



**Board of Trustees Meeting
Audit & Business Committee
March 11, 2021
Roaden University Center Room 282
MINUTES**

AGENDA ITEM 1—Call to Order

The Tennessee Tech Board of Trustees Audit & Business Committee met on March 11, 2021 in Roaden University Center Room 282. Chair Johnny Stites called the meeting to order at 11:43 a.m.

Chair Stites asked Mr. Lee Wray, Secretary, to call the roll. The following members were present:

- Johnny Stites
- Sally Pardue
- Thomas Lynn

Other board members were also in attendance. A quorum was physically present. Tennessee Tech faculty, staff and members of the public were also in attendance.

AGENDA ITEM 2—Approval of Minutes

Chair Stites asked for approval of the minutes of the December 1, 2020 Audit & Business Committee meeting. Chair Stites asked if there were questions or comments regarding the minutes. There being none, Dr. Pardue moved to recommend approval of the December 1, 2020 Audit & Business Committee minutes. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 3— Update on Governor’s Budget

Dr. Stinson advised the capital outlay portion of the Governor’s recommendation included \$53,730,000 for the engineering building construction, which includes our match of \$4,558,400. The capital maintenance portion included \$7,834,000: steam plant deaerator tank replacement of \$920,000, Derryberry Hall upgrade(auditorium) \$1,691,000, campus-wide building controls upgrade \$2,150,000, Bryan Fine Arts Auditorium upgrade \$1,506,000 and campus-wide exterior lighting upgrades \$1,567,000.

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The operating budget recommendations from the Governor for FY2021-22 included \$1,768,800 outcomes growth, salary pool \$2,105,200(55% funded by the state), \$343,600 group health insurance, reallocation of outcomes \$(430,900) and NSF Cybersecurity \$(500,000). The salary pool included a retroactive salary pool for January- June 2021 in the amount of \$526,300.

This was an informational item therefore no action was required.

AGENDA ITEM 4A—Compensation Plan January-June 2021

Dr. Stinson advised the proposed compensation plan is pending approval of the Governor's budget. The proposal is a \$1,000 one-time payment to all full and part-time permanent employees with a satisfactory or better evaluation for FY2020. The amount will be prorated for part-time permanent employees. Employees must be hired prior to January 1, 2021 and still employed at the time of payment. This money will become available to the university once the Governor's budget is approved. The estimated cost is \$1,563,900 of that amount \$526,300 comes from one-time state appropriations and the cost to the university is \$1,037,600. The university cost will be funded from fund balance. There was no discussion.

Mr. Lynn moved to send the compensation plan pending approval of the Governor's budget for a one-time payment to all full and part-time permanent employees of \$1,000 per employee, pro-rated for part-time employees, with a satisfactory or better evaluation for fiscal year 2020 and employed at January 1, 2021 and still employed at time of payment to the Board for approval and to place it on the Board's regular agenda. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 4B—Compensation Plan FY2021-22

Dr. Stinson advised the proposal is pending approval of the Governor's budget and based on the 4% pool for recurring salary increases effective July 1, 2021. This proposal is based on performance evaluations for FY2021. Employees with a satisfactory or better evaluation are eligible for raise. Employees must be hired prior to January 1, 2021 and still employed at July 1, 2021. The salary range is minimum of 1% to maximum of 7%. Faculty promotions and equity adjustments will be funded separately. The estimated cost is \$3,699,500 which is \$2,105,200 in state appropriations and \$1,594,300 cost to the university. Dr. Oldham clarified the performance evaluations should include FY2020 and FY2021 since there was no general pay increase last year, two-year average on the evaluations. Dr. Stinson confirmed.

Dr. Pardue requested the Board to consider the resolution that Faculty Senate shared at the prior Board meeting especially concerning the implementation of performance based compensation on the range. Dr. Pardue expressed her concern that 1-7% does provide a range but the process of which that range is established is not necessarily honoring what the faculty senate resolution requested the Board to consider. Dr. Pardue asked the Board to consider a range that is more reflective and in line with the Governors budget of 4% to consider 2-5% or 2-6% as many of the faculty and staff have worked incredibly hard in light of the past year to maintain the high-quality education that Tennessee Tech expects and delivers. Ms. Harper added that she worked with Dr. Oldham and Dr. Stinson on this proposal and she spent a significant amount of time going back through the resolution and was persuaded that there had not been consistency in the way salary increases were approached since the

