

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL COMMITTEE
MINUTES**

The Finance and Personnel Committee met on Tuesday, May 23, 2023, in the Miller Education Center Meeting Room at Middle Tennessee State University.

Call to Order

Committee Chair Pete Delay called the meeting to order at 10:30 a.m. and welcomed everyone in attendance, both in person and virtually.

Roll Call

Board Secretary James Floyd called the roll. The following Committee members were in attendance: J.B. Baker, Tom Boyd, Pete DeLay, Bill Jones, Steve Smith, Chris Karbowski Vanek, Pam Wright, and Drew Carpenter. Committee member Rick Cottle participated electronically and, in accordance with T.C.A. 8-44-108(c)(3), confirmed he could hear those present in the meeting, and no one else was present in the room with him. A quorum was declared.

Also present were Alan Thomas, Vice President for Business and Finance; Joe Bales, Vice President for University Advancement; Mark Byrnes, Provost; Andrew Oppmann, Vice President for Marketing and Communications; Yvette Clark, Vice President for Information Technology and Chief Information Officer; Diane Snodgrass, Interim Chief Audit Executive; James Floyd, University Counsel and Board Secretary; and Kim Edgar, Assistant to the President and Chief of Staff. President Sidney A. McPhee participated electronically.

Approval of Minutes – Action

The first agenda item was the approval of the minutes from the March 14, 2023, Finance and Personnel Committee meeting. Vice-Chair Vanek moved to approve the minutes from the March 14, 2023, meeting, and Chairman Smith seconded the motion. A roll call vote was taken, and the motion to approve the minutes from the March 14, 2023, Finance and Personnel Committee meeting passed unanimously.

Revision to Policy 641: Student Fees, Incidental Charges and Refunds – Action

The second agenda item was a recommendation to approve two revisions to University Policy 641 – Student Fees, Incidental Charges and Refunds presented by Alan Thomas, Vice President for Business and Finance.

- The first revision was to change the method of calculating the Regional Scholars Program rate to simply applying any MTSU Board of Trustees approved tuition percentage increase to the current rate, rather than recalculating each year using a previous Tennessee Board of Regents formula.
- The second revision was to allow students taking one or more remote delivery courses in addition to other online courses to receive the eRate.

Trustee Wright moved to approve revisions to Policy 641 - Student Fees, Incidental Charges, and Refunds. Trustee Baker seconded the motion. A roll call vote was taken, and the motion to approve the revisions to Policy 641 - Student Fees, Incidental Charges, and Refunds passed unanimously.

Capital Outlay Project Submittal – Action

The next agenda item was a request for approval of the Capital Outlay Project Submittal presented by Bill Waits, Assistant Vice President for Campus Planning. The proposed MTSU capital outlay request for FY 2024-2025 is the New Academic Building project. Mr. Waits reminded the Committee that the Board approved this project last year before requesting additional funding to cover the escalated construction costs for the Applied Engineering Building.

The New Academic Building, also known as the Liberal Arts Archives and Museum Building, will provide academic classrooms, class labs, faculty and staff offices, and support space for selected Liberal Arts departments and the associated Center for Innovation and Leadership, History Museum, and MTSU archives and exhibit spaces. The scope of work also includes a 300-seat lecture hall to host public lectures and other community events.

Mr. Waits noted that the degree programs associated with the academic departments to be housed in the New Academic Building will support all majors campus-wide.

The estimated project cost is \$99.5 million, with a required University match of approximately \$8 million. The project request must be submitted to the Tennessee Higher Education Commission (THEC) by the end of July.

Board Chair Smith moved to approve the FY 2024-25 Capital Outlay Request for the New Academic Building project, and Trustee Wright seconded the motion. A roll call vote was taken, and the motion to approve the FY 2024-25 Capital Outlay Request for the New Academic Building project passed unanimously.

Capital Disclosures – Action

The fourth agenda item, also presented by Mr. Waits, was a request to approve Capital Disclosures. Mr. Waits informed the Committee that MTSU plans to submit five projects for the FY 2024-2025 Capital Budget Request. The projects include a public-private partnership for Student Housing, Student-Athlete Enhancement Center Addition, EV Charging Stations, New Parking Structure, and a renovation to the Student Recreation Center.

Mr. Waits directed the Committee to the meeting materials containing the Proposed FY 2024-2025 Capital Disclosure List and the Full MTSU Capital Disclosure List as it would appear if approved by the Board.

Vice-Chair Vanek moved to approve the proposed FY 2024-25 Capital Disclosures. Trustee Baker seconded the motion.

Trustee Boyd asked for the Student Housing Development timeline. Mr. Waits responded that the University is currently working to get a contract in place for development advisory services, and the expectation is to issue an RFP in July 2024.

A roll call vote was taken, and the motion to approve the proposed FY 2024-25 Capital Disclosures passed unanimously.

