



Presentation to Audit & Business Committee  
Board of Trustees  
December 1, 2020





# Tennessee TECH

Fiscal Year 2020-21

## Employee Bonus



# Employee Bonus

- Permanent full-time and part-time employees
- \$500 bonus
  - Pro-rated for permanent employees working less than full-time
- Non-recurring one-time bonus
- Included in employees' December paycheck
- Approximate total cost \$650,000





**Tennessee**  
**TECH**

Fiscal Year 2020-21

# October Revised Budget



# Reconciliation of Changes in E&G Revenues

	Actuals FY2019-20	Proposed Budget FY2020-21	Difference	Revised Budget FY2020-21	Difference
Tuition and Fees	99,719,243	94,314,200	(5,405,043)	97,464,900	3,150,700
State Appropriations	59,784,763	62,703,900	2,919,137	60,227,700	(2,476,200)
Other Activities	13,352,811	11,492,900	(1,859,911)	10,743,400	(749,500)
<b>Total Revenues</b>	<b>172,856,817</b>	<b>168,511,000</b>	<b>(4,345,817)</b>	<b>168,436,000</b>	<b>75,000</b>



# E&G Revenues Reconciliation of Difference

## Actual vs Proposed

- Tuition and Fees \$(5,405,043)
  - Proposed budget was based on conservative estimates for tuition revenues and loss of International revenues
- State Appropriations \$2,919,137
  - Formula adjustment \$404,200
  - New state appropriations for outcomes funding \$1,876,800
  - Salary Pool \$809,400
  - Adjustments for OPEB, TCRS, Risk Management, Health Insurance \$216,900
- Other Revenue \$(1,859,911)
  - Budgeted decline in grants revenue \$(734,000)
  - Budgeted less in proposed budget for interest income \$(1,200,000)

## Proposed vs Revised

- Tuition and Fees \$3,150,700
  - In-state tuition estimates increased by \$2,167,650 based on implementation of flat rate model. Larger actual enrollment than our conservative estimate in graduate enrollment.
  - Out-of-state tuition estimates increased by \$162,000 based on better fall enrollments than our conservative estimate.
  - Online Fee estimates increased by \$237,500 based on better fall enrollments than our conservative estimate.
- State Appropriations \$(2,476,200)
  - Removed outcomes funding \$(1,876,800)
  - Removed Salary pool \$(809,400)
  - Group Insurance \$290,300
- Other Revenue \$(749,500)
  - Adjustments for Athletics revenue loss due to Covid-19 \$(700,000)



# Change in Expenses

	Actuals FY2019-20	Proposed Budget FY2020-21	Difference	Revised Budget FY2020-21	Difference
Instruction	70,928,419	77,708,800	6,780,381	85,825,800	8,117,000
Research	2,061,670	2,652,400	590,730	4,354,200	1,701,800
Public Service	2,036,262	2,117,600	81,338	2,285,600	168,000
Academic Service	12,563,977	13,172,400	608,423	14,093,200	920,800
Student Services	19,966,883	20,230,200	263,317	21,884,500	1,654,300
Institutional Support	14,285,375	16,440,100	2,154,725	17,974,000	1,533,900
Oper. & Maint. of Plant	11,729,317	14,612,900	2,883,583	16,154,100	1,541,200
Scholarships & Fellowships	<u>14,721,264</u>	<u>16,172,600</u>	<u>1,451,336</u>	<u>15,698,400</u>	<u>(474,200)</u>
<b>Total Expenses</b>	148,293,167	163,107,000	14,813,833	178,269,800	15,162,800

