "the University's geographical footprint through revision of its tuition policy as it relates to out-of-state students."
- No department at ETSU has pursued more aggressively the goal of expanding ETSU's regional geographical footprint than has the Department of Social Work. Its commitment to the extended campus is represented by approved teaching sites where it offers programs in Kingsport, Sevierville, Abingdon, and Asheville.

Proposal for Pilot

The Department of Social Work requests authorization to initiate a pilot program of "in-state-equivalent" tuition for all out-of-state students enrolled in the Department's Baccalaureate and Masters programs at its approved teaching sites in Virginia and North Carolina.

- The three-year pilot would apply to all students enrolled in ETSU's Social Work program cohorts and cost centers beginning with the Fall term (2017-18) and extending through the Spring term (2019-20).
- The pilot would apply to students in both the Baccalaureate program (BSW) in Virginia (currently, Abingdon) and to those in the Master's degree program (MSW) in both North Carolina (Asheville) and Virginia (currently, Abingdon).

Rationale for Supporting Pilot

The purpose of the pilot program is to provide a method for increasing applications and consequent admissions to both BSW and MSW programs at both locations by removing the financial disincentive prospective applicants in the region encounter when weighing their options about pursuing their education at ETSU as opposed to public or private universities in either of these non-Tennessee locations.

- It is particularly appropriate that the pilot involve Social Work because the department has an historical commitment to access.
- The added benefit of increasing ETSU enrollment in these areas is that of attracting an ever larger proportion of the available market, discouraging attempts by competing institutions to duplicate ETSU programming in our target areas by “soaking up” the most attractive applicants.
- Apart from programming costs to the department (each site—whether in-state or out-of-state— quite unique), our goals remain the same: (1) expanding the contributions offered by the Department of Social Work through its BSW and MSW programming to residents throughout and across our multi-state region, (2) reaching out to new populations of potential students as a method to overcome the geographic challenges mountains and distances provide, (3) generating revenue for ETSU and with that portion of revenue allotted to the Department of Social Work in order to expand the resource base from which it can address its mission, and (4) improving the quality and relevance of professional/academic programming on behalf of a region that desperately needs it.
- Additional indicators of success include development of additional programming sites (this primarily relating to Virginia) and/or implementation of additional dimensions of departmental programming (e.g., the introduction of elements of BSW programming in Asheville where none currently exists).
- Caveat: What is proposed here is essentially a programming initiative rather than a careful, tightly controlled experimental study. The purpose is not that of “studying” the effects of an experimental tuition for certain out-of-state students but rather that of concluding whether such an initiative can be successfully employed as part of a comprehensive effort to market BSW and/or MSW educational opportunities toward the goals of achieving market dominance within our geographic/service region.

Evaluation of Pilot:

The 3-year period specified for this pilot is necessary for purposes of (1) communicating the competitive costs of our programming to prospective applicants (some of whom are still one or more years removed from being eligible to apply to our programs), (2) examining marketing, recruiting, admission, and capture dynamics as we expand the footprint of our programming into additional market areas of Virginia well beyond the “Border Compact” (e.g., the Wise or Richlands areas), and (3) providing sufficient data to enable some comparisons of market yield and relative revenue generation across pre- and active pilot periods. Success will be measured in terms of applications received, applications accepted, actual enrollments, “capture

rate,” student retention, and successful pursuit of graduation revenue generation. The Department will seek from those data to determine distinctive factors from out-of-state sites compared to Tennessee programming locations. Data on these same variables will also be compared for out-of-state programming locations only looking for significant changes between pre- and pilot implementation periods.

Dr. King explained that there is a clear need for these programs in the designated areas and that out-of-state tuition is a major hurdle. Trustee Powell moved that the proposal be adopted. Trustee Ramsey seconded. The motion passed unanimously.

VI. Proposal for a Pilot In-State Equivalent Tuition Rate for Community Colleges of Appalachia

Background

- ETSU’s Mission Statement asserts that “Education is the university’s highest priority.” It further elaborates that “the institution is committed to increasing the level of educational attainment in the state and region” and that it “honors and preserves the rich heritage of Southern Appalachia . . . and is actively engaged in regional stewardship.”
- ETSU’s Strategic Plan includes a priority to have enrolled by 2026 (1) 18,000 students on campus, on-line, or at a remote location and (2) 3,500 out-of-state and international students.
- ETSU is pursuing—as a growth agenda—a strategic priority that envisions expanding “the University’s geographical footprint through revision of its tuition policy as it relates to out-of-state students.”
- The Center for Community College Leadership (CCCL) at ETSU was established in 2016. It is committed to be the preeminent source for leadership training, both in the form of graduate degree credit instruction and professional development, for faculty and staff at community colleges in Tennessee and throughout Appalachia.
- The Community Colleges of Appalachia (CCA) is a voluntary association of public community colleges serving the common interests of member colleges and their communities through programs and services responsive to the unique cultural, geographic, and economic development challenges facing the region. The CCA footprint is that of the Appalachian Regional Commission, which represents portions of 13 states. The ARC is a sponsor of the CCA.

