

**MIDDLE TENNESSEE STATE
UNIVERSITY BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL
COMMITTEE MINUTES**

The Finance and Personnel Committee met on Tuesday, March 17, 2020, by way of electronic teleconference.

Call to Order and Opening Remarks

Committee Chair Jacobs welcomed those participating and called the meeting to order at 10:25 a.m.

Roll Call and Statement of Necessity

Chairman Jacobs asked Board Secretary Heidi Zimmerman to call the roll. Ms. Zimmerman stated that because members of the Committee were participating in the meeting electronically, in accordance with Tennessee Code Annotated Section 8-44-108(c)(3), there were two questions that needed to be answered by the Committee members for the record. First, could the trustee clearly hear others participating on the call in order to participate in the meeting. Second, were other individuals present in the room; if so, they would need to be identified.

The following Committee members were in attendance by way of teleconference: Joey Jacobs, Pete DeLay, Darrell Freeman, J.B. Baker, Tom Boyd, Mary Martin, Steve Smith, and Samantha Eisenberg. Each trustee indicated being able to clearly hear all others on the call. Trustees Smith, Baker, DeLay and Boyd all indicated they were present in the same room together. Trustees Freeman, Jacobs, Martin and Eisenberg indicated that there were no other individuals present at their locations.

Also present on the conference call were Trustee Pam Wright; President Sidney A. McPhee; Alan Thomas, Vice President for Business and Finance; Mark Byrnes, University Provost; Joe Bales, Vice President for University Advancement; Andrew Oppmann, Vice President for Marketing and Communications; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Deb Sells, Vice President for Student Affairs and Vice Provost for Enrollment and Academic Success; Brenda Burkhart, Chief Audit Executive; Heidi Zimmerman, University Counsel and Board Secretary; and, Kim Edgar, Assistant to the President and Chief of Staff.

Ms. Zimmerman stated that a quorum was not physically present but that one would exist with inclusion of the Committee members participating electronically. In accordance with T.C.A. § 8-44-108(b)(2), in order to proceed without a physical quorum, the Committee was required to make a determination that necessity for the meeting existed. Ms. Zimmerman provided the following circumstances for the Committee's consideration to establish the necessity for holding the meeting:

1. The agenda included matters the Committee must consider and vote on in order to make recommendations to the Board of Trustees. These recommendations included matters regarding capital disclosures and the MTSU Airport Master Plan. Additionally, there were informational items that must be shared with the Committee.
2. The Board of Trustees will meet on Tuesday, March 31.
3. It was necessary for the Committee to meet in order to consider these matters prior to the Board's next meeting.
4. Due to concerns related to exposure to the coronavirus, it was determined that the Committee meeting should be held electronically and, thus, there was not a physical quorum without electronic participation of Committee members.

Chairman Jacobs requested a motion and second be made concerning the necessity for the meeting. Board Chair Smith made the motion, which was seconded by Trustee DeLay. A roll call vote was taken. The vote was 7 Ayes and no Nays; the motion carried.

Approval of Minutes

The first agenda item was approval of the minutes of the November 12, 2019, meeting of the Finance and Personnel Committee. A motion was made by Board Chair Smith and seconded by Trustee Baker to approve the minutes. A roll call vote was taken and the motion to approve the minutes of the November 12, 2019 meeting of the Finance and Personnel Committee passed unanimously.

Compensation Plan Update – Information

The next agenda item was an information update provided by Kathy Musselman, Assistant Vice President for Human Resources on the Compensation Plan. Ms. Musselman informed the Committee that effective January 1, 2020, the University implemented 43% of the recommended market adjustments of \$2.6 million, which included benefits. Ms. Musselman thanked the Committee for approving the recommendations made by Dr. McPhee to implement these adjustments. She then directed the Committee to the schedule in the meeting materials that indicated the additional amounts still needed to fund salaries/benefits for faculty and staff based on both the 2014-15 CUPA data and the 2018-19 CUPA data. She stated that full funding of salary adjustments using 2014-15 data, after the salary adjustments in January 2020, would cost approximately \$3.4 million, including benefits, and full implementation of market adjustments for faculty using 2018-19 CUPA data would cost approximately \$8.2 million, including benefits. The salary ranges for both administrative and classified staff would need to be increased by 8.82% to reflect the current market. Full implementation of this increase would cost approximately \$3.9 million for administrative employee salaries and an additional \$2.0 million for classified employee salaries. The total cost of full implementation using 2018-19 data would be approximately \$14 million.

