

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

November 15, 2024
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met on Friday, November 15, 2024, at 10:34 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Steve DeCarlo called the meeting to order at 10:34 a.m.

II. Roll Call

Board Secretary Dr. Adam Green conducted the roll call. The following committee members were physically present:

Chair Steve DeCarlo
Trustee Charles Allen
Trustee Dorothy Grisham
Trustee Dr. Linda Latimer

III. Approval of the Committee Minutes from September 13, 2024

The minutes from the September 13, 2024, meeting of the Finance and Administration Committee were approved as submitted, with Trustee Charles Allen making the motion and Trustee Dorothy Grisham seconding the motion. The motion passed unanimously.

IV. Action Item: Approval of FY25 October Revised Budgets

Ms. Christy Graham, Chief Financial Officer, presented an overview of the October revised budgets. The October revised budget contains funding for a three percent salary enhancement for all regular employees, with a ceiling of \$7,000, along with an increase in the minimum wage to \$15 per hour. The October budget includes an additional two percent salary pool to comply with the requirements of the Fair Labor Standards Act as well as to support the provision of market salary adjustments for targeted faculty and staff in the spring semester. Ms. Graham indicated that for the main campus, the October revision includes an increase in the revenue budget of nearly \$2 million. Revenue from tuition and fees is increasing by \$1.3

million and auxiliary revenues by over \$500,000. The expenses budget includes an increase of approximately \$2.3 million. The College of Medicine budget includes a large increase in revenues, some \$11.2 million, due to forecasted funding from external contracts. Expenditures are increasing by nearly \$5 million, primarily for salary enhancements and increased research activity. The Family Medicine revised budget shows a revenue increase of \$450,000, while the Gatton College of Pharmacy shows a revenue increase of \$370,000.

Trustee Grisham made a motion that these revised budgets be approved as presented, and Trustee Allen seconded the motion. It passed unanimously.

V. Quarterly Financial Update

Chief Financial Officer Christy Graham presented an update for the first quarter of the fiscal year, comparing operating revenues and expenditures for the current year to the prior year. She indicated that main campus revenue (unrestricted E&G) is up by two percent while expenses are up by seven percent. Both the College of Medicine and Family Medicine increased by four percent, while expenses decreased by 22 percent. College of Pharmacy revenue is up 27 percent because of the state appropriation that began in October of 2023 and expenses for Gatton increased by six percent.

Examining revenue by source for all appropriation units, tuition and fees are up by four percent and state appropriations by eight percent. Unrestricted E&G expenses by source are fairly consistent compared to last year, with salaries and benefits, the highest expense category, increasing by five percent. Looking at all operating funds, unrestricted E&G revenue increased by 3.1 percent, and expenses were reduced by 1.3 percent. Auxiliary revenue increased by 14.3 percent, and expenses increased by 17.9 percent. Restricted funds revenue was fairly flat, while restricted funds expenses increased by 11.7 percent, due to an increase in student grants of some \$3.5 million. Revenue from tuition and fees grew by 3.8 percent. A review of expenditures by natural classification again reflects the fact that salaries and benefits are our largest expense, growing by 5 percent.

Ms. Graham also included in the board's packet of materials a Statement of Net Position, which she described as "very positive," reflecting all the planning that has occurred across campus, as well as the enrollment increase.

VI. Annual Presentation of Tuition Transparency Report

Ms. Graham explained that by February 1 of each year, each higher education governing board is required to provide a report to the Office of Legislative Budget Analysis, for distribution to the General Assembly, with information about expenditures of revenue derived from any tuition and fee increases in the previous full academic year. ETSU's report for FY24 reflects the increase in tuition of 2.95 percent, resulting in an increase in revenue of almost \$1.3 million. Ms. Graham said that amount was used, in full, for the match requirement for salary

improvement. The increase in fees of 2.45 percent resulted in \$226,000 in additional revenue, which was used in full for student activities.

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

Dr. Katie Zink, Director of Procurement, reported on the agreements of \$250,000 or more for the quarter that were listed in the meeting materials.

Dr. Zink then listed for the committee these RFQs/RFPs that are in process: enrollment consulting services for Undergraduate Admissions; athletic apparel and gear; air filters; biomedical waste disposal; and custodial staffing assistance.

VIII. CFO Update

Ms. Graham gave a brief history of resource allocation at ETSU, spotlighting the work to evaluate the university's budget model and update it to allow for strategic realignment of resources to support growth and innovation. She reviewed the charge of the Strategic Resource Allocation Advisory Committee, which was to create a budget model that is fair, transparent, and predictable. The committee consisted of 17 members, and its report is expected to be complete in December of 2024 and presented to the campus in Spring 2025.

Ms. Graham introduced Mr. Jim Harlan, AFG Industries Chair of Excellence in the ETSU College of Business and Technology and former Vice President of Integrated Global Supply Chain at Eastman. Mr. Harlan chaired the advisory committee. In describing the committee's methods and process, Mr. Harlan reviewed the following:

- Recommended revised base budgets and reallocated resources in support of those base resets
- Established a data-informed but less disruptive mechanism for annual resource allocation decisions
- Updated important processes and procedures that impact all units, such as vacancy management and carry-forward
- Aligned resource allocation more closely to university priorities and overall enrollment and financial trends
- Identified significant resources to support salary enhancements as well as establish resource pools to support capital improvements and new program development

Mr. Harlan stressed the importance of ongoing refinement of the model, and he described ways in which the committee has engaged with constituent groups, including extensive meetings and presentations and the creation of a website.

Dr. Noland commented that this plan involves taking the university's strategic plan and aligning it with how we distribute revenue internally.

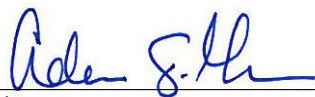
IX. Other Business

There was no other business to come before the committee.

X. Adjournment

The committee adjourned at 11:21 a.m.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its February 21, 2025 meeting.