Proposal for Pilot

- The Department of Educational Leadership and Policy Analysis requests authorization to initiate a pilot program of “in-state-equivalent” tuition for faculty and staff of CCA member institutions enrolled in the Department’s graduate higher education programs: Master of Education in Student Personnel, Doctor of Education in Postsecondary and Private Sector Leadership, and Certificate in Community College Leadership.
- The designated graduate programs serve three levels of career and leadership development to address the needs of faculty and staff at different stages in their career: post-baccalaureate masters education; post-masters community college-specific certificate; and post-masters doctorate. It should be noted that the certificate program, which was launched in Fall 2016 as part of the CCCL proposal, is designed as a standalone credential or as a concentration of the Doctor of Education.
- The three-year pilot would apply to all eligible students enrolled in the designated programs beginning with the Fall term (2017-18) and extending through the Spring term (2019-20).

Rationale for Supporting Pilot

- The purpose of the pilot program is to initiate a collaborative relationship between ETSU and the CCA that will be of mutual benefit in fulfilling their respective missions. Other dimensions of the relationship will include the CCA executive director and CCA campus presidents serving on the advisory committee of the CCCL, and collaboration in the design and conducting of targeted professional development events for faculty and staff.
- The pilot will advance the ability of CCCL to strategically serve and influence community college leadership in Appalachia.
- All instruction in the designated programs is online, which lessens the significance of students’ residence and physical location of instruction. It should be noted, however, that seminars, workshops, and symposia may be convened at ETSU or other locations as part of the programs.
- It also should be noted that the proposal anticipates that over time, faculty and staff from virtually every member college of the CCA could earn graduate credentials from ETSU. Current membership of the CCA includes 68 institutions in states other than Tennessee.

Evaluation of Pilot

- The three-year period specified for this pilot is an appropriate period from which to assess the effectiveness of marketing, recruiting, and admissions, as well as whether the expectations of the CCA are met successfully.
- Success will be measured in terms of applications received, applications accepted, actual enrollments, student retention, and successful completion.
- Continuation of this collaborative relationship beyond the pilot period will be subject to approval by ETSU and CCA.

Dr. King emphasized that this relationship will serve to strengthen community college leadership across several states. Trustee Ramsey made a motion that the proposal be approved. Trustee Powell seconded. The motion passed unanimously.

VII. Budget for 2017-18

Dr. King explained that budget requests were based on Governor Haslam's appropriation and tuition and fees. Included is a three percent pool for employee salary increases, 60 percent of which is funded by the state. ETSU must cover the other 40 percent. She explained that since ETSU is now a locally-governed institution, comparative data from other schools will not be available until they complete their governing board processes. She said the new ETSU budget is based on a 3.97 percent increase in tuition.

Dr. King told the board that this budget represents an investment in people. Two percent salary increases will be given across the board, with the other one percent covering equity adjustments. She said that out of an approximately \$2.7 million increase for the main campus, some \$2 million will directly represent an investment in people, primarily in the form of new faculty positions.

Trustee Grisham asked if figures listed under student services and scholarships included money to help underserved populations. Dr. King responded in the affirmative, adding that ETSU has pushed scholarship increases and the creation of new scholarship programs and has improved its marketing of scholarship programs.

Chairman DeCarlo asked about the transparency of the budget process. Dr. King responded that there has been a much higher level of transparency in the budget process this year—that meetings have been open and materials made available widely, including posting on the web. She said the goal of the process is to let everyone have a voice. She told the board that “next year's budget starts today” and that a list of items that did not get covered in this proposed budget is already being assembled. She said that in order to help students with their financial planning, her desire is to gain board approval for fees by April 27 of next year and perhaps even

earlier in years after that. She said it would be advantageous to have budget hearings in September, once fall enrollment figures are known.

Trustee Grisham made a motion that the budget for 2017-18 be approved. Trustee Powell seconded. The motion passed unanimously.

