

**MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS**

**Finance and Audit Committee
November 9, 2006**

The Board of Regents, Midwestern State University, met in regular session in the Board Room, Hardin Administration Building, Wichita Falls, Texas, at 2:15 p.m., Thursday, November 9, 2006. Finance and Audit Committee members in attendance were Mr. John Bridgman and Mr. Don Ross Malone. In the absence of Mr. Lalani, Mr. Cannedy served as Acting Chairperson of this committee. Other regents attending the meeting were Ms. Pamela Gough, Ms. Pat Haywood, Mr. Ben Wible, and Student Regent Will Morefield.

Administrative staff members present included Dr. Jesse W. Rogers, President; Dr. Friederike Wiedemann, Provost; Mr. Juan Sandoval, Vice President for Administration and Finance; Dr. Howard Farrell, Vice President for University Advancement and Student Affairs; Dr. Bob Clark, Associate Provost; and Mr. Keith Lamb, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Mr. David Spencer, Internal Auditor; Dr. Robert Redmon, Chairperson of the MSU Faculty Senate; Mr. Allen Goldapp, Director of the Physical Plant; Ms. Valarie Maxwell, Director of Budget and Management; Ms. Dianne Weakley, Director of Personnel; Ms. Janus Buss, Director of Public Information and Marketing; Ms. Cindy Ashlock, Assistant to the President; and Ms. Debbie Barrow, Executive Assistant to the President. Mr. Jason York, Student Government Vice President and SGA Observer, also attended the meeting. Representing the news media was Ms. Ann Work, reporter for the Wichita Falls *Times Record News*.

Acting Chairperson Cannedy called the meeting to order at 2:15 p.m.

Reading and Approval of Minutes

07-06. The minutes of the Finance and Audit Committee meeting August 3, 2006 were approved as presented.

General Endowment Fund Report

07-07. Mr. Cannedy noted that the General Endowment Fund was originally established with proceeds from the sale of the MSU bookstore to a private entity. The report for fiscal year 2006 was presented in the agenda document. He added that the Board of Regents authorized the use of the balance in the fund to construct a softball field during FY 06-07. The balance in the fund at the end of FY 05-06 was \$246,564.34. This item was presented as a point of information only.

Land Proceeds Fund Report

07-08. Mr. Cannedy reported that in August 1998, the Board of Regents established a quasi-endowment fund from the proceeds of the Southwest Parkway Land sale. The report concerning this fund for fiscal year 2006 was presented in the agenda document. He noted that the Board of Regents authorized the use of the balance in the fund to renovate university-owned property on Hampstead Lane during FY 06-07. The balance at the end of FY 05-06 was \$49,493.70. Mr. Cannedy added that this fund started out with \$1

million when the university sold the Southwest Parkway property. He added that the funds had been used to buy various properties over the years. This item was presented as a point of information only.

Higher Education Costs - Tuition and Fees

07-09. Dr. Rogers stated that he would provide information to the Board concerning planning for the 2007-2008 budget. He indicated that he would not present recommendations at this time in terms of tuition or fee increase. However, he wanted the Board to be aware of some of the critical issues being faced as the FY 2008 budget is prepared. He added that the university needs additional state general revenue funding to keep up with inflation.

He noted that the second year of the biennium is always a difficult time in budget planning because it is generally not clear what the state legislature will do until the end of the legislative session in May. He stated that he continues to be concerned that the university must use its fund balance from one year to the next to balance the budget. He added that while some use of fund balances may be necessary, the university cannot continue to depend on fund balances in larger and larger amounts each year.

Dr. Rogers stated that the university's base cost of operation would increase by \$1.5 to \$2 million whether or not a faculty or staff position was added. He noted that the state's funding of employee medical insurance continues to be underfunded and utility costs continue to rise. He noted that during the last five years, faculty and staff have generally received no more than a cost of living increase each year, including one year with no salary increase.

Dr. Rogers distributed information concerning FY 2008 budget challenges and possible options, cost of higher education table, and general revenue and total budget comparisons (see Attachment 1). He reported that FY 2007 is the last year MSU will receive funding for the simulation center nursing laboratory at United Regional Health Care System. This laboratory has allowed the nursing program enrollment to increase. Funding in the amount of \$350,000 will be necessary for the program to continue next year. He added that information technology costs continue to increase while the MSU computer use fee is one of the lowest in the state.

Dr. Rogers then reviewed the table showing the cost of 15 hours at all of the state public institutions and the increase in these costs since 2003. MSU's effort to keep costs down has been successful. Only eight schools had a smaller increase in costs from 2003-2006. He noted that while MSU tuition must be competitive and affordable, the issues of rising costs must be addressed.

Mr. Sandoval reviewed the information included in Attachment 1. He noted that MSU's general revenue appropriation has been relatively flat between 2002 and 2007, while the university's expenditure budget has increased from \$45 million to \$60 million. He reported that the university has taken steps to contain costs during this time, including purchasing more efficient heating and cooling equipment, and limiting salary increases.