# Actuals vs. Proposed Reconciliation of Change in Expenses

- Instruction
  - FY 2019-20 unspent budgets \$2,934,447
  - Lapse salaries from unfilled faculty and staff positions in FY 2019-20 \$2,926,085
  - Budgeted 1.5% increase \$759,614
  - Faculty Promotions \$215,952
  - Positions Added \$78,100 (Lawrenceburg) & \$56,000 (Counseling & Psychology)
  - Reduced E-campus Budgets due to lost revenue (\$189,817)
- Research
  - FY 2019-20 unspent budgets \$583,804
  - Budgeted 1.5% increase \$6,926
- Public Service
  - FY 2019-20 unspent budgets \$70,381
  - Budgeted 1.5% increase \$10,957
- Academic Support
  - FY 2019-20 unspent budgets \$302,530
  - Budgeted 1.5% increase \$196,277
  - Software Escalation \$109,616
- Student Services
  - Budgeted 1.5% increase \$180,762
  - Disability Services \$100,000
- Institutional Support
  - Increased TCRS Benefit Rate \$400,000
  - Budgeted 1.5% increase \$171,509
  - FY 2019-20 unspent budgets \$1,493,841
  - Positions Added \$89,375 (Provost)
- Maintenance & Operations
  - FY 2019-20 unspent budgets \$2,312,725
  - New Science Building & Fit coming online \$500,000
  - Budgeted 1.5% increase \$70,858
- Scholarships
  - Scholarships Unspent \$1,451,336
  - Unspent general scholarship \$1,882,572
  - Overspent mandated scholarships \$(300,000)





# Proposed vs. Revised Reconciliation of Change in Expenses

- **Instruction**
  - Budget Reductions (\$2,521,127)
  - Re-budget of Carryforwards:
    - SACF \$1,900,619
    - SAF \$497,306
    - TAF \$604,148
    - Engineering State Appropriation funds \$2,909,816
    - Online & Alternate Delivery Fee \$626,861
    - Strategic Investment Pool \$2,764,550
    - Purchase Orders \$94,841
    - Departmental Requests \$291,000
    - Summer School \$428,389
  - Employee Bonus December 2020 \$45,500
  - General Access from Online Fee \$203,232
  - Summer School Budget \$275,865
- **Research**
  - Budget Reductions (\$186,004)
  - Re-budget of Carryforwards \$1,768,014
  - FY21 Indirect Cost Distribution Adjustment \$101,561
- **Public Service**
  - Budget Reductions (\$143,612)
  - Employee Bonus December 2020 \$6,000
  - Re-budget of Carryforwards \$188,478
  - Increase in Department Revenue \$32,405
  - Grant Match Dollars Added \$30,000
- **Academic Support**
  - Budget Reductions (\$754,186)
  - Software Upgrade IT \$162,734
  - Restore Library Capital Budget \$150,000
  - Budgeted COVID-19 Expenses \$100,000
  - Employee Bonus December 2020 \$76,000
  - Re-budget of Carryforwards \$911,931
  - Online & Alternative Delivery Fee – 15% from Colleges \$151,710
- **Student Services**
  - Budget Reductions (\$384,857)
  - Employee Bonus December 2020 \$100,500
  - Marketing Out-of-State Tuition \$150,000
  - Temporary Positions Added \$79,520 (Health Services)
  - Enrollment Management Preview Day \$60,000
  - Re-budget of Carryforwards \$1,471,886
- **Institutional Support**
  - Budget Reductions (\$619,125)
  - Legal Fees \$575,000
  - Marketing Budget Continuation increase \$300,000
  - Retirement Benefit Increase \$825,000
  - Employee Bonus December 2020 \$59,500
  - Compliance \$30,000 (Title IX Hearing Officers)
  - Educational Benefits Paid in FY21 for Spring 2020 \$70,000
  - Re-budget of Carryforwards \$120,029
  - State Appropriation Allocation to Benefits \$210,000
- **Maintenance & Operations**
  - Budget Reductions (\$86,418)
  - Budgeted COVID-19 Expenses \$100,000
  - Re-budget of Purchase Order Carryforwards \$1,096,203
  - Increase Utility Budget \$500,000
- **Scholarships**
  - Athletics Savings due to new out-of-state rate \$511,340 transferred to operating