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Board was formed. Ms. Harper wanted to make sure this time there was a proposal that we can follow consistently from this point forward and strongly feels it fits inside the faculty senate proposed resolution and that it meets the consistency recommendation that was implied in the presentation by Dr. Luna at the last Board meeting. Dr. Oldham stated the 1-7% gives maximum flexibility to Department Chairs and Deans in particular to reward proportionally. In practice Dr. Oldham does not expect it to be that wide but wanted to give as much flexibility as possible. Dr. Oldham agreed with Ms. Harper that this is a format or pattern that we could adopt on a consistent basis. He added obviously, the numbers could change a little bit depending on how big the salary pool is in a particular year. This approach has soundness, provides a minimum raise for satisfactory performers and gives room to reward high achievers.

Ms. Vanhooser asked what the cost of living increase was if we did something based around that. Ms. Harper advised social security cost of living this year was around 2%. Dr. Oldham added the difficulty in terms of consistency from year to year is where that approach becomes problematic as there are years where the state or internal resources are not capable of matching what would be considered a COLA adjustment. The approach to give a range where there is a minimum is appropriate for whatever the size of salary pool is that year. Mr. Jones stated that he prefers to see a wider range than narrow one. Mr. Jones added that in December 2020 employees were given a \$500 bonus and now proposed \$1000 for January-June is pending, that elevates the base across the Board and is not merit based at all. Mr. Jones said the question could also be posed why the \$1000 for everyone is not merit based as well. Mr. Jones added these types of decisions need to be made on year to year basis depending on what funds are available, what the economy is doing and what is the cost of living. What is done this year does not necessarily define exactly what it is going to be next year. Mr. Jones stated given the \$1000 and this range it is an appropriate balance.

Dr. Oldham stated every academic unit, depending on the size of their salary pool and total salary budget, they would approximately have 4% of that as a raise pool for that department. The Department Chair based on the evaluations they gave to personnel would have that 4% pool to draw and distribute in correlation to those evaluation scores. Dr. Oldham added no two departments on campus are the same which is why each chair should have some degree of responsibility as well as autonomy to do what is right for that department. They are in the best position to make that judgement. There needs to be accountability which is where Deans and other administrators come into play to make sure they are looking over the distributions and the distributions are justified. The flexibility of this range gives them room to do what is best for their unit. Ms. Harper added that it was critical to her that Dr. Oldham was responsible for being sure that we get a distribution and everyone does not get 4% and see rewards to the high performers and less to the low performers. If there is a department that deserves more that there is a mechanism for the department to come to Dr. Oldham and argue they should have something different and be able to decide to give them more or if a department doesn't deserve their full allocation, this year or another year.

Captain Wilmore wanted clarification if an average comes significantly above 4% what is done. Dr. Stinson advised they would not distribute a pool to a department that was above 4%. Dr. Oldham added the department only gets a fixed amount and it is capped.

Mr. Hines asked if there was evaluation training for supervisors. Dr. Stinson stated it was in place for staff and we have been doing performance-based compensation since 2016-17. The data from the last five years the cost of living piece was done in 2016-17 and 2017-18 and those were one percent. Dr. Stinson added this is the first time we have had a pool this large and is reflective of the fact there was

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not an increase last year. The largest increase in the last five years was 2.5%. Dr. Pardue added that this speaks exactly to the reason why she wants to see the range not be 1-7% but if it has to be a range that the range should be reflective of the opportunity to truly address cost of living since we were not able to do any increase in the prior year. Dr. Pardue asked the Committee to seriously consider the range to be more of a natural order of 2-6% that allows the university to make a very clear statement of the resources the State of Tennessee has provided to us as a 4% pool, that we value the people who work for this campus and to at least ensure that their salary does not go backwards. Dr. Pardue stated every time we do not meet cost of living you are effectively telling a satisfactory or a high performing employee that they are making less money for doing the same work year to year. Dr. Pardue asked the committee to consider a range of 2-6%. Dr. Pardue also asked the Committee and the Board to keep in mind the implementation of an improvement plan. The other half of performance-based evaluation decisions are a well-established improvement plan so that an employee that wants to be at the top level has a very clear understanding of why their supervisor has evaluated them the way they did and why their supervisor's supervisor has either agreed or not and that there is a documented way to move from one level to another.