Dr. Rogers stated that the legislative process had already begun and that he would testify before the Senate Finance Committee the next week. He noted that there was reason to

believe MSU would receive an increased state appropriation. However, an increase would not be enough to cover inflation. He noted that the administration is reviewing fee structures and overall costs, particularly as compared to other institutions in the state. The administration's top priority in the FY 2008 budget is raising faculty and staff salaries.

Mr. Malone asked if the university had lost employees because of the modest salary increases that had been given in recent years. Dr. Rogers responded that the university has lost employees, although there has not been a dramatic exodus. Mr. Cannedy asked why the schools that have been admitted into the University of Texas and Texas A&M systems are not covered by the Permanent University Fund (PUF) and instead received HEAF monies. Dr. Rogers responded that the PUF is constitutionally dedicated to support U.T. and A&M and not the other schools in the systems.

Review and Acceptance of Financial Report

07-10. The administration recommended the July 2006 Financial Report for acceptance. Mr. Bridgman moved the Board accept this report as presented. Mr. Malone seconded the motion. Mr. Sandoval noted that revenues and expenses were on target for this time period. The motion was approved.

Salary/Title/Position Change in 2005-2006 Budget Approved per Board Authorization

07-11. A salary change approved by the president was presented for ratification in the agenda document. Mr. Bridgman moved the Board ratify this change as presented. Mr. Malone seconded the motion.

Dr. Rogers explained that Dr. Wiedemann is developing an advising plan for the university. Currently the part-time employee working to develop this program is officed near the political science department. The secretary in political science is providing office assistance to the part-time advising coordinator and is paid a stipend while she is providing these additional duties.

There being no further discussion, the motion was approved.

Salary/Title/Position Changes in 2006-2007 Budget Approved per Board Authorization

07-12. Salary, title, and position changes approved by the president were presented for ratification as presented in the agenda document. Mr. Malone moved the Board ratify these items as presented. Mr. Bridgman seconded the motion. Dr. Rogers commented on the items as follows.

- A. Mr. Allen Goldapp, new Director of the Physical Plant, has reviewed the staffing and salary levels within his area of responsibility. He recommended a mid-year salary adjustment for the Safety Officer.
- B. The salary increase for the Associate Director of Admissions was an oversight during the budget preparation.

- C. The administration recently established minimum salaries by faculty rank. This was done to mitigate the effects of salary compression. One of the university's foreign language professors was promoted with this school year. With his salary adjustment because of the promotion his salary was still below the minimum for the rank of professor.
- D. The funds anticipated from a grant to provide a portion of the funding for the instructor in counseling and special education were not forthcoming. The university had to provide the difference to fund the budget for this position.
- E. Two employees were hired with the same title within the Career Management Office. It was determined that the two salaries should be equalized. Dr. Rogers noted that while there was a budget increase, there was also a salary savings that was not reflected in the table.
- F. The new Director of the Counseling Center has a Ph.D. which required an increase in the budgeted amount for this position.
- G. Dr. Rogers noted that the Board was aware of changes he had made within the MSU Athletics Department. He stated that a new Interim Director of Athletics had been hired and the Board would meet him later during the afternoon Board meetings. The difference in the salary of the Interim AD and the current AD budget was \$25,512. He noted that the Interim AD was hired at a salary consistent with the average of athletic director salaries in the Lone Star Conference. With this reorganization, Kurt Portmann was moved into the Associate Athletics Director position. His salary was not lowered and was more than the person that was previously in that position and is no longer in the department. Dr. Rogers added that both were excellent moves.
- H. The MSU Small Business Development Center (SBDC) salaries are to some degree set by the main SBDC office at Texas Tech University. They recommended a larger increase for the MSU director and this adjustment was necessary.
- I. The budget did not include a stipend for the department head of social work because of a change in personnel in that department.

Dr. Rogers noted that the majority of the increase was due to the athletics reorganization. There being no further discussion, the motion to ratify the list was approved.

FY 2006-2007 Items \$50,000 & Under Approved by President

- 07-13. The administration recommended the ratification of the budget changes presented in the agenda document. The following information was provided concerning these budget changes.

- A. Dr. Rogers noted that beginning with the 2006-2007 budget Disability Support Services was separated from the Counseling Center. This allocation of funds was necessary to complete the furnishing and set up of the new office.
- B. Dr. Rogers stated that funds were needed to repaint the Coliseum floor. He noted that the floor had water damage that was repaired. Additionally, because of the change in mascot, the floor was painted. Unfortunately, although the paint chip color appeared to match the university's maroon, when the paint dried and the Coliseum lights were turned on, the color looked very pink. The floor then had to be repainted and these additional funds were necessary.

Mr. Bridgman moved the Board ratify these budget changes as presented. Mr. Malone seconded the motion and it was approved.

Adjournment

The Finance and Audit Committee discussion concluded at 2:52 p.m.

Reviewed for submission:

Original Minutes Signed _____
Mac Cannedy, Jr., Acting Chairperson
Midwestern State University
Board of Regents Finance & Audit Committee

ATTACHMENT:

1.FY 2008 Budget Challenges, Tuition Table, and General Revenue/Expenditures Chart