

**MINUTES OF THE
FINANCE AND PERSONNEL COMMITTEE**

The Finance and Personnel Committee met on Wednesday, May 30, 2018 at the MTSU Miller Education Center. Chairman Joey Jacobs called the meeting to order at 9:00 a.m. Board Secretary Heidi Zimmerman called the roll. A quorum was present with the following Committee members in attendance: Joey Jacobs, Steve Smith, J.B. Baker, Tony Johnston and Lindsey Weaver. Trustees Pete DeLay and Darrell Freeman were unable to attend. Also present were Trustees Pam Wright, Andy Adams, and Chris Karbowiak; Sidney A. McPhee, President; Alan Thomas, Vice President for Business and Finance; Mark Byrnes, University Provost; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Joe Bales, Vice President for University Advancement; Debra Sells, Vice President for Student Affairs and Vice Provost for Enrollment and Academic Services; Andrew Oppmann, Vice President for Marketing and Communications; Heidi Zimmerman, University Counsel and Board Secretary; Kimberly Edgar, Assistant to the President and Chief of Staff; Brenda Burkhart, Chief Audit Executive; Chris Massaro, Director of Athletics; and, retired Lt. Gen. Keith Huber.

Chairman Jacobs opened the meeting with remarks expressing his appreciation for the dedicated work of the Committee members over the past twelve months. He stated that achieving salary equity for faculty and staff with the limited funds available continues to be the number one priority for the Committee. Chairman Jacobs also thanked Trustee Weaver for her service to the Committee and for bringing a valued student perspective to the Board. Trustee Weaver noted that her role as Student Trustee will end with the June 12th Board meeting.

The first item on the agenda was approval of the minutes from the February 27, 2018 Finance and Personnel Committee meeting. Board Chairman Smith moved to approve the minutes with a comment that he would like the next meeting agenda to include research and a recommendation regarding potential expansion of the Regional Scholars Program. Chairman Jacobs asked for this information to be provided at the next Committee meeting. Ms. Zimmerman

indicated that a motion had been made and a second was needed to complete the vote. Trustee Baker seconded the motion. A voice vote was taken and the motion to approve the minutes from the January 25, 2018 Finance and Personnel Committee meeting carried.

The second item on the agenda was a recommendation for approval of policies related to the July 1 severance of MTSU from the Tennessee Boards of Regents in the areas of procurement and capital management. Mr. Thomas explained that approval for severance was granted by THEC at the May 17, 2018 meeting, so policies must be put in place to address the responsibilities being assumed by MTSU for those areas. Copies of the following policies recommended for Board approval were included in the meeting materials:

- 620 Campus Master Plan
- 622 Acquisition and Disposal of Real Property

Mr. Thomas gave a brief overview of each policy and noted that both policies align with the current State Building Commission policies. Ms. Zimmerman stated that three related policies were also being presented to the Committee with a recommendation for delegation of approval by the President:

- 621 Facilities and Design
- 623 Lease Standards
- 631 Procurement and Contract Standards

Chairman Jacobs asked for a motion to approve Policies 620 - Campus Master Plan and 622 - Acquisition and Disposal of Real Property and for delegation of approval by the President for the three related policies. The motion was made by Trustee Johnston and seconded by Trustee Baker. A voice vote was taken and the motion carried.

The third item on the agenda concerned a recommendation for approval of the 2019-20 Capital Outlay Project Request for the construction of the School of Concrete and Construction Management (SCCM) Building. Mr. Thomas asked Bill Waits, Interim Vice President for Campus Planning, to provide background and discussion on the project request. Mr. Waits remarked on the unique character and distinctive programs offered by the SCCM and noted that the Concrete Industry Management M.B.A. is the only degree of its kind available in the nation. He also informed

the Committee that the meeting materials contained a typographical error stating a 20 % retention rate of alumni in the concrete industry rather than 80%. He explained to the Committee that the 2016 Campus Master Plan documents the need for a new SCCM building as a “highest priority” project. The plan also lists the demolition of the buildings currently occupying the land, Ezell and Abernathy Halls, where this building would be located. He further reported that an upgrade to the Satellite Chiller Plant is needed to support this project and will allow for future growth of the East Quad of the campus. Mr. Waits informed the Committee the total cost of this project is currently identified at \$40.1 million. If the University provides a 15% match on the capital budget submittal, this will equate to \$34.9 million in state funding and \$5.2 million in University funds. Trustee Baker asked for an approximate timeline for completion of the project. Mr. Waits estimated that it would take approximately three years after the budget information is received in November. After much discussion by the Committee regarding funding and support of the program by the industry, Trustee Adams asked how University policy addresses the demolition of a building that was named in honor of an individual. Dr. McPhee responded that families are alerted when a building is scheduled for demolition and we have experienced no opposition using this process in the past. Trustee Wright asked if there are contracts that could create a conflict. Dr. McPhee responded that there are no contracts involved. Chairman Jacobs asked for a motion to approve the Capital Outlay Project Request for the construction of the School of Concrete and Construction Management Building. The motion was made by Trustee Johnston and seconded by Board Chairman Smith. A voice vote was taken and the motion carried. The Committee requested the University look at putting up a plaque in the new building when old named buildings are demolished.

