

Meeting of the Tennessee State University Board of Trustees
September 20, 2024
Tennessee State University – Farrell Westbrook Complex (“The Barn”)
MINUTES

Board Members Present: Trustees Trevia Chatman, Jeffery Norfleet, Marquita Qualls, Terica Smith, Dimeta Smith Knight, Charles Traughber (Vice Chair), Dwayne Tucker, Dakasha Winton (Chair), Artenzia Young-Seigler, and Tyler Vazquez

University Staff Present: Interim President Ronald Johnson, Laurence Pendleton, General Counsel and Board Secretary; Dr. Robbie Melton, Interim Vice President for Academic Affairs and Provost; Daarel Burnette, Senior Advisor and Interim Executive Vice President; Dr. Arlene Nicholas-Phillips, Liaison to the Board of Trustees; Tim Warren, Chief Information Officer; Ginette Garza Brown, Sr. Associate General Counsel; Director of Internal Audits, Renée Forbes-Williams; Greg Robinson, Chief of Police; Will Radford, Assistant Vice President of Planning, Design & Construction and Campus Operations; Dr. Mikki Allen, Director of Athletics; Samanta Morgan-Curtis; Dean of the College of Liberal Arts

I. CALL TO ORDER

Chair Winton called the meeting to order at 8:00 a.m. on Friday, September 20, 2024.

II. ROLL CALL/DECLARATION OF A QUORUM

Board Secretary Pendleton called the roll at Chair Winton’s request. Trustees Chatman, Norfleet, Qualls, Smith, Smith Knight, Traughber, Tucker, Winton, Young-Seigler, and Vazquez were present. Secretary Pendleton announced the presence of a quorum.

III. INTRODUCTION/REMARKS

Chair Winton thanked those in attendance. She asked for a moment of reflection to honor Dr. Curtis Johnson, who recently passed away. Trustee Traughber asked that people also remember community member Inez Crutchfield, who also passed away.

Chair Winton said that she wanted to highlight all of the great work being done in the Agricultural building and the fantastic work happening at the University. She said that while there is a lot of work to do, there is a lot of work being done on an everyday basis. She further directed viewers streaming the meeting online to a QR code on the screen for them to make donations to the University.

Chair Winton welcomed new trustee Dimeta Smith Knight to the Board.

Chair Winton discussed three items that the Board said it would do at its last meeting. She said that they would conduct a comprehensive financial review of what was happening at the University and hired Alvarez and Marsal to do that. The Board hired Butler and Snow, specifically, Ed

Stanton, a former U.S. Attorney, to review the University's policies and procedures. The Board hired an interim president, Dr. Ronald Johnson. Chair Winton asked President Johnson to share his remarks.

IV. PRESIDENT'S REMARKS

President Johnson discussed his experience in higher education, including his service as a faculty, dean, board member, and leader at different HBCUs. President Johnson discussed challenges and financial pressures facing institutions of higher education. He further discussed TSU's financial and operational challenges. President Johnson commented that persistent structural budget deficits and dated financial controls have challenged the University's stability. He noted that prior audits underscore TSU's current situation. To transform TSU into a future-ready institution, we must act now, President Johnson commented.

V. APPROVAL OF AGENDA

Chair Winton moved to approve the agenda for the meeting. Trustee Tucker seconded the motion. A voice vote was taken, and the motion to approve the agenda passed.

VI. ACTION AND REPORT ITEMS

A. APPROVAL OF CONSENT AGENDA ITEMS

Chair Winton announced the next agenda item, which was the approval of the consent agenda items. Trustee Traughber announced that he would like to remove certain items from the consent agenda, pursuant to Board Bylaw, Sect. 7.7(E)(4). Trustee Traughber said that he wrote to Secretary Pendleton before the meeting and requested that this item be removed from the agenda. He would like to edit the Board meeting minutes for the June 6, 2024, Audit Committee Meeting Minutes to reflect a comment he made about recurring audit issues that happened over the course of the last 6 or 7 years that have not been addressed by the University; his comments in the June 6 and 7, 2024, Finance Committee Meeting Minutes, during a discussion about tuition increase, wherein he said that given a projected drop in enrollment, the school should look at certain "OpEx" reductions; and his comments during the Finance Committee Meeting Minutes, wherein Institutional Advancement target amounts were being discussed, and he wanted the minutes to reflect his comments that \$4 million was a planned gift, and it should not be included in the reported amount of \$11 million.

Therefore, Trustee Traughber made a motion to remove all of the meeting minutes from the Consent Agenda Items. Trustee Qualls seconded the motion. A voice vote was held. The motion carried. The action to approve all of the meeting minutes included in the Consent Agenda was deferred until the next Board meeting in November. The meeting minutes were removed from the Consent Agenda.