# Change in Natural Classification Expenses

	Actuals FY2019-20	Proposed Budget FY2020-21	Difference	Revised Budget FY2020-21	Difference
Salary and Wages	77,269,333	81,707,765	4,438,432	78,360,913	(3,346,852)
Fringe Benefits	31,481,245	34,527,638	3,046,393	35,520,336	992,698
Travel	1,751,953	2,009,834	257,881	1,652,380	(357,454)
Operating & Utilities	21,962,240	28,357,663	6,395,423	45,806,778	17,449,115
Scholarships & Fellowships	14,721,264	16,172,600	1,451,336	15,698,400	(474,200)
Capital	<u>1,107,132</u>	<u>331,500</u>	<u>(775,632)</u>	<u>1,230,993</u>	<u>899,493</u>
<b>Total E&amp;G</b>	148,293,167	163,107,000	14,813,833	178,269,800	15,162,800



# Actuals vs. Proposed Reconciliation of Change in Natural Expenses

- **Salary and Wages**
  - Lapse salaries from unfilled faculty and staff positions in FY 2019-20 \$2,926,085
  - Proposed budgeted included potential for salary plus benefits \$1,074,540
  - Faculty Promotions \$215,952
  - Positions Added \$78,100 (Lawrenceburg) & \$56,000 (Counseling & Psychology), \$89,375 (Provost)
- **Benefits**
  - FY 2019-20 unspent benefits due to vacant positions and increase in anticipated fringe benefit rate \$3,046,393
- **Travel**
  - FY 2019-20 unspent budgets \$257,881
- **Operating & Utilities**
  - FY 2019-20 unspent budgets and special fees \$5,795,423
  - Disability Services \$100,000
  - Utilities budget increase for Science Building and FIT coming online in FY20-21 \$500,000
- **Scholarships & Fellowships**
  - Scholarships Unspent \$1,451,336
    - Unspent general scholarship \$1,882,572
    - Overspent mandated scholarships \$(300,000)
- **Capital**
  - FY 2019-20 overspent budgets due to IT computer refresh program \$775,632



# Proposed vs. Revised Reconciliation of Change in Natural Expenses

- Salary and Wages
  - Remove Estimated Salary Increase (\$1,074,540)
  - Bonus \$650,000
  - Budget Reductions in Temporary Labor (\$845,318)
  - Budget Reductions in Permanent Positions (\$1,435,744)
  - Budget Reductions in Frozen Positions (\$679,819)
- Fringe Benefits
  - Retirement Benefit Increase \$825,000
  - Educational Benefits Paid in FY21 for Spring 2020 \$70,000
  - State Appropriation Allocation to Benefits \$210,000
- Travel
  - Permanent Budget Reductions (\$265,776)
  - Travel moved to cover other expenses (\$91,678)
- Operating & Utilities
  - Permanent Budget Reductions (\$739,255)
  - Re-budget of carryforward amounts \$14,199,136
    - SACF \$1,900,619
    - Faculty Research & Indirect Cost \$1,174,586
    - SAF \$1,322,338
    - TAF \$604,148
    - Engineering State Appropriation funds \$2,909,816
    - Online & Alternate Delivery Fee \$1,082,332
    - Other department requests \$ 1,115,444
    - Purchase Orders \$768,000
    - Summer School \$428,389
    - Strategic Investment Pool \$2,893,464
  - Software Upgrades \$162,734
  - Legal Fees \$575,000
  - Marketing Budget Continuation increase \$450,000
  - Budgeted COVID-19 Expenses \$200,000
  - Increase Utility Budget \$500,000
  - Restore Library Capital Budget \$150,000
  - FY21 Indirect Cost Distribution Adjustment \$101,561
  - Compliance \$30,000 (Title IX Hearing Officers)
  - Athletics due to lost revenue \$700,000
- Scholarships
  - International Scholarships \$200,000
  - Athletics Savings due to new out-of-state rate (\$511,340) transferred to operating
- Capital
  - Purchase Order Carryforwards \$839,044





