

REPORT FROM THE FINANCE AND PERSONNEL COMMITTEE

The Finance and Personnel Committee met in regular session on Tuesday, May 9, 2017, at Middle Tennessee State University. Chairman Joey Jacobs called the meeting to order at 1:30 p.m. (CDT). A quorum was present with the following Committee members in attendance: Joey Jacobs, Steve Smith, J.B. Baker, Darrell Freeman, Tony Johnston, Pete Delay and Lindsey Weaver. Also present were Alan Thomas, Vice President for Business and Finance; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Joe Bales, Vice President for University Advancement; Andrew Oppmann, Vice President for Marketing and Communications; and, Heidi Zimmerman, University Counsel and Board Secretary. Trustee Pamela Wright joined the meeting later, and Sidney A. McPhee, President joined the meeting by phone.

Chairman Jacobs began the meeting with a brief summary of business from the April 24, 2017, Committee meeting and a reminder of the next Committee meeting scheduled for Monday, May 22. Chairman Jacobs then made a request to change the order of the agenda and begin the meeting with the items listed for information and discussion.

The first item for discussion concerned the President Emeritus Contract for Dr. Sam Ingram. Mr. Thomas explained the duties and service requirements of the President Emeritus position. Chairman Jacobs asked how long the University had been contracting with Dr. Ingram and what services were provided under the contracts. Dr. McPhee explained that Dr. Ingram's primary responsibility is to serve as a liaison to the community colleges, and indicated that he meets regularly with Dr. Ingram for reports on those relationships. Board Chairman Smith requested to see prior contracts with Dr. Ingram and the work product from those contracts. He also requested information on other President Emeriti positions with public institutions, to include the following: amounts paid by other institutions; and whether community colleges have President Emeriti contracts.

Chairman Jacobs asked that the requested reports be added to the agenda for action at the next Committee meeting.

The second item for discussion was a request for approval of a salary increase for Ms. Brenda Burkhart, Director of Audit and Consulting Services. Chairman Jacobs asked if this had been discussed with the Chairman of the Audit and Compliance Committee, Chris Karbowskiak. Dr. McPhee stated that Chairwoman Karbowskiak concurred with this recommendation. Board Chairman Smith requested a report of the salaries of internal auditors at the other locally governed institutions (LGI's). Trustee Johnston raised the issue of approving a 20% pay increase for Ms. Burkhart in a year when the across the board increase is only 3%. Dr. McPhee responded that we have the responsibility to make the adjustment to Ms. Burkhart's salary due to the increased responsibilities and importance of the work.

The third item presented for discussion was a request for revision to the current compensation plan. Mr. Thomas explained to the Committee the need to remove the 90% cap to the midpoint of the hiring range in order to reduce salary exception requests, and increase the ability to recruit qualified individuals for vacancies. Trustee Delay asked for the history regarding the 90% cap limitation. Mr. Thomas responded that the cap was put in place in 2012 as a cost savings measure at a time when the state was making significant reductions in state appropriations; however, with the University's current low salaries, the effectiveness of the measure has diminished. Trustee Freeman acknowledged the need for the University to have the necessary tools to recruit and retain employees, but asked that the Committee be provided with additional information related to employee turnover. Board Chairman Smith asked that a report of the financial impact of removing the 90% cap limitation be provided at the next Committee meeting.

The fourth item presented for discussion was a recommendation from the Compensatory Advisory Committee and the President for a 3% across the board increase, with a \$1000 minimum, for both full and part-time employees on the payroll as of June 30, 2017,

effective July 1, 2017. Mr. Thomas explained that a 3% salary pool would be an estimated \$4.5 million. The Governor allocated \$3 million in the budget for salaries, so an additional \$1.5 - \$1.6 million would be needed from tuition and fee increases. Board Chairman Smith stated that he would like to see increases based on individual employee merit. He further stated that the University should explore other methods, such as a merit system, by this time next year. Trustee Freeman noted that the University must be competitive with regard to salaries to get the best employees.

The final discussion item on the agenda concerned the operating budgets. Mr. Thomas presented the Estimated 2016-17 and Proposed 2017-18 operating budgets to the Committee. After review and discussion of the materials presented by Mr. Thomas, the Committee requested the following additional budget information be provided for the next Committee meeting:

- Comparison of Composite Financial Indicators with other state universities and average peer institutions
- Schedule of auxiliary renewal and replacement balances
- Debt service coverage for other LGI's

Chairman Jacobs then directed the Committee to the action items listed on the agenda regarding tuition and fees. Prior to the meeting, Committee members were provided an executive summary of proposed fee increases for FY 2017-18. Chairman Jacobs requested Mr. Thomas provide updated information to the Committee regarding tuition and fees. Mr. Thomas informed the Committee that THEC is maintaining a 0-4% binding range on maintenance fees, as well as a 0-4% range for combined maintenance and mandatory fees. MTSU is recommending approval of a 3.5% increase in tuition. After review and discussion of the materials presented in the executive summary, the Committee asked for the following additional information to be provided at the next Committee meeting:

- History of maintenance fee increases in dollars
- Current tuition and fees from the LGI's

- Summary of revenue generated from all online courses (online vs. on ground)
- Detailed information on Regional Scholars Program – number of students/revenue generated by the current program, as well as scenarios if the radius was increased to 500 miles, 1,000 miles, and/or nationally.

Chairman Jacobs deferred action on the proposed tuition and fee increases until the additional information could be reviewed at the next meeting.

The meeting adjourned at 3:30 p.m. (CDT).

Respectfully Submitted,
Finance and Personnel Committee