B. APPROVAL OF TSU BOARD OF TRUSTEES 2025 CALENDAR YEAR MEETING SCHEDULE

Chair Winton addressed the next item on the agenda, the approval of the Board of Trustee's 2025 Calendar Year meeting schedule, as contained in the Board materials for the September 20, 2024, Board meeting. Trustee Smith seconded the motion. A voice vote was taken, and the motion was approved.

C. APPROVAL OF APPOINTMENT OF AUDIT COMMITTEE MEMBER

Chair Winton stated that pursuant to state law, the Board must establish an Audit Committee, and pursuant to the Audit Committee Charter, the Board must approve the Audit Committee members and the Chair of the Audit Committee. She further stated that pursuant to the Committees of the Board Policy, the Board Chair appoints members of the Audit Committee, subject to Board approval, in accordance with the Audit Committee Charter. The Audit Committee members serve a two (2) year term. As Board Chair, she appointed Trustee Dimeta Smith Knight to serve a two-year term on the Audit Committee.

Chair Winton moved to approve the appointment of Trustee Smith Knight to serve a two-year term on the Audit Committee. Trustee Norfleet seconded the motion. A voice vote was taken, and the motion was approved.

D. APPROVAL OF AUDIT COMMITTEE CHAIR

Next, Chair Winton said that she appointed Trustee Smith Knight to serve as Chair of the Audit Committee. Chair Winton stated that, pursuant to the Committees of the Board Policy, the Board chair is to appoint the Audit Committee chair, subject to Board approval, in accordance with the Audit Committee Charter.

Chair Winton moved to approve the appointment of Trustee Smith Knight as chair of the Audit Committee to serve a one-year term on the chair. Trustee Tucker seconded the motion. A voice vote was taken, and the motion was approved.

E. REPORT ON TSU'S FINANCIAL CONDITION

Chair Winton announced the next agenda item, a Report on TSU's Financial Condition, which would include a report on TSU's financial action plan by Interim President Johnson, a presentation on the details of TSU's structural deficit by consultant Alvarez & Marsal, and a report on retention by Dr. Robbie Melton.

1. PRESENTATION ON DETAILS OF TSU'S STRUCTURAL DEFICIT

Interim President Johnson asked Jim Grady with Alvarez & Marsal to provide his presentation regarding TSU's structural deficit. Jim Grady explained that his firm has been assessing the financial operations of the University over the past month and a half. Mr. Grady provided information on how the University got to its current financial situation. He said that the

information being presented is preliminary and still under review, and with respect to FY23 and FY24, it could be subject to final audit adjustments.

Mr. Grady reported that there are three things he typically looks at for higher education institutions to assess the financial health of the institution: (1) what's happening with enrollment, (2) how much net revenue is the institution receiving, and (3) operating margins – whether the institution is covering its expenses and setting aside funds for a rainy day and investments.

Mr. Grady further noted that the results for FY19-FY22 are based on audited financial statements, the FY23 results are based on results that are currently under audit, and the FY 24 numbers are subject to change.

Mr. Grady reviewed enrollment data. He said that TSU experienced major enrollment and financial swings in the wake of COVID-19. Throughout FY19, FY20, and FY21, the University was more or less covering its expenses. In FY22, there was a big spike, and the University used about \$63 million in HEERF funding, which was COVID-19 relief funding. FY22 looked great from an operational standpoint, but there was some context around it. In FY23 and FY24, with the influx of students, the cost structure, and related costs, the University was not covering its costs.

Mr. Grady walked the Board through several presentation slides. He discussed his assessment of the University FY19-24 operating margins with non-operating adjustments. There was a transfer of about \$4.2 million from a reserve account to balance the FY19 budget. From a true operating standpoint, FY19 had a negative \$1 million operating margin. In FY20-21, there was a surplus in auxiliaries and funds were put away into a reserve as a rainy-day fund. In core operations, there were no monies put away for growth or investment. In his experience, healthy universities put money away toward investment. He has seen this done in the range of 2-5%. In FY22, there are not a lot of non-operating adjustments going on. In FY23 and FY24, you see bigger adjustments.

Mr. Grady said that they found institutional scholarships were found that were not included in the FY 24 budget.

Mr. Grady discussed three main drivers behind the University's financial condition: (1) Scholarship impact on net tuition and fees revenue; (2) E&G non-scholarship operating expenses; and (3) auxiliary operations. Mr. Grady reviewed information from each of these contributing factors. Despite the spike in FY23 enrollment, net tuition and fees revenue declined due to increased spending on institutional scholarships. E&G non-scholarship operating expense grew to support the enrolment growth, but without revenues to support them. Auxiliary operations became a drain on resources due to unforeseen operating costs.