Trustee Boyd asked for the source of the information provided in the CUPA data. Ms. Musselman responded that the data was based on survey information obtained from 50 peer institutions located across the country regarding salaries for benchmarked positions. Much discussion ensued concerning the standards used to determine which institutions are comparable peers for the University. Provost Byrnes stated that MTSU has different peer groups for different purposes, and the groups are continuously monitored to ensure meaningful comparisons. Trustee Jacobs thanked Ms. Musselman for the update and requested that a list of the current 50 CUPA peer institutions be provided to the Committee members.

University Property Acquisitions – Information

The next information item was a presentation from Bill Waits, Assistant Vice President for Campus Planning, concerning University property acquisitions. Mr. Waits provided the Committee with a brief overview of the process required by the State Building Commission (SBC) and the involvement of the State of Tennessee Real Estate Asset Management (STREAM) Division in University property acquisitions. He directed the Committee to documents in the meeting materials containing the MTSU acquisition area map, a listing of properties acquired from 2009-2019, and a listing of properties approved for acquisition but not owned by the University. He noted that two additional properties are now in process for acquisition since the last Committee meeting – one located at 2727 Middle Tennessee Boulevard and the other located 2201 East Main Street. He stated that approval from the SBC Executive Subcommittee was expected later in the month. Board Chair Smith asked how the property acquisition costs are covered in the University budget. Mr. Thomas responded that MTSU collects an average of \$250,000 annually in rent commissions for property acquired but not currently in use by the University. The rent commissions are held in a property acquisition fund dedicated for use in purchasing additional University property.

Capital Disclosures – Action

The next agenda item concerned approval of two capital projects submitted to amend the FY 2019-20 and FY 2020-21 disclosed project lists in accordance with THEC Policy 4.0.6C. The first

project discussed was a \$5 million “Flight School Addition” needed to address the growth of the MTSU Aerospace program. Mr. Waits explained that this project was disclosed as an amendment to the FY 2020-21 capital budget request and was scheduled to take effect on July 1, 2020. The second project presented was a \$6.2 million “Food Services Improvements” project. This project will be undertaken by Aramark Food Services as part of their food services agreement with the University to renovate MTSU dining facilities in the Keathley University Center and McCallie Food Court. Mr. Waits explained that the renovations must start immediately after the end of the spring semester to be completed over the summer, so a decision was made to disclose this project in a quarterly amendment to the FY 2019-20 capital project list. A motion was made by Board Chair Smith to approve the FY 2019-20 and the FY 2020-21 capital project amendments. Trustee Martin seconded the motion. A roll call vote was taken and the motion to approve the FY 2019-20 and the FY 2020-21 capital project amendments passed unanimously.

Airport Master Plan – Action

The next item presented for approval was the new MTSU Airport Master Plan. Mr. Waits explained that the MTSU Airport Master Plan is a multi-phase plan that includes future improvements to the MTSU Department of Aerospace facilities located at the Murfreesboro Municipal Airport. The goal of the plan is to ensure accommodation for the future growth of the Aerospace program, meet accrediting board recommendations, provide a campus environment for students and faculty, and to ensure that the University’s long-range planning is in alignment with the Murfreesboro Municipal Airport’s Master Plan.