# Tennessee TECH

## Financial Review



# Major Metrics to Measure and Monitor Financial Health

Strategic Risk Question	Related Ratio
1. Overall – What is the institution’s overall financial health?	Composite Financial Index (CFI)
2. Liquidity – Does the institution have sufficient liquidity in the near and medium term?	Primary reserve ratio
3. Viability – Is debt managed strategically?	Viability ratio
4. Return on Assets – Does the institution have adequate return on all assets?	Return on net assets ratio
5. Net Operating Revenues – Is the institution generating adequate resources in excess of its operational costs?	Net operating revenue ratio

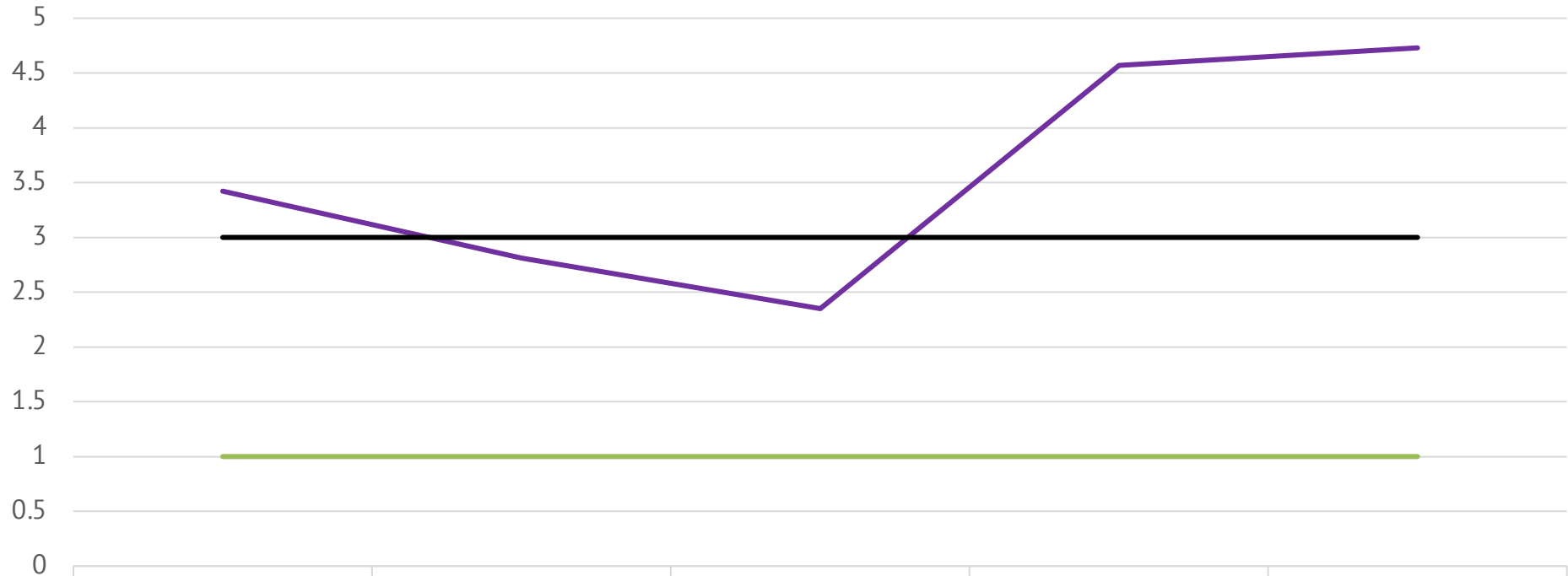


# Composite Financial Index (CFI)

- Four ratios weighted and scored on a scale to create a single score of financial health
  - Primary reserve ratio
  - Viability ratio
  - Return on assets ratio
  - Net operating revenues ratio
- Single weighted score allows weakness in one ratio to be offset by strength in another ratio
- Expected value is a national comparison (KPMG – Prager, Sealy & Co., LLC)



