



AUDIT & BUSINESS COMMITTEE

December 2, 2021

Roaden University Center, Room 282

AGENDA

- I. Call to Order
- II. Approval of Minutes
- III. Composite Financial Index
- IV. FY21-22 Revised Budget/Organizational Chart
- V. Tuition Transparency Act Report (T.C.A. §49-7-1604)
- VI. Disclosed Projects FY2022-23
- VII. Report of Audit Activity
- VIII. Approval of 2022 Audit Plan
- IX. Adjournment of Open Session and Call to Order of Non-Public Executive Session to Discuss Audits, Investigations, Litigation, and Matters Deemed Not Subject to Public Inspection Pursuant to T.C.A. § 4-35-108(b)(1)-(3)
- X. Adjournment



AUDIT & BUSINESS COMMITTEE

October 7, 2021

Roaden University Center, Room 282

MINUTES

AGENDA ITEM 1 – CALL TO ORDER

The Tennessee Tech Board of Trustees Audit & Business Committee met on October 7, 2021 in Roaden University Center Room 282. Chair Johnny Stites called the meeting to order at 10:57 a.m.

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

- Johnny Stites
- Fred Lowery
- Trudy Harper

Other board members also in attendance were Dan Allcott, Tom Jones, Rhedona Rose, Teresa Vanhooser, Barry Wilmore, and Hannah Willis. Thomas Lynn was absent. 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 June 24, 2021 Audit & Business Committee meeting. Chair Stites asked if there were questions or comments regarding the minutes. There being none, Mr. Lowery moved to recommend approval of the minutes. Ms. Harper seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 3 – Financial Update

Dr. Stinson gave the committee an update on the FY2020-21 operating budget end of year status. Dr. Stinson gave a brief update on the HEERF funds distributed to students during Fall 2021.

This was an informational item therefore no action was required.

AGENDA ITEM 4 – Disclosed Project FY2021-22

Dr. Oldham gave an overview of capital projects. State funded projects are capital outlay (new construction/major renovation) and capital maintenance (renovation and/or maintenance). University funded projects are disclosed projects (new/renovation/maintenance). The Master Plan is a guideline for projects. We have the opportunity to submit a second request for outlay, Advanced Construction and Manufacturing Engineering Building. The criteria required for the new request has to address state workforce needs and a significant amount of community engagement. This building will address both of those criteria. These requests are pending THEC recommendation and upcoming legislative session. Dr. Oldham added that disclosed projects are self-funded, which can be university funds, private gifts or TSSBA bond financing. Dr. Oldham introduced two disclosed projects that will be requesting Board approval in December. Pro Forma for each project will be provided in October to trustees. The first project is West Tucker Stadium which will include demolition of the current west stadium and building a new stadium. The estimated cost is \$30,000,000. The second project is a parking garage on Wings Up Way, estimated cost of \$14,000,000.

Dr. Stinson stated the Lewis Hall Transformer replacement for \$150,000 will be university funded. This project is being coordinated with College of Engineering to allow for the upsize of transformers and secondary feeds to allow robots to be installed in Lewis Hall.

Mr. Lowery moved to send the FY2021-22 Disclosed Project for the Lewis Hall Transformer to the Board for approval and to place it on the Board's regular agenda. Ms. Harper seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 5 – Approval of Capital Budget FY2022-23 Outlay Revision

Dr. Stinson advised the second project for the capital outlay request for state funding is the Advanced Construction and Manufacturing Engineering Building. This is in addition to the Johnson Hall renovation and Foster Hall demolition that was approved in June. The project cost is estimated at \$62,400,00. This project requires a match of \$4,992,000 and of that match \$1,647,360 must be from gifts. Ms. Harper asked what the timing of the match requirement was. Dr. Oldham stated we had about three years to raise the gifts or pledges.

Mr. Lowery moved to send the Capital Budget FY2022-23 Outlay for the construction of a second engineering building to the Board for approval and to place it on the Board's regular agenda. Ms. Harper seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 6 – Update Capital Budget Maintenance FY2022-23

Dr. Stinson advised some modifications had been made to the request since the June 2021 Board meeting (Attachment A). The Stormwater system repairs will be requested in the following year.

This was an informational item therefore no action was required.

AGENDA ITEM 7 – Anticipated Disclosed Projects FY2022-23

Dr. Stinson stated this was the two projects that Dr. Oldham just discussed. Pro Forma statements will be provided to trustees in the near future on these two projects. Bond funding is estimated at \$23,000,000 for the football stadium (project cost \$29,900,000) and \$12,900,000 on the parking garage (project cost \$13,925,600). The remaining funds needed will come from reserves in the transportation fund for the parking garage. These projects will be brought back at the December Board meeting for action.

This was an informational item therefore no action was required.

AGENDA ITEM 8 – Performance Evaluation and Performance-Based Compensation Analysis

Dr. Stinson introduced the new Associate Vice President of Human Resources, Mr. Kevin Vedder.

Dr. Stinson reminded the Board this was year six of the performance evaluation process. The criteria for non-faculty was academic excellence, student success, community engagement, meaningful innovation, supportive environment and value creation. The criteria for faculty was based on teaching, advisement, research/scholarship/creative activity, service/outreach and administration.

The performance-based compensation was a four percent pool based on the eligibility of faculty scores being acceptable or better rating and staff scores being meets expectations or better rating for FY20 and FY21. Eligible employees must have been hired on or before January 1, 2021 and the minimum award was 1% with the maximum award being 7%. Details of the distribution was presented.

Dr. Oldham added he met with Deans and Department Chairs and stressed the importance of distributing raise dollars commensurate with performance evaluations. Dr. Oldham presented information on staff score and increase distribution.

This was an informational item therefore no action was required.

AGENDA ITEM 9 – Edmonds Estate Quasi Endowment

Dr. Stinson stated Tennessee Tech had been designated as beneficiary of the Estate of Clarence & Billie Edmonds. Mr. Edmonds did not specify a use for the funds in his estate documents. However, when the check for \$143,359.71 was received it was accompanied by a request by Mr. Edmonds' three children that the funds be used to establish a quasi-endowment in their late parents' names in the College of Business Accounting Department to "assist deserving students in continuing their education at Tennessee Tech".