Chair Winton asked the Board if they had any questions. A discussion took place, including how other universities spent HEERF funds and how the University used HEERF funds (about \$37 million used for scholarships), and the impact of the scholarships on the University budget. Mr. Grady said that gross tuition was \$99 million in FY23 and about \$100 million in FY24, and about half of this was institutional scholarships (discounted). Trustee Chatman confirmed that this was a loss of about \$50 million. Trustee Qualls asked Mr. Grady to speak to why there are budget

challenges if there is high enrollment. Mr. Grady explained that the issue is about the type of enrollment, particularly offering discounted tuition. Further discussion took place regarding scholarship dollars, enrollment, and decisions made by the past University leadership, including the use of HEERF funds and policies and practices for how scholarships were managed. Mr. Grady stated that “a lot of those [financial] systems, from what I have seen, were broken here.” Trustee Traugber clarified that the state Comptroller conducts the audit for FY23 and FY24.

2. REPORT ON RETENTION

Dr. Melton provided a report on retention and progression. Dr. Melton said that over 5-years, TSU had a 60% retention rate for first-time freshmen. Conversely, the University is losing 40% of students. Dr. Melton discussed retention vs. progression. For the fall 2024 cohort of students, only 38.5% of students met the 30-credit hour progression measurement. She said that the University has an action plan to address this issue.

Dr. Melton said that a survey was conducted of students to assess why they did not return to TSU. Students said that Financial Aid needs to be fixed, customer service and communication needs to be improved, and that the University should enhance a sense of belonging.

The University’s plan is: (1) to increase first-time freshmen retention (returning to TSU) by 5% for spring 2025. First-time freshmen advisement is now under the Office of Academic Affairs; (2) to increase the progression of first-time freshmen (30 credit hours) by 5% by the end of summer 2025; and (3) increase the graduation rate by 10% by 2026. Dr. Melton reviewed specifics of her action plan.

A discussion took place regarding the action plan. Trustee Norfleet asked about customer service and what is being done to address this concern. Dr. Melton said details regarding this would be shared within President Johnson’s 100 Day Plan. Questions were asked regarding financial aid. Dr. Burnette discussed plans to address this, which included bringing in outside consultants and updating and modernizing processes. Student Trustee Vazquez asked about retention data for students other than first-time freshmen. Dr. Melton said that she can get this information for him, but that our figures tend to go down as students progress. Dr. Melton discussed the need to retain students and keep them from transferring to other institutions as well. She said there are many things we can do to address this issue.

Further conversation took place regarding enrollment and the profile of students being recruited to the institution. Dr. Melton said that the University’s graduation rate over a five-year period is around 32%. This is why part of the action plan includes increasing graduation rates. Trustee Qualls asked about what assessments have been done to see what works for TSU students, specifically. Dr. Melton said that moving the Freshmen Advising unit to Academic Affairs is going to assist with this. Trustee Qualls asked about the four-day academic week and what considerations have gone into evaluating this. Dr. Melton said that, as part of the action plan, they are re-visiting instruction on Fridays and the concept of study Fridays. Trustee Qualls asked for data on this issue. Trustee Chatman said that one of the biggest drivers of low graduation rates is the impact of students’ financial situations.

Dr. Golman discussed the profile of TSU students and the impact of out-of-state student status on enrolled students. The number of in-state students was 376 and the out-of-state number was 504. She said our numbers are reversed of what they should be. The average student GPA was 3.39, the ACT average was 19, and SAT average was 965.

A discussion took place regarding family incomes, partnerships with the TSU Foundation, and recruitment efforts. Dr. Golman explained that it takes 18 months to recruit a class. She talked about the need to create the profile, obtain Board input, and recruit that student. It takes a while to make that happen. She also talked about the need to leverage funded scholarships and adjust scholarship criteria to be able to meet student needs and keep them at the University for all four years.

A further discussion took place regarding the student experience. Dr. Tasha Carson talked about the first-year student experience. Dr. Johnnie Smith spoke about student retention.

Trustee Young-Seigler asked what is being done about creating a sense of belonging for faculty and staff. Dr. Melton and Dr. Erik Schmeller, Interim Assistant Vice President for Academic Affairs, spoke to the need to address faculty salaries and create a sense of belonging to retain faculty, staff, and administrators. Trustee Smith Knight asked about training and support for faculty to make sure we have a quality staff who can support students. Dr. Melton discussed a 12-month training plan.