# Composite Financial Index (CFI)



	FY2016	FY2017	FY2018	FY2019	FY2020
TTU (University Only)	3.42	2.81	2.35	4.57	4.73
Expected	3	3	3	3	3
Watch	1	1	1	1	1

TTU (University Only) Expected Watch





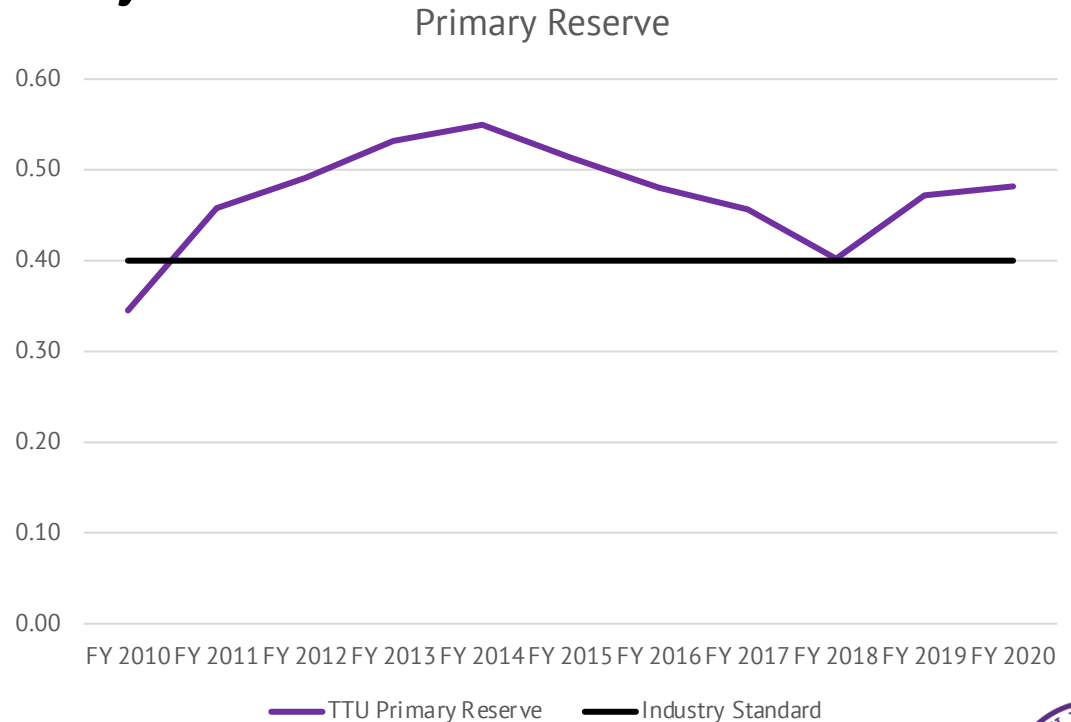
# Components of CFI

## Primary Reserve Ratio

Indicates the sufficiency of resources and their flexibility

- Industry standard of .40 represents about 5 months of expenses
- At this level a reasonable level of facilities maintenance can be expected
- Watch level : a ratio of .133 (less than 1.5 months of expenses in ready assets) or less
  - Less flexibility to meet unexpected demands