The Tennessee Tech University Foundation was established as the fundraising arm of the University and it is the practice of the University to route all gifts through the Foundation; however, the Edmonds Estate specifically names the University as the recipient of the funds. We are requesting the Board to designate the gift as a quasi-endowment and transfer the gift to the Foundation for investment purposes only. The university will retain ownership of the funds.

Mr. Lowery moved to send the Edmonds Estate to the Board for approval to establish a quasi-endowment and to invest the funds through the Foundation's Common Fund and to place it on the Board's regular agenda. Ms. Harper seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 10 – Tenure Upon Appointment Recommendation

Dr. Bruce requested the tenure recommendation for Dr. Kumar Yelamarthi. He was hired as Professor and Associate Dean in the College of Engineering. Dr. Bruce stated the request was supported by herself, College of Engineering Dean and the Faculty and Chair of Electrical Engineering.

Mr. Lowery moved to send the tenure recommendation to the Board for approval and to place it on the Board's regular agenda. Ms. Harper seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 11 – ADJOURNMENT OF OPEN SESSION & CALL TO ORDER ON EXECUTIVE CLOSED SESSION

There being no further business, the meeting adjourned at 12:15 p.m. After a short break, the Non-Public Executive Session began at 12:29 p.m. Trustees and required Administration were present for the meeting.

AGENDA ITEM 12 – ADJOURNMENT

There being no further business, the Non-Public Executive Session adjourned at 1:14 p.m.

Approved,

Lee Wray, Secretary

Capital Maintenance Projects FY2022-23

Request for State Funding

Priority	Project	Project Cost From June	Project Cost Updated	Project Description
1	Craft Center HVAC Upgrades	\$1,140,000	\$1,140,000	Replace air handlers, fan coil units and pipe insulation.
2	Craft Center Generator and Fire Pump Upgrades	\$500,000	\$550,000	Install a generator to provide power to sprinkler system. Relocate fire pump and bring up to code.
3	Foundation Hall Upgrades	\$6,000,000	\$6,000,000	Provide building systems and related space upgrades.
4	Roaden University Center HVAC Upgrades	\$500,000	\$900,000	Replace air handlers.
5	Elevator Upgrades	\$750,000	\$738,000	Upgrades to several elevators on campus.
6	Stormwater System Repairs	\$500,000	\$0	Repair underground piping west of Willow
	Total Request	\$9,390,000	\$9,328,000	





Agenda Item Summary

Date: December 2, 2021

Agenda Item: Composite Financial Index

Review

Action

No action required

PRESENTERS: Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS: Update on financial outcome for Fiscal Year 2020-21.



Agenda Item Summary

Date: December 2, 2021

Agenda Item: FY21-22 Revised Budget/Organizational Chart

Review

Action

No action required

PRESENTERS: Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS: Review recommendation and approval of Tennessee Tech’s 2021-22 Revised Budget and Organizational Chart.

Revised Budget reflects revenue based on fall semester actual enrollments. Special fees unspent from fiscal year 2020-21 and other encumbrances from FY2020-21 are included in the revised budget as one-time expense budget increase.

The revised budget includes budget line items for Educational & General (E & G) revenues and expenses for the University’s major operations and Auxiliary Enterprise revenues and expenses. This budget also includes mandatory transfers which are resources set aside to service debt for the fiscal year. Non-mandatory transfers included in the budget are resources transferred to reserves and plant funds at the University’s discretion.

Definitions for Budget Cycles, Revenue Categories, Expense Categories

Actuals FY2020-21: This data reflects how the FY2020-21 ended. This data is used for preparation of the University's financial statements. Unspent resources at end-of-year are either included in the beginning fund balance of the Revised Budget or, in the case of special fees and research related obligations, re-budgeted into the departments.

Proposed Budget FY2021-22: The Proposed Budget is our original budget (operating plan) to begin the new fiscal year. This budget includes only recurring revenue and expense items. The Proposed Budget revenues are based on estimated fall semester enrollments and generally includes any new State appropriations the University expects to receive. New cost increases that create ongoing obligations are included in the Proposed Budget.

Revised Budget FY2021-22: This budget is the first revision to our Proposed Budget. The Revised Budget reflects revenue estimates based on actual fall enrollments. Expense budgets are increased for any unspent resources (carryforwards) from the prior fiscal year, FY2020-21.

Educational & General (E&G) Revenues: These are unrestricted resources that can be used for anything within the mission of the University.

E&G Expenses by Budget Category: Expenses are shown by functional classification. These categories show how expenses are budgeted for the different functions of the University.

E&G Expenses by Natural Classification: Expenses are shown by type of expenses, e.g., salaries and wages, fringe benefits, travel, etc.

Auxiliary Budget Summary: Budgets for activities such as housing, foodservices, recreation center, that must operate at a profit or at least breakeven point.

Mandatory Transfers: Transfers for annual debt service obligations.

Non-Mandatory Transfers: Transfers for University funded capital projects (Unexpended Plant) and renewal and replacement funds for major maintenance and equipment replacement including technology hardware and software.