2017-18 Budget Totals:

Main Campus: \$245,630,700
College of Medicine: \$58,799,300
Family Medicine: \$16,241,800
College of Pharmacy: \$11,458,300

VIII. Presentation: An Introduction to University Physical Plant and Current Capital Projects

Dr. Noland and Mr. Rasnick updated the committee on the status of current and future capital projects across campus and university physical plant operations. Dr. Noland indicated that one of the purposes of the presentation was to provide a sense of the complexity of the campus and that in the future, he hopes to set up work sessions so that committee members can get a first-hand look at the construction, improvement, and maintenance work being done. The presentation was divided into four parts: review of campus facilities master plan; review of current capital projects; review of local projects; and overview of staff, operations, budget, and utilities. (See handout and PowerPoint presentation on file.)

Dr. Noland reported that between now and September, much time will be spent working on the Capital Strategic Master Plan. He highlighted the West Walnut Street corridor as a potential growth zone for the university, with the possible acquisition of the Neebo property and some neighboring properties. Mr. Rasnick told the committee that the current master plan was completed in 2014 and that an update is targeted for 2019.

As called for in the housing master plan, Mr. Rasnick said all student housing units on campus are either new or have been renovated over the last 10 years. Some 3,000 beds now exist on campus. Discussions are now underway regarding next steps in improving campus housing opportunities.

Mr. Rasnick then reviewed vehicular and pedestrian circulation patterns on campus and raised the likelihood of a parking garage to be located on the eastern side of campus that might also include retail operations. He indicated that there are some opportunities for expansion on the west side of campus as well, where commercial

property exists, and perhaps on the south side, when residential properties might come available.

Mr. Rasnick then reviewed existing Health Sciences Center space on the VA campus, where ETSU is in year 22 of a 35-year lease. He then gave a brief overview of ETSU's remote facility locations, including the Nave Center in Elizabethton; ETSU at Kingsport Downtown; ETSU at Kingsport, Allandale; ETSU's locations in Sevierville; ETSU's offices at Northeast State Community College; and ETSU's Valleybrook campus. Trustee Ramsey asked about current usage of the Allandale facility. Mr. Rasnick replied that many evening classes are still held there.

Mr. Rasnick described various capital projects in design, all in accordance with the master plan. Over \$100 million in projects are now in the design phase. The largest are D.P. Culp University Center additions and renovation at \$40,500,000 and the fine arts building at more than \$52,300,000.

Capital projects in the construction phase currently total almost \$50 million. Mr. Rasnick told the committee that some \$250 million in new construction has either been completed or has been in process over the past five years. In response to Chairman DeCarlo's question about how that compared to the previous five to 15 years, Mr. Rasnick said that for the last 20-year period, the total would approach \$750 million.

Dr. Noland continued the presentation by highlighting some smaller projects that will in actuality have a major impact on campus life and that are driven by strict deadlines and timetables. A case in point is the storm water drainage repair project, with a \$2 million price tag but of major importance to the structural integrity and safety of the campus. Dr. Noland commended Mr. Rasnick and his staff for juggling so many projects so skillfully.

Dr. Noland then focused attention on the construction of the new football stadium, which he said is on time and under budget. Ground was broken December 15, and the stadium should be completed in August. Seats are scheduled to arrive August 6.

Dr. Noland shared a number of drawings of the Martin fine arts center, noting that the project was approved at just over \$52 million by the State Building Commission. He said the updated exterior now blends well with the neighboring Millennium Centre. Among the building's major features will be a 1,200-seat main auditorium, a 200-seat recital hall, a "black box" theatre space, rehearsal areas, and faculty offices. Dr. Noland noted that the City of Johnson City's \$8 million investment allowed for the addition of 500 seats to the auditorium and various other improvements including HVAC. Ground will be broken at the start of the fall semester, with a goal for the opening being in November or December of 2019. Dr. Noland stressed the necessity

of remaining within the specified budget. Chairman DeCarlo asked if the university would get money back if the cost were reduced, and Mr. Rasnick indicated that it would. Chairman DeCarlo then asked about who will be controlling the construction schedule, given the partnership with the city. Mr. Rasnick responded that the city has not been a part of those discussions and that the schedule is driven by the university, the architect, and Denark Construction. Dr. Noland added that once the center is opened, a committee will control the performance schedules. The city's financial investment guarantees it 10 public events per year. Trustee Farnor asked about features that had to be eliminated from the building plan. Dr. Noland replied that in order to keep the project within budget as required by the state, art, dance, aerial dance, and bluegrass will not be included, but other spaces both on and off campus for those units will be considered.