## 10-year Trend



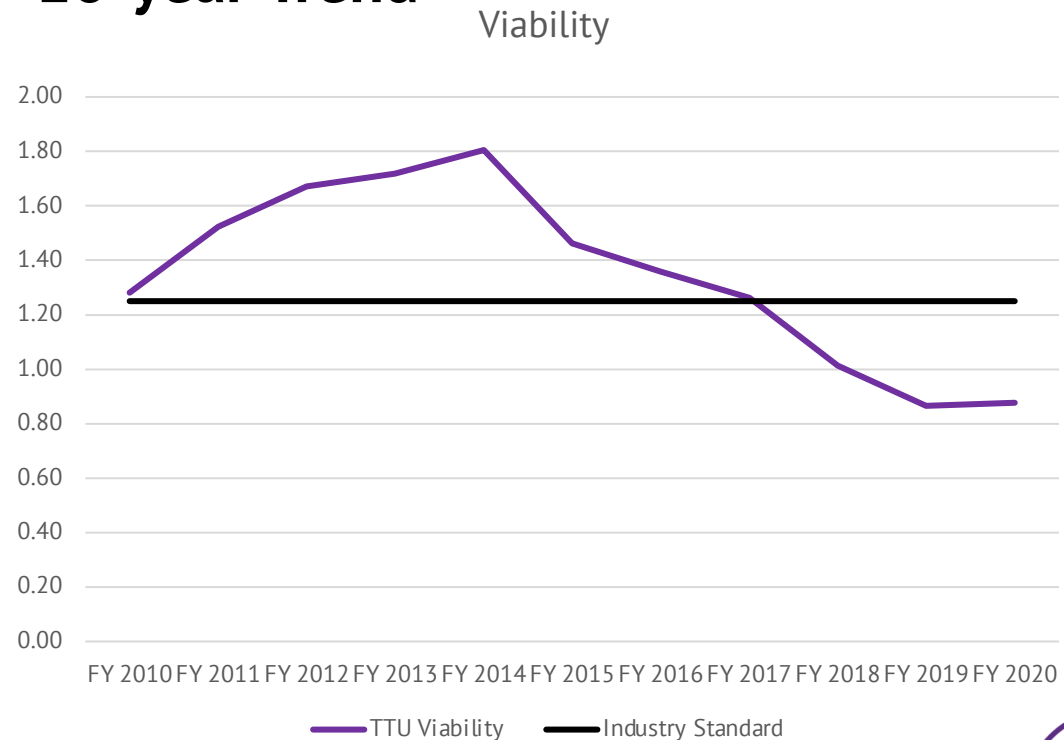
# Components of CFI

## Viability Ratio

Indicates the capacity to repay debt through reserves

- Industry standard is 1.25 or greater
- Ratio of expendable net assets over plant debt – coverage of plant debt with expendable assets
- Watch level: a ratio of .41 or less
  - Decreased flexibility to respond to unforeseen events or opportunities