Capital Maintenance Projects Submittal – Action

The next agenda item was a recommendation to submit thirteen (13) project requests totaling \$17,400,000 to THEC for FY 2024-25 capital maintenance funding. Joe Whitefield, Assistant Vice President for Facilities Services, presented information concerning the process for identifying and bringing forward capital maintenance projects in conjunction with the instructions received from THEC. He explained that the project submittal amount represents 7% of the total \$250 million in anticipated capital maintenance funding requested by THEC for all higher education institutions. Mr. Whitefield then directed the Committee to the meeting materials containing the FY 2024-25 maintenance projects listed in order of priority. He noted that the materials also included potential project requests for fiscal years 2024-25 through 2028-29.

Trustee Boyd moved to approve the FY 2024-25 Capital Maintenance Projects Submittal for thirteen (13) projects totaling \$17,400,000 and the potential project requests for FY 2025-26 through 2028-29. Vice Chair Vanek seconded the motion.

Trustee Boyd asked if the order of priority for items on the list could be adjusted once funding is approved. Mr. Whitefield responded that a request could be made to move a project up on the list; however, the list is reprioritized annually.

Board Chair Smith asked how the maintenance pool percentages are determined for each institution. Mr. Whitefield stated that the amounts are determined by THEC and explained the process and formula used to calculate percentage allocations of total capital maintenance funding across higher education institutions.

A roll call vote was taken, and the motion to approve the FY 2024-25 Capital Maintenance Projects Submittal for thirteen (13) projects totaling \$17,400,000 and the potential project requests for FY 2025-26 through 2028-29 passed unanimously.

Tuition, Fees, and Housing Rates – Action

The sixth agenda item was a request for approval of proposed Tuition, Fees, and Housing Rates presented by Mr. Thomas. He reported that THEC, at its May 11, 2023 meeting, approved binding ranges for undergraduate in-state tuition and the combined undergraduate in-state tuition plus mandatory fees at 0% - 3% for FY 2023-24.

Mr. Thomas informed the Committee that the University recommends a 2.6% increase in undergraduate, graduate, and out-of-state tuition rates. This increase in undergraduate tuition complies with THEC's approved range for tuition. In addition, increases to five (5) mandatory fees were recommended. The annual tuition and mandatory fees increase for an undergraduate in-state student taking 15 credit hours would be \$240, or a 2.5% overall increase, and complies with THEC's combined range. An increase of 3% in housing rates was also recommended. The proposed increases would generate \$4.6 million in new revenue, which is approximately 1% of the University's budget.

Mr. Thomas reminded the Committee that state law requires a fifteen (15) day public comment period on any tuition and mandatory fee increases for undergraduates. He stated that those comments would be provided to each Board member before the June 20th quarterly meeting.

Trustee Wright moved to approve the recommendation for the proposed 2023-24 Tuition, Fees, and Housing Rates. Trustee Baker seconded the motion.

Board Chair Smith asked how much mandatory fees could increase with an overall increase of 3% in tuition and fees. Mr. Thomas responded that mandatory fees could increase by \$23 for an overall increase of 2.98%.

Board Chair Smith moved to amend the proposed 2023-24 Tuition, Fees, and Housing Rates to include an additional \$23 in the athletic fee to be used specifically for athletic capital projects. Trustee Boyd seconded the motion.

Trustee Wright asked Student Trustee Carpenter to comment on possible concerns the student population might have about adding to the athletic fee. Mr. Carpenter responded that it could impact student attendance at athletic events.

Board Chair Smith stated that the fee is necessary to provide funding to help complete the planned athletic facility improvements, which will benefit the entire University. Discussion ensued concerning renovating and upgrading the fifty-year-old Murphy Center facility.

Vice Chair Vanek stated that it must be clear that the additional fee is needed to contribute to the funding for the next phase of improvements at the Murphy Center and not an arbitrary decision to add to the athletic fee just to fill the gap between the proposed 2.5% fee increase and the 3.0 % increase allowed by THEC.

Trustee Wright voiced concern over increasing student fees to support the Build Blue capital campaign, particularly when the effort is presented as having great momentum.

Vice Chair Vanek noted that while the Build Blue Campaign has exceeded initial expectations, no one could have predicted the dramatically increased project costs due to current inflationary levels.

Board Chair Smith added that the Murphy Center and the football stadium were constructed entirely with student fees, and the Build Blue initiative is the only project the University will complete with significant investor funding.

Trustee Cottle stated that even if there is logic for increasing the fee, explaining to students who may also be struggling during the harsh economic times is still challenging.

Trustee Baker added that MTSU's entertainment and concert facilities are lacking compared to other universities, and the Murphy Center improvements need to move ahead as a multi-purposed project for the benefit of the entire campus rather than focusing on the athletic aspect of the facility.