E&G Revenues - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
Tuition and Fees	\$ 99,001,296	\$ 98,296,000	\$ 99,019,300
State Appropriations	\$ 61,143,975	\$ 63,514,400	\$ 64,128,100
Contracts and Indirect Cost	\$ 2,859,183	\$ 971,400	\$ 971,400
Sales and Services Educational	\$ 1,215,627	\$ 872,500	\$ 872,000
Other Activities (incl Athletic Student Fee)	\$ 18,313,046	\$ 9,914,800	\$ 10,331,800
Total Revenues	\$ 182,533,127	\$ 173,569,100	\$ 175,322,600

E&G Expenses by Budget Category - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
Instruction	\$ 72,271,306	\$ 77,398,100	\$ 89,399,100
Research	\$ 2,049,034	\$ 1,984,500	\$ 4,458,400
Public Service	\$ 1,998,073	\$ 2,014,100	\$ 2,486,000
Academic Support	\$ 12,312,608	\$ 13,049,300	\$ 14,979,100
Student Services	\$ 19,833,987	\$ 21,290,300	\$ 22,767,500
Institutional Support	\$ 14,174,960	\$ 18,218,200	\$ 19,308,600
Oper. & Maint. of Plant	\$ 11,985,224	\$ 15,514,700	\$ 16,281,900
Scholarships & Fellowships	\$ 14,575,925	\$ 16,194,300	\$ 16,309,200
Total Expenses	\$ 149,201,117	\$ 165,663,500	\$ 185,989,800

E&G Expenses by Natural Classification - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
Salaries and Wages	\$ 78,951,283	\$ 81,849,100	\$ 83,091,600
Fringe Benefits	\$ 31,982,933	\$ 36,609,900	\$ 35,758,400
Travel	\$ 583,620	\$ 1,638,900	\$ 1,685,400
Operating & Utilities	\$ 22,164,195	\$ 29,039,800	\$ 48,608,000
Scholarships & Fellowships	\$ 14,575,925	\$ 16,194,300	\$ 16,309,200
Capital	\$ 943,161	\$ 331,500	\$ 537,200
Total Expenses	\$ 149,201,117	\$ 165,663,500	\$ 185,989,800

E&G Unrestricted Budget Summary - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
Beginning Fund Balance	\$ 31,094,122	\$ 7,809,665	\$ 29,185,267
E&G Revenues	\$ 182,533,127	\$ 173,569,100	\$ 175,322,600
E&G Expenses	\$ (149,201,117)	\$ (165,663,500)	\$ (185,989,800)
Mandatory Transfers	\$ (3,507,468)	\$ (3,628,700)	\$ (3,668,700)
Non-mandatory Transfers	\$ (31,762,965)	\$ (4,277,000)	\$ (6,528,600)
Ending Fund Balance	\$ 29,155,699	\$ 7,809,565	\$ 8,320,767

Auxiliary Budget Summary - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
Beginning Fund Balance	\$ 1,579,064	\$ 1,259,088	\$ 1,509,166
Aux Revenues	\$ 19,813,627	\$ 18,429,100	\$ 18,489,500
Aux Expenses	\$ (7,879,740)	\$ (8,032,700)	\$ (8,201,800)
Mandatory Transfers	\$ (6,065,443)	\$ (7,082,100)	\$ (6,901,000)
Non-mandatory Transfers	\$ (5,908,775)	\$ (3,314,200)	\$ (3,444,200)
Ending Fund Balance	\$ 1,538,733	\$ 1,259,188	\$ 1,451,666

TOTAL Budget Summary - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
Beginning Fund Balance	\$ 32,673,186	\$ 9,068,753	\$ 30,694,433
Total Revenues	\$ 202,346,754	\$ 191,998,200	\$ 193,812,100
Total Expenses	\$ (157,080,857)	\$ (173,696,200)	\$ (194,191,600)
Mandatory Transfers	\$ (9,572,911)	\$ (10,710,800)	\$ (10,569,700)
Non-mandatory Transfers	\$ (37,671,740)	\$ (7,591,200)	\$ (9,972,800)
Ending Fund Balance	\$ 30,694,432	\$ 9,068,753	\$ 9,772,433

Breakdown of E&G Fund Balance - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2019-20	
	Beginning Fund Balance	Ending Fund Balance
Allocation for Encumbrances	\$ 1,620,451	\$ 1,470,875
Allocation for Working Capital	\$ 4,196,189	\$ 3,863,417
Special Allocations*	\$ 25,277,482	\$ 23,850,975
Unallocated Balance	\$ -	\$ -
Total E&G Fund Balance	\$ 31,094,122	\$ 29,185,267
*2% to 5% Reserve of E&G Revenues	\$ 21,450,377	\$ 20,245,349
*Student Activity Fee	\$ 1,322,338	\$ -
*Technology Access Fee	\$ 604,148	\$ 1,723,100
*Specialized Academic Course Fee	\$ 1,900,619	\$ 1,882,526
Total Special Allocations	\$ 25,277,482	\$ 23,850,975

	Proposed Budget FY2020-21	
	Beginning Fund Balance	Ending Fund Balance
Allocation for Encumbrances	\$ -	\$ -
Allocation for Working Capital	\$ 4,196,189	\$ 4,196,189
Special Allocations*	\$ 3,613,476	\$ 3,613,466
Unallocated Balance (due to rounding)	\$ -	\$ -
Total E&G Fund Balance	\$ 7,809,665	\$ 7,809,655
*2% to 5% Reserve of E&G Revenues	\$ 3,613,476	\$ 3,613,466
*Student Activity Fee	\$ -	\$ -
*Technology Access Fee	\$ -	\$ -
*Specialized Academic Course Fee	\$ -	\$ -
Total Special Allocations	\$ 3,613,476	\$ 3,613,466

	Revised Budget FY2020-21	
	Beginning Fund Balance	Ending Fund Balance
Allocation for Encumbrances	\$ 1,470,875	\$ -
Allocation for Working Capital	\$ 3,863,417	\$ 4,390,500
Special Allocations*	\$ 23,850,975	\$ 5,381,900
Unallocated Balance (due to rounding)	\$ -	\$ -
Total E&G Fund Balance	\$ 29,185,267	\$ 9,772,400
*2% to 5% Reserve of E&G Revenues	\$ 20,245,349	\$ 5,381,900
*Student Activity Fee	\$ -	\$ -
*Technology Access Fee	\$ 1,723,100	\$ -
*Specialized Academic Course Fee	\$ 1,882,526	\$ -
Total Special Allocations	\$ 23,850,975	\$ 5,381,900

E&G Transfers - Actuals FY2020-21, Proposed Budget FY2021-22, & Revised Budget FY2021-22