Dr. Noland then presented an analysis of renovations and additions to the D.P. Culp University Center. The budget for the project is some \$40 million, encompassing an area exceeding 200,000 square feet. President Noland said more than 250 offices will have to be relocated when construction begins. One salient example is the entire Advisement Center, with over 48 work stations. Among the areas to be closed temporarily during construction will be the amphitheater, parking lot 35 between Culp and the Reece Museum, and retail food service in Culp. Completion is expected in late 2019 or early 2020. Dr. Noland stressed the importance of talking with the city about temporary or permanent acquisition of Millennium Centre, in part to accommodate these temporary displacements. In response to Chairman DeCarlo's question about the advantages that these renovations and additions will bring, Mr. Rasnick said that the building will be more student-centric and that the new spaces being created are a result of much student input. Dr. Noland and Mr. Rasnick pointed out that the changes in and around Culp are all part of making ETSU a more student-friendly campus.

Dr. Noland then turned to the work underway to renovate Building 60 on the VA campus, a building to be known as the Sim Center, since it will be the new home for medical simulation for Medicine, Pharmacy, Nursing, and Physical Therapy. Dr. Noland pointed out that the building will feature outdoor seating as well as food service, marking the first time that food service will be available in a building belonging to ETSU on the VA campus. The building is almost a century old, and many of its distinguishing features will be retained. The \$12.9 million, self-funded project began in January and should be complete by June of 2018. Trustee Ramsey inquired about the name of the architectural firm, and Mr. Rasnick indicated that it is Red Chair out of Knoxville.

The presentation continued with Mr. Rasnick describing how local projects are carried out on campus. Funds for these projects typically come from departmental budgets. In 2016, for example, 187 such projects were requested, and 129 of those

were completed, for a total of almost \$1 million. In addition, Mr. Rasnick told the committee that Facilities Management receives almost 20,000 work orders a year. After those jobs are completed, a customer satisfaction survey is sent, and the positive response rate is consistently around 88 percent.

Mr. Rasnick also shared peer comparison data for several categories of Facilities Management work. ETSU compares favorably in almost all categories. For example, during fiscal year 2014-15, for main campus custodial work, ETSU spent \$1.07 per square foot, whereas southeastern region peers spent \$1.19. The national average was \$1.41. Custodial costs in terms of full-time enrollment were also lower, with ETSU at \$281.84 per FTE, southeastern peers at \$395.98, and the national average at \$404.44. Main campus maintenance proved lower as well, with ETSU at \$1.06 per square foot, southeastern peers at \$1.37, and the national average at \$1.63. Computed per FTE, maintenance costs for that same year equated to \$280.38 at ETSU, \$487.81 for southeastern peers, and \$482.03 nationally. Grounds costs per FTE at ETSU that year were \$91.76, while southeastern peers reported \$146.12 and the national average was \$129.09. Trustee Ramsey asked about whether Governor Haslam's outsourcing proposal would be effective at ETSU. Mr. Rasnick responded that the numbers show it would not. He said the benchmarking data clearly pinpoint efficiencies at ETSU, plus the quality of work being done by campus personnel is excellent. Mr. Rasnick added that ETSU has experienced some struggles in recruiting people, but those were minor compared to what is happening in other parts of the state.

Mr. Rasnick went on to highlight further efficiencies in energy usage on campus. For fiscal year 2014-15, he reported, ETSU's energy costs per square foot were \$1.55, compared to \$2.27 for southeastern peers and a national average of \$2.31. Mr. Rasnick also provided the committee with detailed tables listing usage and costs for electricity, gas, water, and sewer. Chairman DeCarlo asked if ETSU is able to negotiate discounts. Mr. Rasnick responded that the university purchases gas on the futures market and locks in rates when they are low. In addition, ETSU has been able to take advantage of a new billing rate for commercial customers offered by the Johnson City Power Board, resulting in savings of around \$400,000 a year.

Dr. Noland added that ETSU now has an energy manager, a new position added within the past two years. He also pointed out that ETSU intends to become the first institution in the state system to sever from the Board of Regents on locally managed projects. And he reported that boiler replacement is underway on campus, finalizing the shift away from coal to natural gas.

Chairman DeCarlo and the committee commended Dr. Noland and Mr. Rasnick for the thoroughness of their report and acknowledged the outstanding work being done all across campus by ETSU staff.

IX. Other Business

There was no other business to come before the committee.

X. Adjournment

The committee meeting adjourned at 11:17 a.m.

Respectfully submitted,



David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its September 8, 2017 meeting.