Vice Chair Vanek inquired if the term "Athletic Fee" could be modified for future budgeting purposes to be more descriptive of how it is used for infrastructure to benefit the University on a broader level. Mr. Thomas responded that a recommendation would be brought back to the Committee next year if it is decided there is a better classification for the fee.

A roll call vote was taken, and the motion to amend the proposed 2023-24 Tuition, Fees, and Housing Rates to include an additional \$23 in the athletic fee to be used specifically for athletic capital projects passed unanimously.

A roll call vote was taken, and the motion to approve the recommendation for the proposed 2023-24 Tuition, Fees, and Housing Rates, as amended, passed unanimously.

Compensation – Action

The next agenda item was a request for approval of the proposed 2023-24 Employee Compensation Plan presented by Kathy Musselman, Assistant Vice President for Human Resources. Ms. Musselman informed the Committee that the Governor's budget provided partial funding for a 5% salary pool for higher education. The \$6.1 million appropriated to the University represents only about 60% of the amount needed to fully fund the salary pool, estimated at \$9.4 million. The recommendation was to use the salary funding received by the state to provide employees with a cost-of-living adjustment (COLA), which equates to a 3.2% increase with a \$1,250 minimum. Employees earning \$39,062 or less will receive the \$1,250 increase, while other employee increases will be based on 3.2% of their annual salary.

Additional salary increases may be recommended at the November Committee meeting once fall enrollment numbers have been finalized. Updated market data for compensation plan increases will also be presented in November for Committee consideration.

Trustee Wright moved to approve the proposed 2023-24 Employee Compensation Plan, and Vice Chair Vanek seconded the motion. A roll call vote was taken, and the motion to approve the proposed 2023-24 Employee Compensation Plan increase passed unanimously.

Trustee Boyd inquired if the structure for a merit-based system to reward high-performing employees will be in place by mid-November. Mr. Thomas responded that information will be brought back to the Committee in November regarding a merit or bonus-based plan for the Committee's input.

President McPhee reminded the Committee that merit-based increases have been utilized by the University in the past; however, salary issues caused by major budget cuts resulted in the move to across-the-board pay increases. He stated that MTSU supports a merit-based pay plan with the caveat that there must be funds to implement one.

Operating Budgets – Action

The final agenda item was a recommendation for approval of the FY 2022-23 Estimated Budget and the FY 2023-24 July Budget. Mr. Thomas directed the Committee to the notebooks provided before the meeting and gave a brief overview of the budget information and schedules contained in the materials. He reminded the Committee that the Estimated Budget is the final budget for the 2022-23 fiscal year and reflects adjustments needed for spring enrollment, additional funding provided through state appropriations, and other miscellaneous adjustments. He noted that most of the changes in this budget were related to the Higher Education Emergency Relief Funding (HEERF) that must be entirely spent by June 30th. The July Budget is the base budget for the upcoming 2023-24 fiscal year. It is based on a 2.5% tuition increase and includes mandatory fee increases, salary and operating appropriation increases approved by the General Assembly for 2023-24, and a flat enrollment. The salary budget line items include the 3.2% cost of living adjustments. He further informed the Committee that a contingency plan is in place to reduce the 2023-24 budget by \$5 million depending on fall enrollment numbers. If the University fully funds the 5% salary pool, \$3 million of the cuts would be reallocated to salaries and the remaining \$2 million would be used to balance the budget. Full implementation of the plan would require a reduction of 21 faculty positions and ten staff positions resulting in fewer class options for students, fewer faculty mentors, and cuts in marketing and advertising to attract new students.

Next, Mr. Thomas presented slides with information regarding state appropriations and cost comparisons with the other higher education institutions in the state. He noted that MTSU received the third-highest amount in state appropriations yet produced the second-highest number of undergraduates. Analysis of this information over the years indicates that MTSU educates students at a lower cost per student than the other LGIs and the University of Tennessee system. Additionally, MTSU allocates more funds to the academic budget and less to the administrative budget as compared to the other institutions.

Trustee Baker moved to approve the FY 2022-23 Estimated and FY 2023-24 July Operating Budgets. Trustee Boyd seconded the motion.

Trustee Boyd stated that he hoped the governor and state legislature had been made aware of the great job MTSU is doing with such limited resources and would consider appropriating more funds for the University budget.

Mr. Thomas ended the presentation by noting that the University also has the lowest campus maintenance costs compared to the other state institutions.

A roll call vote was taken, and the motion to approve the FY 2022-23 Estimated and FY 2023-24 July Operating Budgets passed unanimously.

Closing Remarks and Adjournment

Committee Chair Delay thanked the Committee for the excellent dialogue on some very tough topics.

President McPhee reminded the trustees about the groundbreaking ceremony for the Applied Engineering Building scheduled for June 20th.

Trustee Baker asked the Committee to give the faculty and meeting presenters a round of applause for the end of another successful school year.

Committee Chair DeLay adjourned the meeting at 12:02 p.m.

Respectfully submitted,
Finance and Personnel Committee