	Actuals FY2020-21	Proposed Budget FY2021-22	Revised Budget FY2021-22
<u>Debt Service-Mandatory</u>			
Debt Service Perf Contract	\$ 482,310	\$ 491,074	\$ 491,074
Debt Service Fitness Center	\$ 1,602,561	\$ 1,630,000	\$ 1,670,000
Debt Service Parking	\$ 795,632	\$ 860,935	\$ 860,935
Debt Service Lab Science Bldg	\$ 626,965	\$ 646,673	\$ 646,673
Debt Service Univ Center	\$ -	\$ -	\$ -
Debt Service Eblen Center	\$ -	\$ -	\$ -
Total Debt Service Transfers	\$ 3,507,468	\$ 3,628,682	\$ 3,668,682
<u>Unexpended Plant</u>			
Debt Service Fitness Center	\$ 516,107	\$ -	\$ 160,980
Debt Service Univ Center	\$ 93,746	\$ 89,460	\$ 89,460
Debt Service Eblen Center	\$ 206,242	\$ 196,810	\$ 196,810
Facilities Development (fee)	\$ 332,105	\$ 269,115	\$ 238,615
Landscaping	\$ 672,000	\$ -	\$ 325,000
Parking and Transportation	\$ 200,805	\$ 200,805	\$ 200,805
Various Academic Buildings	\$ 800,000	\$ 345,890	\$ 345,890
Extraordinary Maintenance	\$ 560,000	\$ 560,000	\$ 560,000
Quillen Lighting	\$ 870,000	\$ -	\$ -
HOOP Restrooms	\$ 500,000	\$ -	\$ -
Tucker Stadium Turf	\$ 773,409	\$ -	\$ -
Small Projects	\$ 1,659,005	\$ 211,000	\$ 282,469
Total Unexp Plant Transfers	\$ 7,183,419	\$ 1,873,080	\$ 2,400,029
<u>Renewal and Replacement</u>			
IT Computer Equipment	\$ 377,110	\$ 377,110	\$ 577,110
Electronic Upgrades	\$ 350,000	\$ 350,000	\$ 350,000
Equipment - Departments	\$ 541,846	\$ 542,792	\$ 767,452
ERP Replacement	\$ 6,566,745	\$ -	\$ 1,000,000
Athletics	\$ 902,173	\$ -	\$ -
Anticipated Early Graduation	\$ 1,133,986	\$ 1,133,986	\$ 1,133,986
Reserves	\$ 14,707,686	\$ -	\$ 300,000
Total R&R Transfers	\$ 24,579,546	\$ 2,403,888	\$ 4,128,548
GRAND TOTAL All Transfers	\$ 35,270,433	\$ 7,905,650	\$ 10,197,259

Reserves - Revised Budget FY2021-22 (bal. at 6-30-21)	
	<u>Unexpended Plant</u>
Land Purchases	\$ 2,705,630
New Construction:	
Science Building	\$ 2,407,691
Fitness & Rec Center	\$ 2,613,918
Shipley Farm Hay Barns	\$ 5,235
Football Offices	\$ 512,252
Athletics Pavilion	\$ 735
Innovation Residence Hall	\$ 814,870
Chiller Innovation Residence Hall	\$ 2,300,000
Parking & Transportation	\$ 4,786,017
Residence Hall Renovations & Roof	\$ 1,979,901
Roaden Center Renovation	\$ 486,054
Infrastructure & HVAC	\$ 1,351,303
Roof Replacement	\$ 488,278
Building Upgrades	\$ 85,156
Tucker Stadium Turf	\$ 623,045
Quillen Field Lighting Upgrade	\$ 870,000
Hoop Roof Replacement	\$ 1,690,308
Hoop Restroom	\$ 500,000
Intramural Field Lighting	\$ 134,318
Cooper Dunn Furnishings	\$ 317,076
Extraordinary Maintenance	\$ 2,212,895
Landscaping	\$ 442,620
Lab Science AV Equipment	\$ 751,115
Library Phase and Advising Center	\$ 204,928
Campus Gateway Signage	\$ 294,459
Depts. Small Projects	\$ 142,375
Other Small Projects	\$ 12,759
Data Center Fire Protection	\$ 404,459
Facilities Development Fund	\$ 1,911,910
Regional Consultants	\$ 480,673
Master Plan	\$ 156,382
Various Academic Upgrades	\$ 872,340
Total Unexpended Plant	\$ 32,558,701
	<u>Renewal and Replacement</u>
Auxiliary - Housing	\$ 15,851,430
Auxiliary - Other	\$ 17,546,222
Computer Center	\$ 3,823,429
Technology Update	\$ 1,689,667
Telecommunication	\$ 646,658
Printing & Photo Services	\$ 219,364
Motor Pool	\$ 414,935
Craft Center R&R	\$ 471,508
Athletics	\$ 994,679
Strat. Invest. Main & Beautification	\$ 3,800,000
Anticipated Early Grad Change	\$ 1,133,986
HERFF	\$ 10,234,181
ERP Replacement	\$ 6,566,745
Departmental R&R	\$ 1,284,099
University Reserve	\$ 6,831,271
Total R&R	\$ 71,508,171
GRAND TOTAL All Reserves	<u>\$ 104,066,872</u>

Budget Summary and Budget Analysis

The complete Budget Summary and Budget Analysis documents can be viewed on the Budget, Planning, Reporting and Analysis website:

Direct Link to document – **Summary**:

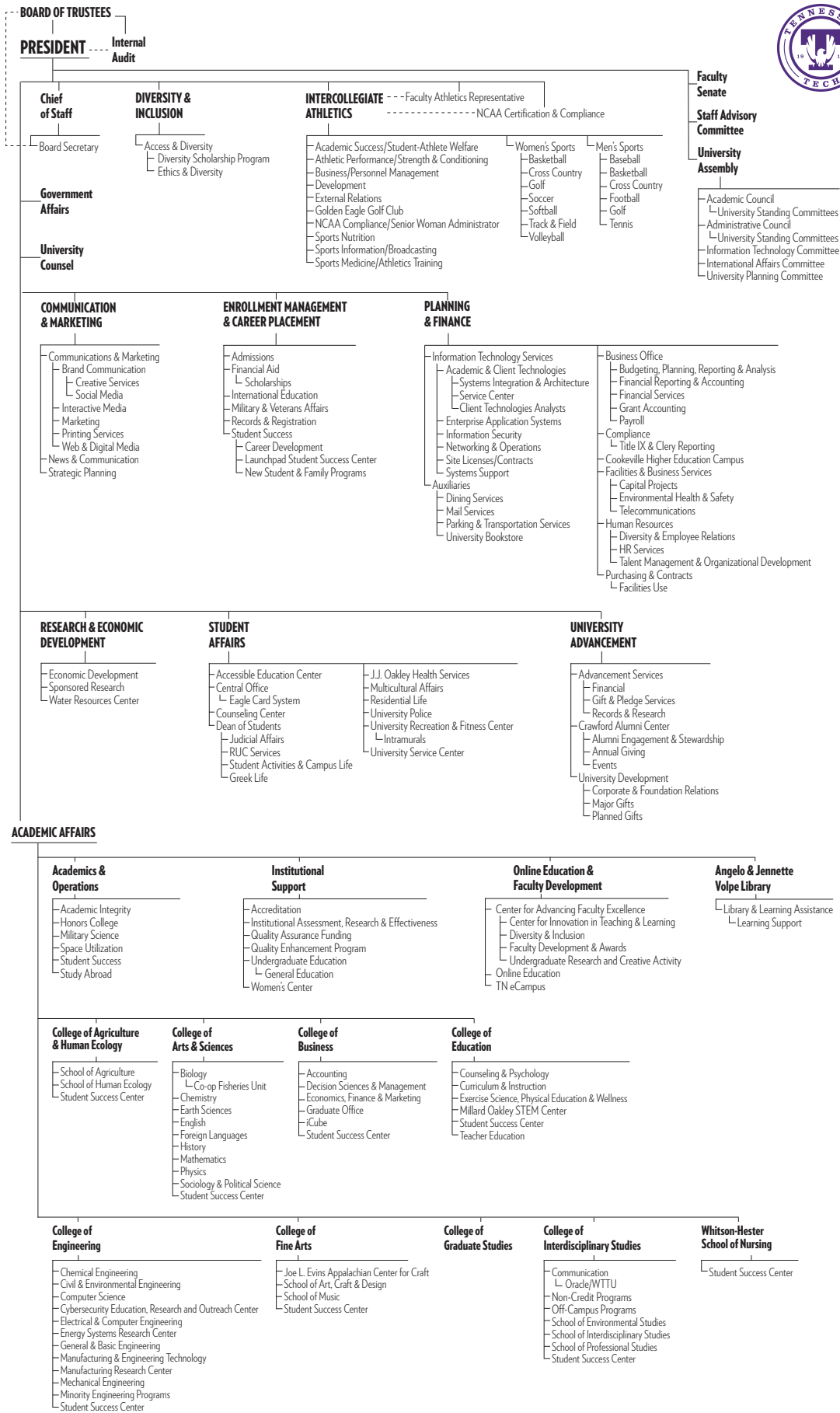
https://www.tntech.edu/businessoffice/pdf/budget/Final-October-Summary-Book_FY2021-2022.pdf

Direct Link to document – **Analysis**:

https://www.tntech.edu/businessoffice/pdf/budget/Final-October-Analysis-Book_FY2021-2022.pdf

Historical Budget documents (FY2011 through FY2021):

Budget **Summary** and **Analysis**: <https://www.tntech.edu/businessoffice/bpra/budgetary-info.php>





Agenda Item Summary

Date: December 2, 2021

Agenda Item: Tuition Transparency Act Report (T.C.A. §49-7-1604)

Review

Action

No action required

PRESENTERS: Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS: By February 1 of each year, the Board is required to provide a report to the General Assembly with information regarding expenditures of revenues derived from any tuition and fees increase in the previous full academic year. The report must include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student.



State of Tennessee

PUBLIC CHAPTER NO. 614

SENATE BILL NO. 1665

By Dickerson, Gresham, Yarbro

Substituted for: House Bill No. 1684

By Smith, Ragan, Daniel, Moody, Hardaway, Terry, Towns

AN ACT to amend Tennessee Code Annotated, Title 49, Chapter 11; Title 49, Chapter 7; Title 49, Chapter 8 and Title 49, Chapter 9, relative to higher education.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 49, Chapter 7, is amended by adding the following language as a new part:

49-7-1601.

This part shall be known and may be cited as the "Tuition Transparency and Accountability Act."

49-7-1602.

As used in this part:

(1) "Board" means the trustees of the University of Tennessee or a state university board, as applicable;

(2) "Cost of attendance" means the combined cost of tuition, mandatory fees, room and board, books, and other educational expenses as determined by the financial aid office of the postsecondary institution;

(3) "Predictive cost estimate" means a non-binding estimated cost of attending an undergraduate program at the postsecondary institution based on a student's chosen field of study over a four-year period. A predictive cost estimate may include, but is not limited to, potential tuition and mandatory fee increases, projected increases in tuition based on a student's chosen field of study, and historical trend data; and

(4) "Tuition and mandatory fees" means the charges imposed to attend the relevant institution of higher education as an in-state undergraduate student and all fees required as a condition of enrollment as determined by the board. "Tuition and mandatory fees" does not include fees charged to out-of-state students by institutions of higher education, room and board, or other non-mandatory fees and charges.

49-7-1603.

(a) At least fifteen (15) days prior to holding a meeting to adopt an increase in tuition and mandatory fees, a board shall give public notice of the proposed tuition and mandatory fee increase as an action item on the board's meeting agenda. Individuals shall be permitted to provide comments during the fifteen-day period. The public notice of the proposed tuition and mandatory fee increase shall, at a minimum, include:

(1) An explanation for the proposed tuition and mandatory fee increase;

(2) A statement specifying the purposes for which revenue derived from the tuition and mandatory fee increase will be used; and

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SB 1665

(3) A description of the efforts to mitigate the effect of the tuition and mandatory fee increase on students.