Improvements include new hangars to support the Maintenance Management and Flight School programs, a new 10,000 square foot Aerospace Instructional Center, additional aircraft apron, and a 90,000 square foot Academic / Lab Building, which would be a capital improvement. These improvements are envisioned around a new quadrangle space to give the MTSU Aerospace facilities a collegiate atmosphere.

Upon Board approval, the MTSU Airport Master Plan will be submitted to the Tennessee Higher

Education Commission for review and approval, and subsequently to the State Building Commission for inclusion as an amendment to the University's 2016 Campus Master Plan. Mr. Waits noted that the inclusion of these items in the Campus Master Plan would be required by the Tennessee Higher Education Commission to proceed with the improvements documented in the plan.

Trustee Boyd asked if the University has a long-term lease agreement for the property occupied by MTSU at the Murfreesboro Municipal Airport. Mr. Waits responded that the University is currently under a long-term ground lease with the City of Murfreesboro for the property on which the University-owned structures are located. Mr. Thomas indicated that the current term would be renegotiated for a more extended period when the lease is amended for any additions or improvements.

A motion was made by Board Chair Smith and seconded by Trustee Delay to approve the MTSU Airport Master Plan. A roll call vote was taken and the motion to approve the MTSU Airport Master Plan passed unanimously.

2020-21 Governor's Budget – Information

The next agenda item was an update provided by Mr. Thomas concerning the 2020-21 Governor's Budget. Mr. Thomas directed the Committee to the meeting materials containing THEC's analysis of the Governor's Budget related to higher education, and an email to the campus and Board members summarizing the impact to the University. He noted that the salary pool was 2.5% this year. The Governor's Budget funds approximately 60-63% of that amount, and the University must fund the remaining \$1.6 million from other revenue sources. He informed the Committee that the 88,000 square foot academic facility to house the Applied Engineering programs was not included in the Governor's Budget for funding this year. It ranked No. 7 on the higher education priority list by the Tennessee Higher Education Commission. The Governor's Budget did include maintenance funding for three (3) of MTSU's six (6) recommended capital projects totaling \$7.1 million. The largest maintenance project received \$4.6 million for the replacement of the

windows at Murphy Center. The University also received \$1.2 million to assist with the 3+4 Meharry Medical College partnership and \$2.0 million, in total, was included for campus safety initiatives at all higher education institutions. Mr. Thomas noted that funding for both of these items was non-recurring.

Composite Financial Index – Information

Next, Mr. Thomas presented information concerning the University's annual Composite Financial Index (CFI). He directed the Committee to the meeting materials containing the four (4) ratios that make up the overall CFI. He noted that MTSU's CFI has increased over the last two years from 1.3 to 1.57, mainly in relation to the increased receipt of capital appropriations in 2019 and 2020. He stated that all ratios had experienced an overall increase, except for the Net Operating Revenue. Mr. Thomas explained the decrease in this ratio was mainly attributed to depreciation expense, which is a non-cash item. Compared to the other LGIs, MTSU has the largest depreciation expense due to our building programs. Mr. Thomas ended the presentation with a brief discussion of the guidance provided by the CFI and the National Association of College and University Business Officers (NACUBO) regarding the recommended range and expected level of attainment identified for the LGIs based on factors trending over a five-year period.

Federal Funds Report and Plan of Potential Reductions – Information

The final agenda item was a presentation of the Federal Funds Report and Plan of Potential Reductions submitted for 2019. Mr. Thomas explained that under state legislation passed last year that amended TCA § 9-1-111, reporting is required to identify any federal program that the State would be mandated to administer and fund if the federal government no longer provided funding for that program. He stated that the University does not have any such programs. He noted that MTSU's largest federal program is the Student Financial Aid Title IV Program. Mr. Thomas stated that he anticipates clarification and additional guidance from the State for future reporting once the initial reporting cycle is complete.

Closing Remarks

Chairman Jacobs thanked Mr. Thomas and his team for putting the information together for the meeting and answering all of their questions.

The meeting adjourned at 11:20 a.m.

Respectfully submitted,
Finance and Personnel Committee