The fourth item on the agenda concerned a recommendation for approval of the 2019-20 Capital Maintenance Request. Joe Whitefield, Assistant Vice President for Facilities Services, presented information on the process for designing capital maintenance projects based on THEC instructions and the amount of maintenance dollars allocated to MTSU. Mr. Whitefield explained that THEC has proposed a \$120 million maintenance pool for higher education. Under the statewide formula, MTSU’s percentage of the allocation is 6.8% which translates into \$8.12 million for the University. Project documentation to be submitted to THEC for approval was included in the meeting materials. Also included in the meeting materials was a summary of potential Capital Maintenance project requests for FY 2019-20 thru FY 2023-24. Trustee Baker made a motion to

approve the submittal, and Board Chairman Smith seconded the motion. A voice vote was taken and the motion carried to approve submittal of the five (5) projects to THEC for 2019-20 capital maintenance funding.

The fifth item on the agenda concerned a recommendation for approval of 2018-19 tuition, fees and housing rates. Mr. Thomas presented information to the Committee on the factors used to calculate the University's financial needs for FY 2018-19. Comparisons of MTSU's historical fee rates to other LGI's and THEC peers were also provided in the meeting materials. Mr. Thomas reported that the budget needs are \$9.9 million and MTSU is receiving \$5.5 million from the state in appropriated funds, therefore creating an unmet need of \$4.4 million. The University is proposing a 2.84% increase in the in-state maintenance fee and out-of-state tuition for both undergraduate and graduate students to cover the additional budget needs. He noted that even though the proposed increase complies with THEC's guidance of 0-3%, justification for the recommended increase will be required at the July 26, 2018 THEC meeting. Trustee Wright asked what the other LGI's are doing in terms of recommended fee increases. Mr. Thomas responded that, with the exception of the University of Memphis, the other Locally Governed Institutions (LGI's) are recommending fee increases between 2.7% and 2.9%. After much discussion regarding the authority given to THEC under the FOCUS Act for mandating the range for tuition increases, Mr. Thomas directed the Committee to the summary of the proposed mandatory and non- mandatory fee increases along with proposed housing fee increases. The combined maintenance fee, in-state maintenance fee and mandatory fees put the increase at 2.88%, which is still within the 0%-3% range set by THEC. Board Chairman Smith made a motion to approve the increase. Trustee Baker seconded the motion. Trustee Baker then asked if we track occupancy rates on our dormitories and apartments. Dr. McPhee responded that we do and are currently at full capacity. Chairman Jacobs asked if the Committee was ready to vote. A voice vote was taken and the motion to approve the recommended 2018-19 tuition, fees and housing rates carried. Board Chairman Smith asked for further discussion regarding the timeline between approval and completion of Capital Maintenance Projects. Mr. Thomas and Mr. Whitefield provided additional information to the Committee on SBC requirements for approval, priority planning and scheduling of projects. Mr. Whitefield also followed up with a schedule of capital maintenance projects over the past 3 – 4 years.

The sixth item on the agenda was a recommendation for approval of the 2017-18 Estimated Budget and the 2018-19 Proposed Budget. Mr. Thomas presented the final budget for 2017-18 to the Committee containing minor adjustments since last October within each of the categories due to the .83% FTE decline in spring enrollment. The proposed July Budget was also presented along with the various budget schedules. Mr. Thomas explained that the proposed budget is based on a 1.5% tuition increase, mandatory fee increases, appropriation increases approved by the General Assembly, and no change in enrollment. He noted that approximately half of the requested tuition increase is included in the July Budget with the remaining amount to be added in the October Budget; however, all of the appropriation increases and mandatory fee increases are included in the proposed July Budget. Dr. McPhee then drew the Committee's attention to the Unrestricted Education and General Expenditures Schedule and noted that the majority of the budget is spent on academics and instruction. Mr. Thomas further explained that instruction, research, public service and academic support make up the academic component, and 60% of the funding is allocated to those four categories. Overall, the entire University budget is increasing by \$11.2 million. Chairman Jacobs thanked Mr. Thomas and his team for their work in building the University budget. He then asked the Committee for any questions or discussion before voting on approval of the budget. Dr. McPhee stated that he would again like to strongly express the importance of student enrollment on the University's budget. He noted that even though the University is doing a better job in this area, the financial condition of our incoming students continues to be a struggle that has significant impact on revenue and management of the budget. He also expressed his appreciation to faculty and staff for their continuing work on the Student Success initiative and the positive impact it is having on enrollment numbers. Trustee Baker made a motion to approve the Estimated 2017-18 and Proposed 2018-19 Operating Budgets. Board Chairman Smith seconded the motion. A voice vote was taken and the motion carried.