(b)(1) By January 1, 2019, each board shall develop a list of factors that shall be considered when developing recommendations to increase tuition and mandatory fees. The factors shall include, at a minimum, the level of state support; total cost of attendance; and efforts to mitigate the financial effect on students.

(2) Each state university and each campus in the University of Tennessee system shall post on its website a summary of the recommendations pursuant to subdivision (b)(1).

49-7-1604.

By February 1 of each year, each governing board shall provide a report to the office of legislative budget analysis, for distribution to the general assembly, with information regarding expenditures of revenues derived from any tuition and fees increase in the previous full academic year. The report shall include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student.

49-7-1605.

Beginning August 1, 2019, each state university and each campus in the University of Tennessee system shall provide, with a student's letter of acceptance, a predictive cost estimate for students applying for undergraduate degree programs for the 2020-2021 academic year and for academic years thereafter.

SECTION 2. This act shall take effect July 1, 2018, the public welfare requiring it.

5.2

SENATE BILL NO. 1665

PASSED: March 19, 2018


RANDY McNALLY
SPEAKER OF THE SENATE


BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 2nd day of April 2018


BILL HASLAM, GOVERNOR

**State of Tennessee
2018 Public Acts, Chapter 614
T.C.A § 49-7-1604**

By February 1 of each year, each governing board shall provide a report to the office of legislative budget analysis, for distribution to the general assembly, with information regarding expenditures of revenues derived from any tuition and fees increase in the previous full academic year. The report shall include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student.

Report Based on FY 2020-21 Financial Data

Tuition increase of : No Increase for FY20-21	
Effect on Average Cost of Attendance per student = \$0	
Effect on Student Financial Aid = None	
Use of Revenues	Dollars
No revenues from a fee increase	\$0

Mandatory Fees increase of : No increase for FY20-21	
Effect on Average Cost of Attendance per student = \$0	
Effect on Student Financial Aid = None	
	\$0



Agenda Item Summary

Date: December 2, 2021

Agenda Item: Disclosed Projects FY2022-23

Review

Action

No action required

PRESENTERS: Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS: Review and approval of disclosed projects for FY2022-23 which includes a parking garage and football stadium.

Parking Garage on Wings-up-Way

6.2

Currently, campus infrastructure is financially supported by parking permit fee collections. In order to better support beautiful, safe, well-functioning campus streets and grounds under continued development, this plan promotes a change in funding this campus infrastructure. Since all students benefit from streets, sidewalks, parking, landscaping, lighting, pedestrian walkways, bike paths, and greening the campus, we propose eliminating the fees that are charged only to student permit holders and instituting a mandatory fee for all students that covers campus benefits associated with streets and grounds including a new parking garage. Employees will continue to purchase permits as is currently done.

Parking Garage on Wings-up-Way

The garage will be located behind the STEM building and provide parking for the southeast quadrant of campus.

*4-level, above ground parking garage		
*Cast-in place concrete with brick and limestone/precast detailing		
*412 Parking spaces - 65 spaces dedicated to employees; 347 available to students		
*Construction cost per space approximately \$26,000		
*Total project cost (including design and other non-construction costs)	\$	13,295,600
*Investment from parking reserves	\$	1,000,000
*Bond financing	\$	12,925,000
	\$	13,925,000
Annual debt service (20 yr bonds @ 5.5%)	\$	1,057,269

6.2

Parking and Transportation - Pro Forma			
	<u>Current</u>		<u>Proposed</u>
Parking revenues students (3151 red zone X \$230 annual)	\$ 724,730		
Parking revenues students (1430 green zone X \$230 annual)	\$ 328,900		
Parking revenues students (271 teal zone X \$230 annual)	\$ 62,330		
Parking revenues students (248 purple zone X \$138 annual)	\$ 34,224		
Parking revenues employees (1086 X \$280 annual)	\$ 304,080	\$	304,080
Parking revenues students (9348 headcount X \$274 annual)		\$	2,561,362
Parking revenues staff (65 X \$700 annual)		\$	45,500
Gross revenues	\$ 1,454,264	\$	2,910,942
Operating expenses - current	\$ (353,723)	\$	(353,723)
Operating expenses - parking garage		\$	(100,000)
Total expenses	\$ (353,723)	\$	(453,723)
Net income from parking	\$ 1,100,541	\$	2,457,219
Current debt service for parking & transportation	\$ 839,593	\$	839,593
Debt service - parking garage 20yrs 5.5%		\$	1,057,269
Net after debt service	\$ 260,948	\$	560,357

Objective of the project:			
Provide additional student parking near core of campus			
Provide parking opportunities for all students			
Provide parking to all students at a reasonable cost			
Current student parking fall semester 2021:			
	<u>Number Sold</u>	<u>Annual Cost per Permit</u>	
Red zone (2388 prime student parking spaces)	3151	\$ 230	
Green zone (1029 housing student parking spaces)	1430	\$ 230	
Teal zone (333 Tech Village apartment parking spaces)	271	\$ 230	
Purple zone (735 edge of campus parking spaces)	248	\$ 138	
Total number students currently purchasing parking permits	5100		
Total number students not currently purchasing parking permits	4248		
Proposal assumptions:			
	<u>Fall 2021 Headcount</u>	<u>Annual cost per student</u>	
All students will pay a parking and transportation fee	9348	\$ 274	
All students will have equal access to all student parking			
Student parking zones will be eliminated			

Football Stadium Replacement Project

A winning university football program can generate tremendous benefits to the campus and local community. It can boost the local economy, strengthen the community/campus relationship, create spirit and pride in the student body, and generate publicity and visibility that increases student enrollment. The proposed remodel of Tucker Stadium is critical to Tech's football success. Our quality student-athletes are at a disadvantage in the current facility, and the university is forfeiting the opportunities for the benefits a new stadium can bring. The entire new West Side premium seating – suites, club, chairback, berm – will generate revenues. ETSU and Austin Peay enjoy sold-out premium seating because their new stadiums energized their fan bases. As a result, they also are experiencing increased revenues and winning records. ETSU and Austin Peay are financing their stadiums in the same way as Tech is proposing. We are hiring a consultant to help us verify the pricing of new stadium seating, expected concession revenues and other rental income.