## 10-year Trend



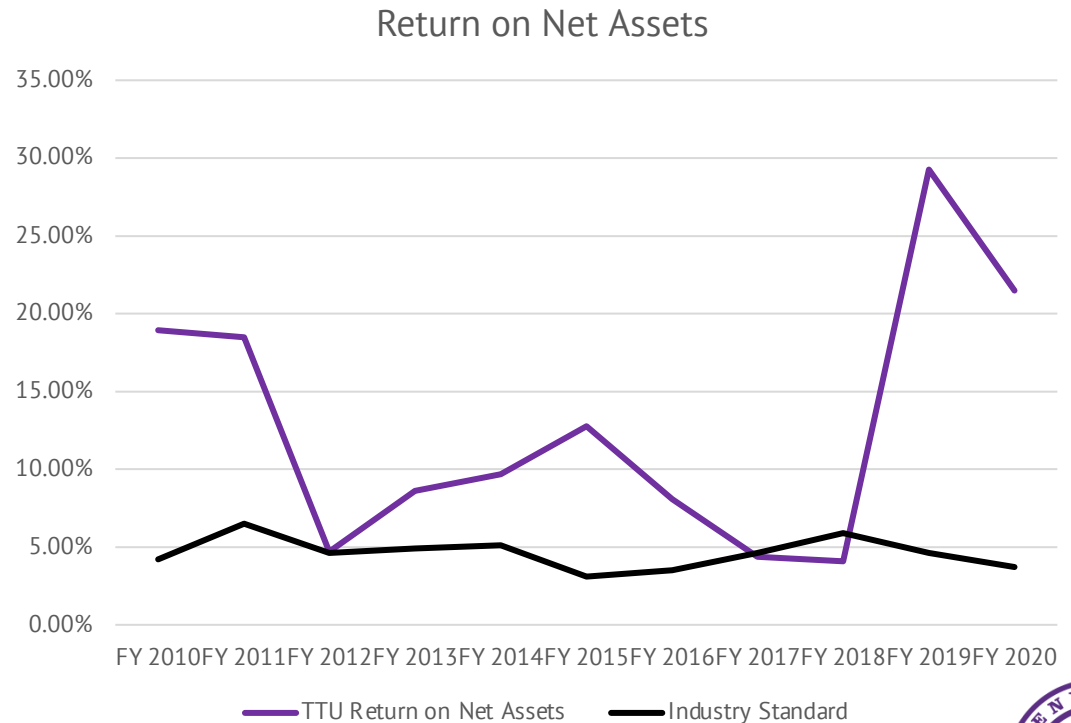
# Components of CFI

## Return on Net Assets Ratio

Measure of total economic return similar to ROE

- Industry standard is 3% above CPI
- Are we better off this year? Strategic direction correct?
- Watch level: anything below rate of inflation is reduction of the institution's asset base in real dollars