The seventh Item on the agenda was a recommendation for approval of compensation plan revisions. Assistant Vice President for Human Resources, Kathy Musselman, presented the following recommendations to the Committee:

- Approval for Human Resources to recommend a 6% salary increase or the minimum of the new pay range for an employee whose position has been reclassified to a higher pay grade.

For employees whose positions are reclassified more than one pay range, the recommended increase in their salary would be 9%.

- Approval for Human Resources to award the greater of 6% of the current salary or a salary based on relevant experience, up to the midpoint, for current employees who are selected for another position on campus.
- Approval to add a faculty salary adjustment of \$5,000 for individuals that receive an Actuarial Science Certification.

These revisions would be effective July 1, 2018. Chairman Jacobs asked if the proposed budget approved earlier included the funding for these recommendations. Mr. Thomas responded that it did. Trustee Baker asked for further information regarding actuarial science certifications. Ms. Musselman explained that currently there are three certifications that can be attained in the actuarial science field that would fall under the proposed plan. She further explained that attainment of the certification would result in a \$5,000 salary increase for faculty members. Dr. McPhee noted that approving the plan would only be a small step in recognizing and retaining those faculty members who achieve these kinds of certifications. At the request of Chairman Jacobs, Ms. Musselman provided information to the Committee on the job reclassification process. Trustee Johnston then asked to direct the Committee discussion back to the proposed salary adjustment for certification plan. He expressed concerns over what process would be used to determine if a particular certification qualifies for the plan, and the impact to the University budget. Dr. McPhee responded that the decision to qualify a certification is currently market driven, and the impact to the budget is not significant at this point. After much discussion on the possible impact to the University of approving the salary adjustment for certification as part of the compensation plan rather than on an exception basis, Chairman Jacobs suggested that this item be researched further. He then asked for a motion to approve the first two recommendations and to revisit the last recommendation at a later date. Trustee Baker made the motion and Board Chairman Smith seconded. A voice vote was taken and the Motion carried. Trustee Johnston then asked for clarification on why the same peer groups are not used for comparison when making decisions concerning salary adjustments and setting tuition fees. Mr. Thomas explained that the schools in

the peer group used for tuition and fees are ones that were established by THEC using our previous peer group. Fees are not set based on this peer group, but rather used only for comparison to ensure that the University is not too far out of the range. The peer group used for salaries is a broader group of 50 schools selected to provide a more diverse look at salaries and where the University falls within that group. Those peers were used as part of the market study and did have an impact on the proposed implementation plan. Trustee Johnston asserted that the University should use the same set of peers for all comparisons because the salaries paid at MTSU drive the tuition rates. After much debate on the issue, Chairman Jacobs asked Mr. Thomas and Ms. Musselman to reassess the peer groups for a more equal comparison and bring the matter back to a future Committee Meeting. Mr. Thomas stated that Human Resources and the Provost's Office would work together to provide this information for the Committee.

Ms. Musselman then presented information to the Committee on the final agenda item concerning a recommendation for approval of the proposed salary pool allocation. The Governor approved the creation of a 2.5% salary pool, which will cost the University \$4.1 million including benefits. Since the budget approved by the General Assembly only provides \$2.6 million for the salary pool, the University will need to fund the remaining \$1.5 million with other University resources. The University is proposing to allocate an additional \$2.0 million to partially address the gap between actual employee salaries and 2014-15 CUPA salaries. With that information, Ms. Musselman presented the following recommendations to the Committee:

- Provide a Cost of Living Allowance of 1.5% or \$500, whichever is greater, for regular employees, both full and part-time, on the payroll as of June 30, 2018, effective July 1, 2018. The estimated cost of this salary increase is \$2.4 million, including benefits.
- Allocate the remaining \$1.7 million from the state-mandated salary pool, along with the additional \$2.0 million, for market adjustments and related benefits based on the University's compensation plan for employees on the payroll as of June 30, 2018, effective October 1, 2018.

Dr. McPhee noted that the proposed market adjustments are a part of a phased plan contingent upon resources available each year. He recommended that the University take this first step in the plan to begin to address the market salary concerns of the faculty and staff. Ms. Musselman informed the Committee that there will be \$3.7 million available to implement the adjustments, but the final decision has not been made by administration as to how the amount will be allocated. Chairman Jacobs asked for a motion to approve the recommendation for the proposed salary pool allocation. Trustee Baker made the motion and Board Chairman Smith seconded. A voice vote was taken and the Motion carried.

The meeting adjourned at 11:13 a.m.

Respectfully submitted,
Finance and Personnel Committee