6.2

Football Stadium Replacement Project

*The project includes demolition of existing West Stadium and replacement of stadium with an updated facility	
*The project is envisioned to be approximately 59,199 square feet with total seating capacity of 5,300	
*The facility will include:	
Suite level with 2 premium suites and 12 regular suites	
Club level to seat 500	
Chairback seating to seat 1850	
North and south end berms to accommodate 1000	
*Total project cost (including design and other non-construction costs)	\$ 29,900,000
*Investment from University reserves	\$ 6,900,000
*Bond financing	\$ 23,000,000
	<u>\$ 29,900,000</u>
Annual debt service (20 yr bonds @5.5%)	\$ 1,881,321

Football Stadium - Pro Forma		
	<u>Current</u>	<u>Proposed</u>
Season tickets (1355 sold fall 2019)	\$ 28,866	
Gate sales (3995 sold fall 2019)	\$ 37,202	
Rental of premium suites		\$ 100,000
Rental of suites (12)		\$ 180,000
Club level seating (500)		\$ 300,000
Chairback (1850)		\$ 555,000
Berm (1000)		\$ 100,000
Event rental		\$ 150,000
Concession and catering revenue (game and non-game)	\$ 9,751	\$ 50,000
Anonymous annual gifts		\$ 250,000
President's discretionary gift income		\$ 100,000
Allocation of existing foodservice commission revenue (non-game)		\$ 175,000
Gross revenues	<u>\$ 75,819</u>	<u>\$ 1,960,000</u>
Debt service annually 20 yrs./ 5.5%*	<u>\$ -</u>	<u>\$ 1,881,321</u>
Net after debt service	<u><u>\$ 75,819</u></u>	<u><u>\$ 78,679</u></u>

*Required to prove revenues to support 5.5% interest rate (coupon rate)

Note: No additional operating expenses expected as this is a replacement project and operating costs are already budgeted within Athletics' operating budget.

Current Operations:	
Tennessee Tech plays 5 or 6 home games each season	
Sold 5,350 tickets in 2019 season	
Current pricing for tickets:	
Season Ticket (highest rate)	\$ 36
Youth Season Ticket (ages 13-18)	\$ 25
Senior Season Ticket	\$ 25
Tech Employee Season Ticket	\$ 20
Tech Student Spouse/Child Season Ticket	\$ 12
Back the Golden Eagles Season Ticket Plan (10 tickets/game)	\$ 200
Family Season Ticket Plan (2 adult & 3 youth tickets/game)	\$ 75
Individual Game Ticket	\$ 10
Group per ticket price (for groups of 25+)	\$ 3

Assumptions:
Tennessee Tech will play 5 or 6 home games each season
Suites and club level area will be available for event rentals when not scheduled for a home game
Each premium suite will rent for \$50,000 per season
Each regular suite will rent for \$15,000 per season
Club level seating will rent for \$600 for season tickets or \$100 to \$125 per game
Chairback seating will rent for \$300 for season tickets or \$50 to \$60 per game
Berm areas will rent for \$100 for season or \$20 per game
Concession revenues will increase from better facilities, better options and catering revenues from event rentals

Financial Impact of Parking Garage and Football Stadium Projects

<u>Parking Garage</u>	
Total Project Cost	\$ 13,925,600
Investment from parking reserves	\$ 1,000,000
Bond financing	\$ 12,925,600
	<u>\$ 13,925,600</u>
Annual debt service (20 yrs 5.5%)	\$ 1,057,269

<u>Football Stadium</u>	
Total Project Cost	\$ 29,900,000
Investment from University reserves	\$ 6,900,000
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	<u>\$ 29,900,000</u>
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6.2

<u>Financial Impact of Debt</u>				
	<u>FY2021</u>	<u>Adjusted for additional debt</u>	<u>Industry Standard</u>	<u>Watch Level</u>
Consolidated Financial Indicator (CFI)	4.87	4.71	3.00	1.00
Viability Ratio	1.15	1.04	1.25	0.41

Debt Capacity

*State of TN debt capacity requirement: Unrestricted revenues in each fiscal year must be no less than two times the amount required for annual financing charges with respect to all projects for the university.

	<u>Debt Capacity</u>	
	<u>Debt Capacity prior to these 2 projects</u>	<u>including these 2 projects</u>
Debt capacity	\$ 96,906,050	\$ 98,377,085
Unrestricted revenues	\$ 193,812,100	\$ 196,754,169
Debt payments	\$ 10,585,342	\$ 12,938,807

True Interest - Most Recent Bond Issue

20 year bond issue	
Coupon rate	5.0%
True Interest Cost (TIC)	2.3%

*Our most recent bond issues have sold at a premium resulting in a True Interest Cost of 2.3%

Assuming the future bond issue is similar, the interest cost savings is shown below.

	<u>Interest Rate 2.3%</u>	<u>Interest Rate 5.5%</u>	<u>Interest Savings</u>
Assuming 20 yr. bonds @ 2.3% vs. 5.5%			
Parking Garage	\$795,214.85	\$ 1,057,269.00	\$ 262,054.15
Stadium	\$1,415,082.52	\$ 1,881,321.00	\$ 466,238.48



Agenda Item Summary

7.1

Date: December 2, 2021

Agenda Item: Report of Audit Activity

Review

Action

No action required

PRESENTERS: Deanna Metts, Internal Audit Director

PURPOSE & KEY POINTS: As required in Tennessee Code Annotated §49-14-103, a report on Internal Audit's activities for December 2020 through November 2021 is being provided to the Audit Committee members for review.