3. REPORT ON TSU'S FINANCIAL ACTION PLAN

Chair Winton asked President Johnson to proceed with the next agenda item, a report on TSU's Financial Action Plan. President Johnson shared a video that would air later that day, in which he addressed a financial action plan to address the financial condition of the University.

Dr. Johnson said that the University faces severe structural deficits that have developed over time and escalated over the past two years. He said that the University is at a critical juncture and immediate action is required. TSU's Financial Action Plan would include a hiring freeze on non-essential functions.

Dr. Daarel Burnette next presented a Financial and Accounting Action Plan. He discussed organizational structure, specifically in the Business and Finance area. He discussed the need to stabilize the University. Dr. Burnette stated that the University has a \$218 million budget and 70% of the budget goes toward its people. He said that the University has excessive workforce costs. Enrollment went down but support stayed the same. We need a more efficient and leaner team. He indicated that there is low morale in almost every area in the Business and Finance area. This impacts customers we serve. He said that we need to increase productivity.

Dr. Burnette further stated that there are numerous audit findings and has been no serious commitment to closing out findings and recommendations presented by external groups. He discussed the need to have the right staff in place. He indicated that TBR would be working at the University once an MOU was signed.

Dr. Burnette said that the University needs to embrace automation. He also said that the University needs to bring people out of working in silo.

Dr. Burnete discussed the revenue budget and the need to develop realistic revenue budgets for FY25. The University needs to collect on accounts receivable. It also needs to optimize resource allocation. The University must also leverage indirect cost recovery.

Next, Dr. Burnette discussed the expense budget. He talked about a hiring freeze and only filling mission critical positions. The University must lower daily operating spending and reduce contractual services. He also discussed the need to optimize outsourcing and partnerships with groups like THEC, TBR, and LGIs. He also said the University must conduct an energy consumption study. Dr. Burnette also responded to several questions from trustees.

F. REPORT ON PRESIDENT'S 100 DAY PLAN AND THE TSU TRAJECTORY CHANGE INITIATIVE

Interim President Johnson next gave his report on the President's 100 Day Plan. He discussed his FY 2025 expectations, as established by the Board. The expectations include: (1) resolving audit findings, (2) establishing financial stability, (2) increasing overall morale, and (4) developing an enrollment strategy.

President Johnson explained his driving approach and his call to all TSU faculty and staff, urging that "to be more, we must commit to doing more." He reviewed his operational leadership objective to ensure effective management of TSU's daily operations.

President Johnson reviewed his issues assessment and resolution objective: to address and resolve critical issues impacting TSU's credibility and success. Actions for this objective include resolving outstanding audit findings, developing a financial action plan, and fostering a positive and inclusive campus culture.

President Johnson's strategic alignment objective includes aligning university activities with the Board's strategic goals to prepare for future leadership. Actions to address this objective include developing a framework for a comprehensive enrollment strategy focused on student readiness and retention, strengthening relationships with stakeholders, and launching key projects aligned with the Board's vision for TSU's future.

President Johnson next discussed the TSU Trajectory Change Initiative (TCI). He explained that there are three legs of the TCI: transition or stabilization, performance, and transformation. He views TSU as being a struggling and concerned entity due to structural deficits. To get to thriving, TSU has to elevate its impact and competitive edge. This will lead to financial stability and the institution becoming a thriving concern.

The TCI goals and objectives include restoring credibility and stabilization, realizing operations and practices and reigniting institutional transformation. President Johnson reviewed TCI plan elements.

A review of key TCI deliverables was presented. A rapid risk assessment was conducted and showed elevated enterprise risks. President Johnson discussed the consequences of elevated enterprise risk, including damaged reputation, devalued brand, financial viability challenges and poor mission outcomes.

President Johnson also presented on the need to improve TSU's service delivery channels. President Johnson asked Trustee Vazquez to speak about a new "Speak TSU" initiative. Trustee Vazquez and SGA President Chrishonda O'Quinn worked with the President's Cabinet on this initiative. He said that a public meeting was held. It was attended by students and student leaders from across campus. He thanked the President for his effort on this initiative. Ms. O'Quinn shared that one of the top student concerns is effective communication. She would like to have better communication between students and the administration.

G. EXECUTIVE SESSION

Seeing no further questions, Chair Winton indicated that the Board would next go into Executive Session. Trustee Qualls moved for the Board to go into Executive Session to discuss items deemed confidential under State law. Trustee Chatman seconded the motion, which carried unanimously by roll call vote. The Board then transitioned into the Executive Session, and the meeting adjourned.

VII. ADJOURNMENT

The meeting was adjourned at 12:21 p.m.