Mr. Jones asked if a college or department decided to keep the range from 2-6% instead of 1-7% could they do that. Dr. Oldham advised they could. Mr. Jones added from his point of view he does not worry much about the bottom end of the range because he does not believe those are the high achievers. The upper end is for top performers and gives opportunity to fix any salary bias, but must rely on leadership to fix that issue. Mr. Jones stated he liked the range as presented and gives the flexibility and opportunity for the leaders of the faculty to make those decisions.

Dr. Pardue added that this is not just a faculty issue but clerical & support and includes all employment classifications. Dr. Pardue offered that department chairs and deans are not well equipped to understand equity and equity adjustments. Dr. Pardue stated she raised the question in December 2019 to the AVP of Human Resources at the time on the oversight process. There were high performers in clerical and support that did not receive a change in base pay. There were high performers in faculty that did not receive a change in base pay. There needs to be a way of checking to see what happens. Dr. Pardue stated that we have a year of opportunity where the state has been able to provide a significant percentage, 4% has never been done. The minimum range is as important as the maximum range and that 2-6% range is more natural. The campus can be assured that everything is in place regarding how tightly we are tying performance measurement to change in base pay. Chair Stites thanked Dr. Pardue for her comments.

There was no further discussion Chair Stites asked for a motion to send the proposed compensation plan for FY 2021-22 pending approval of the Governor's budget for a 4% salary increase pool to be distributed to full and part-time permanent employees based on employees' fiscal year 2020 and 2021 evaluations with a minimum 1% and maximum 7% increase for employees with satisfactory or better evaluation scores, employed at January 1, 2021 and still employed at July 1, 2021 to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn moved to approve. Chair Stites seconded the motion. Mr. Wray called a roll call vote. Mr. Lynn and Chair Stites voted aye. Dr. Pardue abstained. The motion carried.

AGENDA ITEM 5—Supplemental COVID-19 funding

Dr. Stinson gave an update on the second allocation of Coronavirus Response and Relief Supplemental Appropriations Act 2021 funding. The funding was effective December 27, 2020 and is available through January 16, 2022. The total supplemental funding is \$13,533,046. The student grant portion is \$4,356,732, all students are eligible except non-residents. The student funds were dispersed to 8,661 students ranging from \$160-\$925. The institutional portion is \$9,176,314 and can be used for lost revenues, reimbursement of expenses associated with COVID-19 including technology costs to transition to distance education, faculty & staff training and payroll.

At this time Higher Education has not received a lot of direction from the U.S. Department of Education on how the funds are to be documented. Preliminary estimates of revenue losses for Spring 2021 through Fall 2021: \$5,030,500 tuition & fees (lost and forgone revenues), \$1,238,100 state appropriations, \$613,550 Athletics (tickets, guarantees, NCCA/OVC), \$46,650 camps/conference/rentals, \$80,900 miscellaneous fines and fees and \$1,094,200 auxiliary operations (housing, food services, fitness center and bookstore). The total estimate is \$8,103,900. Some of the funds have been designated to help with the cost of reduced class sizes for Fall 2021, supporting the first six months of salary for some instructors we would hire for areas that generally have larger classes but reducing the size. Funds have been designated to adjunct faculty to help reduce the class sizes. Other costs include the additional nursing personnel that was added and that funding expires in May 2021.

This was an informational item therefore no action was required.

AGENDA ITEM 6A—Non-Mandatory & Mandatory Fees-Housing Rates

Dr. Stinson provided a reminder that mandatory fees are paid by all students (tuition and program service fee). Non-mandatory fees are fees charged based on courses, services and activities selected by individual students. The FY2021-22 housing rate recommendation is zero increase. The reason is due to a recent market study and currently working on the Master Plan. We need to be sure we are within the local housing market with our pricing and leaving some space to establish a rate for the new Innovation Hall when it opens to be reflective of the amenities that will be available to students in that particular hall.

This was an informational item therefore no action was required.

AGENDA ITEM 6B—Non-Mandatory & Mandatory Fees- International Student Deposit

Dr. Stinson recommended the elimination of the international student deposit fee. The \$300 one-time deposit was paid by degree seeking international students during their first semester of enrollment to encourage retention and degree completion. It has not been as effective as anticipated so the department proposed to remove the fee.