Reports on audits, investigations, and selected reviews are provided to the Audit Committee as they are completed throughout the year.

Tennessee Tech Internal Audit Report of Internal Audit Activities December 2020 – November 2021

For the period December 2020 through November 2021, Internal Audit completed the audits, reviews, investigations, and other activities on the 2021 Audit Plan that had been approved by the Audit & Business Committee on December 1, 2020, with the following exceptions:

- Payroll (completed the planning phase)
- Financial Aid (majority of fieldwork completed)

These were not completed largely due time overruns in the Travel Audit and time allocated to finding and contracting with an outside firm for IT auditing.

Reports on audits, investigations, and selected reviews have been provided to the Audit Committee as they were completed throughout the year. The audits, reviews, investigations, and other activities completed by Internal Audit from December 2020 through November 2021 were:

Audits

- Travel (7/1/19 to 12/15/20)
- Inventory Observations 6-30-21
- Expenses Related to the Functions of the Office of the President for FY 2020-21
- NCAA Student Assistance and Academic Enhancement Funds 2020-21
- Procard Expenses for Transactions Dated 7/1/20 to 12/31/20
- Procard Expenses for Transactions Dated 1/1/21 to 6/30/21 (Audit completed, report in progress)

Reviews

- Sponsored Program Review – Ensafe: Vegetated Swales
- Sponsored Program Review – Project AWAKEN
- Promotional Items Purchases Review (7/1/20 to 6/30/21)
- Amazon Purchases Reviews – 3rd quarter 2020, 4th quarter 2020, 1st quarter 2021, 2nd quarter 2021
- Reviews of Evidence of Risk Assessment Controls – Student Affairs, Office of Communications & Marketing, Research, Central Administration, and updates to Advancement

Reviews (continued)

- Review of Risk Assessment Processes 2021 – Student Affairs, Office of Communications & Marketing, Central Administration, and Advancement
- Review of all terminating employees' Procard charges
- Grocery Purchases Review (11/1/20 to 10/15/21)
- Employee/Vendor Address Review
- Conflict of Interest Review

Investigation Reports Issued

- Investigation 20-11 (State Audit #21-3488)
- Investigation 20-12
- Investigation 20-13
- Investigation 20-14
- Investigation 21-01 (State Audit #21-3777)
- Investigation 21-02 (State Audit #21-4229)
- Investigation 21-04

Investigations Closed without a Report

- Investigation 21-03
- Investigation 21-05

Non-Fraud, Waste, or Abuse Complaints

Internal Audit received 23 complaints or concerns that did not constitute fraud, waste, or abuse; those were reviewed briefly and then referred on to whatever member of management was considered most appropriate to look into each matter.

Other

- Follow-up to State Audit Performance Audit
- Follow-up to State Audit 2019-20 (Single Audit)
- Follow-up to State Audit 2018-19
- Follow-up to Advancement Audit Findings
- Preparation of Summary of Cardholder Spending Patterns for Purchasing
- Completed RFQ process to contract with external Information Technology Auditors



Agenda Item Summary

Date: 12/2/2021

Agenda Item: Approval of 2022 Audit Plan

8.1

Review

Action

No action required

PRESENTER(S): Deanna Metts, Director of Internal Audit

PURPOSE & KEY POINTS:

An audit plan for calendar year 2022 is being provided to the Audit Committee for review and approval as required by the Tennessee Tech University Audit Committee Charter.

The plan lists each significant activity to be carried out in the Internal Audit department and tells the type of activity and functional area involved.

Each departmentally chosen audit on the schedule was selected using a model that considered six points:

1. Prior audit results (time since last internal audit, prior findings, state audit)
2. Internal controls in the area
3. Changes in the unit (key personnel, program, controls, volume, accounting system)
4. Size of the unit with regard to revenue collected, expenses, or number of transactions processed
5. Sensitivity of the unit (government regulation, political/legal climate, inherent, campus)
6. Management's concerns

**Tennessee Tech University
Internal Audit Plan
December 2021 through November 2022**

8.2

Overall/ Specific Type	Area	Name	Estimated Start	Estimated End
R/A	FM	Inventory Observations 6-30-22	Apr 2022	Aug 2022
R/A	FM	President's Office Expenses 2021-22	Dec 2021	Sep 2022
R/A	AT	Student Assistance/Academic Enhancement Funds 21-22	Jun 2022	Aug 2022
R/V	GE	Self Assessment/Internal Audit Compliance w/IIA Standards	Dec 2021	Feb 2022
T/A	EM	Student Eligibility for Federal Financial Aid	Dec 2021	Feb 2022
T/A	FM	Payroll	Dec 2021	Apr 2022
T/A	FM	Procard Audit - Jan 2021-June 2021	Dec 2021	Jan 2022
D/A	RS	Research and Economic Development	May 2022	Oct 2022
D/A	FM	Procard Audit Review/Audit	Dec 2021	Nov 2022
D/S	GE	Risk Assessment Internal Controls	July 2022	Nov 2022
R/I	GE	Investigations (as needed)	Dec 2021	Nov 2022
R/F	FM	Follow-up to State Audit 2020-21	Dec 2021	Mar 2022
R/F	GE	Follow-up to Internal Audits	Jan 2022	Nov 2022
R/V	GE	Enterprise Wide Risk Assessment	Jun 2022	Nov 2022
D/V	RS	Sponsored Program Review(s)	Feb 2022	Oct 2022
D/V	FM	Monthly, Quarterly, and Special Reviews	Dec 2022	Nov 2022
D/V	IT	Coordination with IT External Auditors	Jan 2022	Oct 2022

Overall Type	Specific Type	
R-Required	A-Audit	F-Follow-up
D-Department Planned	S-Special Request	V-Review
T-In Progress	I-Investigation	C-Consultation

Functional Area	
AD-Advancement	IN-Instruction/Institutional Support
AT-Athletics	IT-Information Technology
EM-Enrollment Management	PP-Facilities/Plant
FM-Financial Management	RS-Research/Sponsored Programs
GE-General/University-wide	SS-Student Services