



AUDIT & BUSINESS COMMITTEE

December 2, 2021

Roaden University Center, Room 282

MINUTES

AGENDA ITEM 1 – Call to Order

The Tennessee Tech Board of Trustees Audit & Business Committee met on December 2, 2021 in Roaden University Center Room 282. Chair Johnny Stites called the meeting to order at 10:07 a.m.

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

- Johnny Stites
- Fred Lowery
- Thomas Lynn

Other board members also in attendance were Dan Allcott, Tom Jones, Rhedona Rose, Teresa Vanhooser (via zoom), Trudy Harper, and Hannah Willis. Barry Wilmore 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 October 7, 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 October 7, 2021 Audit & Business Committee minutes. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

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AGENDA ITEM 3 – Composite Financial Index

Dr. Stinson presented information on the financial outcome for FY2020-21. The major metrics used to measure and monitor financial health are: composite financial index, primary reserve ratio, viability ratio, return on net assets ratio and net operating revenue ratio. Expected value is a national comparison. Tennessee Tech University's (not including foundation) CFI for FY2021 is 4.87%. The CFI including the foundation was 5.58%.

This was an informational item therefore no action was required.

AGENDA ITEM 4 – FY21-22 Revised Budget/Organizational Chart

Dr. Stinson advised this budget includes fall enrollments and projections for the remaining year, the budget was balanced. We have the 2-5% required fund balance. There were no changes to the organizational chart. The main difference of the reconciliation of changes in E & G revenues was between actuals and proposed which was due to Higher Education Emergency Relief Fund funding being recognized in FY21. Dr. Stinson pointed out the changes in expenses difference between the proposed and revised is from re-budgeting unspent funds from FY21 into revised budget as one-time resources. The new Presidential Scholarships have not been budgeted for FY21-22 as they begin in Fall of 2022 and will be included in fiscal year 2023. The change in natural classification expenses included an increase as a re-budget of one-time funds. The operations and utilities budget had a larger carry forward because we were closed for a portion of FY2021 and the lab science building was not online for a full year. Information was provided in diligent for changes in E & G revenues, change in expenses and change in natural classification expenses.

Dr. Stinson advised on the contingency planning for budget as a result of the decline in enrollment and unknowns at this time, such as: spring enrollments for current year, level of state appropriations for FY2022-23, possible tuition increase, inflation impact on utilities, software contracts and other operating expenses. The first action is for campus departments to identify potential reductions equal to 4% of variable costs. The second action is to prepare high-level plans for potential additional 2% reductions should fall 2022 enrollments not improve.

Mr. Lynn moved to send the FY21-22 October revised budget and organizational chart to the Board for approval and to place on the Board's regular agenda. Mr. Lowery seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 5 – Tuition Transparency Act Report (T.C.A. §49-7-1604)

By February 1st 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 fee increase in the previous full academic year. The report must include how revenues were used, the effect

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on student financial aid, and the effect on the average total cost of attendance per student. This report is for tuition rates effective Fall 2020, which is when the flat rate model was implemented. We did not increase our per credit hour rate nor did we increase the mandatory fees. THEC did not consider the flat-rate model to be a rate increase. The report reflects no increase.

Mr. Lowery moved to send the Tuition Transparency Act Report for FY20-21 to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 6 – Disclosed Projects FY2022-23

Dr. Oldham advised these projects are self-funded. Both projects are for the future development of the campus and part of the master plan update. The parking garage will be on Wings Up Way north of Ray Morris Hall. He stated the university was looking at moving financially into a different direction in terms of parking. Since all students benefit from streets, sidewalks, parking, landscaping, lighting, pedestrian walkway, bike paths and greening the campus, it is proposed to eliminate 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. The second project is the football stadium. A marketing firm will be brought in to help with assumptions on ticket pricing and marketing opportunities. Dr. Oldham advised a pro forma was provided in Diligent for both projects.

Dr. Stinson stated bond funding must have a revenue source to support the debt service, tuition revenues cannot be used. The football stadium is proposed to use university reserves and bond financing. The parking garage is proposed to use parking and transportation reserves and bond financing. The pro forma included 20-year bond financing at 5.5% interest rate. There is potential we will receive a better interest; however, we must prove to the state we have revenue source to cover 5.5%.

Mr. Lynn moved to send the Wings Up Way parking garage and football stadium projects to the Board for approval and to place it on the Board's regular agenda. Mr. Lowery seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 7 – Report on Audit Activity

Deanna Metts advised State law requires an annual report of Internal Audit activities. The report is based on calendar year and covers December 2020 through November 2021. The report categories are broken down into audits, investigations and others. The report was provided in Diligent.

This was an informational item therefore no action was required.

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AGENDA ITEM 8 – Approval of 2022 Audit Plan

Deanna Metts advised the plan was provided in Diligent. The plan lists each significant activity to be carried out by Internal Audit, type of activity, functional area being covered and time period. The plan was provided in Diligent. This only requires approval by the Audit & Business Committee and does not go to the full Board for approval.

Mr. Lowery moved to approve the 2022 Audit Plan as required by Tennessee Tech University Audit Committee Charter for Internal Audit as presented. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

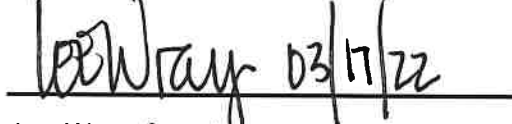
AGENDA ITEM 9 – Adjournment of Open Session & Call to Order on the Non-Public Executive Session

There being no further business, the meeting adjourned at 11:02 a.m. After a short break, the Non-Public Executive Session began at 11:11 a.m. Trustees and Administration were present for the meeting. Trustee Vanhooser participated via zoom.

AGENDA ITEM 10 – Adjournment

There being no further business, the Non-Public Executive Session adjourned at 11:47 a.m.

Approved,

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Lee Wray, Secretary