## 10-year Trend



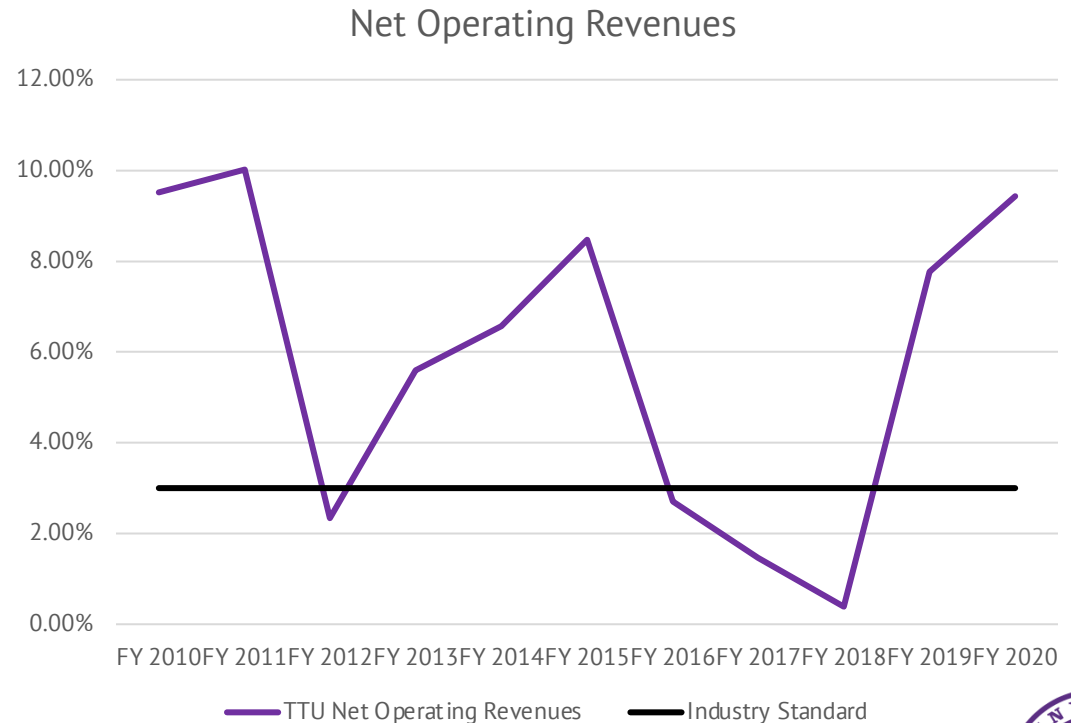
# Components of CFI

## Net Operating Revenues Ratio

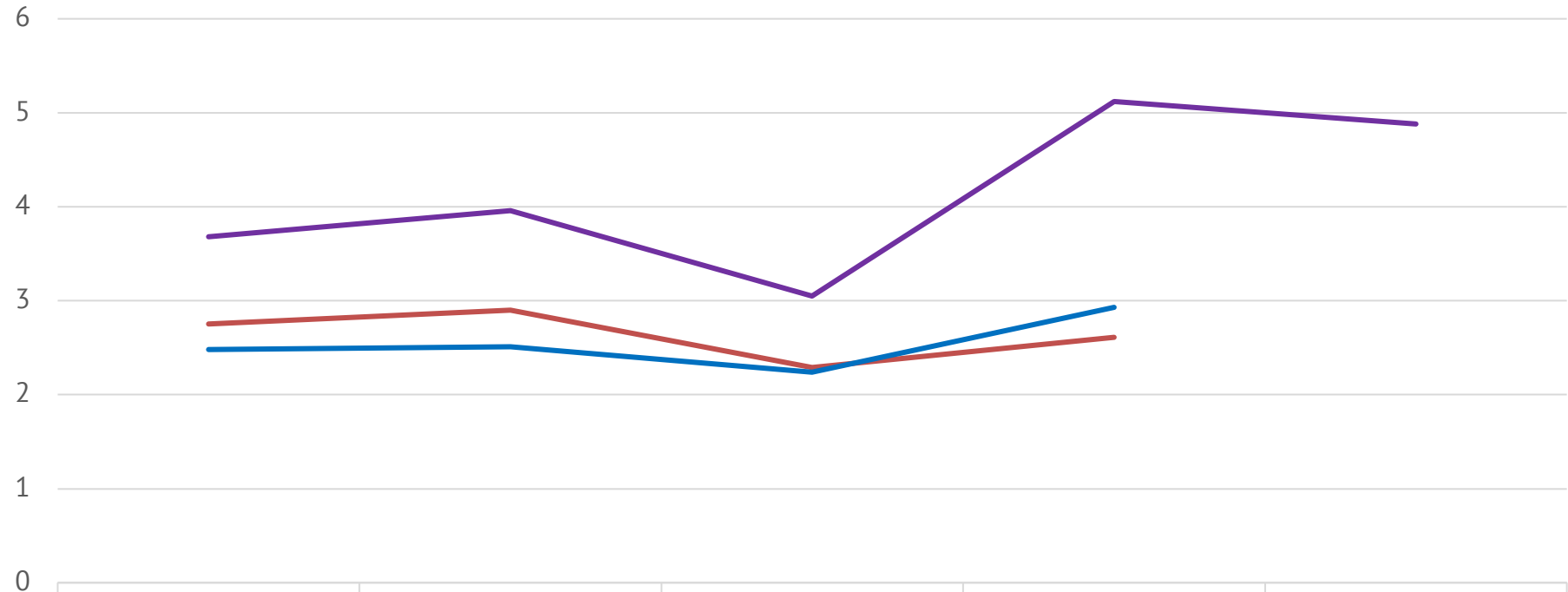
Indicates whether institution is living within available resources

- Industry standard is 4%
- Did we balance operating expenses with available resources?
- Watch level: consistently below zero
  - Deficits for one year not an issue. Deficits over several years suggest the institution's mission can't be sustained

## 10-year Trend



# CFI Comparison to other LGIs and UT



	FY2016	FY2017	FY2018	FY2019	FY2020
TTU w/Foundation	3.68	3.96	3.05	5.12	4.88
UT AVG w/Foundation	2.75	2.90	2.29	2.61	2.61
LGIs AVG w/Foundation	2.48	2.51	2.24	2.93	2.93





## Tuition Transparency Act Report(T.C.A§49-7-1604)





Revision to TTU Policy 537(Naming Buildings, Facilities  
and Organizational Units)





## Disclosed Capital Projects





# Disclosed Capital Projects

Project	Fiscal Year	Estimated Cost	Source of Funds
Crawford Hall Roof Replacement	2020-21	\$450,000	Housing-Auxiliary
Craft Center Housing Roof Replacement	2020-21	\$350,000	Plant Funds-Auxiliary
Chiller Addition	2021-22	\$2,300,000	Plant Funds-Auxiliary