Mr. Lynn moved to send the removal of the International Student Deposit fee of \$300 to the Board for approval and to place it on the Board's regular agenda. Dr. Pardue seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 6C—Specialized Academic Course Fees

Dr. Stinson advised this is just for informational purposes at this time to make the committee aware of what is being considered regarding the specialized academic course fees. This is to provide some simplification on the fee structures. This is a two-step approach. The first step would be to collapse SACF into tuition for some selected units, which would include AG/HEC, Arts & Sciences, Education (other than Ready-to-Teach), and Fine Arts. In order to do this, it will require a 2% tuition increase and \$500,000 investment from the university to hold the units harmless with the budget they currently have. The second step is to establish a program fee (to be renamed) for Engineering, Business, Nursing and Education Ready-to-Teach. This fee would replace the SACF and for undergraduate students be a flat fee over eight semesters. For graduate students a flat fee per semester based on Masters or PhD. The fee would be charged based on a students' major rather than specific courses as it is now. The only SACF that would remain is the Nursing DNP due to it being a joint program with ETSU and part of the agreement is to maintain a fee structure similar to ETSU.

The benefits of this new model are the current SACF vary by college and range from \$20-\$65 per credit hour. From a student standpoint this will bring more transparency in billing, make it easier to predict costs and the costs are spread more evenly over each semester. The impact on colleges will be revenue neutral to the extent possible. There is potential to use the THEC recommended 2% tuition increase to replace SACF generated resources that are eliminated.

This was an informational item therefore no action was required.

AGENDA ITEM 7—Budget Advisory Committee Restructure

Dr. Stinson advised this arose from the Chair's request to look at the Strategic Plan with the Board. For this committee it aligns with goal three: Exceptional Stewardship and Priority Action C: Continue to develop, implement, and evaluate a dynamic long-term budget model that informs effective financial management and consistent strategic investment. Dr. Stinson advised the additional charge of the BAC was strategic thinking, university-wide perspective, long-term rather than short-term view, in-depth understanding of the University budget and communicate budget information and process to others on campus and be communicators back to their colleges/departments/units. As part of the restructure four sub-committees were created to meet at least monthly. The charge to all sub-committees were to address issues identified for each group, identify potential funding sources for each issue identified and regular reports to the BAC on progress. The four subcommittees are: Emerging Opportunities and Threats, Effectiveness & Efficiency, Facilities and Infrastructure and Five-Year Strategic Budget Planning.

This was an informational item therefore no action was required.

AGENDA ITEM 8—Naming Opportunity

Dr. Oldham advised it was an honor to present the proposal to name the new Innovation Center and Residence Hall in honor of JJ Oakley. This is based on the significant past and ongoing support the Oakley family has provided to Tennessee Tech and the Upper Cumberland region.

Mr. Lynn added that he has worked with The Oakley's for a long time and one of their highest priorities is education. They feel that Tennessee Tech is a great asset to the Upper Cumberland and their generosity is amazing.

Mr. Lynn moved to send the naming of the Innovation Hall to JJ Oakley Innovation Center and Residence Hall to the Board for approval and to place it on the Boards' regular agenda. Dr. Pardue seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 9—Notice of Responsibilities for Preventing, Detecting and Reporting Fraud, Waste and Abuse.

Chair Stites advised that state law requires the Audit Committee to formally reiterate on a regular basis to the Board, Management and Staff their responsibilities for preventing, detecting and reporting fraud, waste and abuse. Accordingly, a Notice of Responsibilities was provided in Diligent for the trustees to review.

No action required on this item.

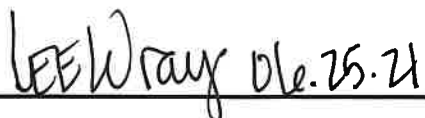
AGENDA ITEM 10 —Adjournment of Open Session & Call to Order of Non-Public Executive Session

There being no further business, the meeting adjourned at 1:00 p.m. After a short break, the Non-Public Executive Session began at 1:18 p.m. Trustees and Administration were present for the meeting.

AGENDA ITEM 11—Adjournment

There being no further business, the Non-Public Executive Session adjourned at 2:21 p.m.

Approved,

 A handwritten signature in black ink that reads "LEE Wray 06.25.21". The signature is written over a solid black horizontal line.

Lee Wray, Secretary