



**Middle Tennessee State University
Board of Trustees
Finance and Personnel Committee**

Tuesday, March 15, 2022
1:00 p.m.

MEC Training Room – 2nd Floor
Miller Education Center
503 East Bell Street
Murfreesboro, Tennessee 37130



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

March 15, 2022

AGENDA

Call to Order and Opening Remarks

Roll Call

Approval of Minutes (Action) Tab 1

Permanent Appointment of Assistant to the President for Community Engagement
and Inclusion (Action)..... Tab 2

Approval of Policy Revision (Action) Tab 3

Policy 611 – Financial Performance Review

Governor’s Budget and Legislative Budget Hearings Update (Information)..... Tab 4

HEERF Funding Update (Information) Tab 5

Capital Disclosures (Action) Tab 6

Faculty Senate Presentation (Information) Tab 7

Closing Remarks

Adjournment



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: March 15, 2022

SUBJECT: **Approval of Minutes**

PRESENTER: Joey Jacobs
Committee Chair

BACKGROUND INFORMATION:

The Finance and Personnel Committee met on November 9, 2021. Minutes from this meeting are provided for your review and approval.

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL COMMITTEE
MINUTES**

The Finance and Personnel Committee met on Tuesday, November 9, 2021, in the Miller Education Center Meeting Room at Middle Tennessee State University.

Call to Order

Committee Chair Joey Jacobs called the meeting to order at 2:55 p.m. and requested Board Secretary James Floyd to call the roll.

Roll Call

The following Committee members were in attendance: J.B. Baker, Rick Cottle, Pete DeLay, Joey Jacobs, Steve Smith, Chris Karbowski, Pam Wright, and Gabriela Jaimes. Committee members Tom Boyd and Darrell Freeman participated electronically and, in accordance with T.C.A. 8-44-108(c)(3), confirmed they could hear those present in the meeting, and no one else was present with them. A quorum was declared. Also present were President Sidney A. McPhee; Alan Thomas, Vice President for Business and Finance; Mark Byrnes, Provost; Joe Bales, Vice President for University Advancement; Andrew Oppmann, Vice President for Marketing and Communications; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Deb Sells, Vice President for Student Affairs and Vice Provost for Enrollment and Academic Services; Brenda Burkhart, Chief Audit Executive; James Floyd, University Counsel and Board Secretary; and, Kim Edgar, Assistant to the President and Chief of Staff.

Approval of Minutes - Action

The first agenda item was the approval of the minutes from the August 24, 2021, Finance and Personnel Committee meeting. Trustee DeLay moved to approve the minutes from the August 24, 2021, meeting, and Trustee Karbowski seconded the motion. A voice vote was taken, and the

motion to approve the minutes from the August 24, 2021, Finance and Personnel Committee meeting passed unanimously.

2021-22 October Revised Budget – Action

The next agenda item was a recommendation for the 2021-22 October Revised Operating Budget approval. Mr. Thomas directed the Committee to the budget information provided in the meeting materials and briefly discussed the adjustments made to the October budget after the close of the 2020-21 fiscal year. He noted increases in the restricted revenue and expense balances were due to the third round of stimulus funding received under the American Rescue Plan (ARP). The revised budget included approximately \$36 million of this funding, with \$25 million shown as financial aid to students and \$11 million for approved IT projects. In May, the 2021-22 Estimated Budget will include additional funding related to this last stimulus package.

Trustee DeLay made a motion to approve the 2021-22 October Revised Budget, and Trustee Wright seconded the motion. A voice vote was taken, and the motion to approve the 2021-22 October Revised Budget passed unanimously.

Salary Data – Information

Kathy Musselman, Assistant Vice President for Human Resources, presented the Committee with updated salary market data reflecting current 2020-21 CUPA market data. Documentation was provided in the meeting materials outlining the costs of adjusting to current market rates. Full implementation of market adjustments for faculty using 2020-21 CUPA data would cost approximately \$7.8 million, including benefits. In addition, the salary ranges for both administrative and classified staff would need to be increased by 15.56% to reflect the current market. This increase in the salary ranges, with full implementation, would cost approximately \$5.4 million for administrative employee salaries and benefits and an additional \$3.1 million for classified employee salaries and benefits. This equates to a total cost of \$16.3 million for all employees.

Trustee Boyd asked Ms. Musselman to provide the total percentage increase needed to bring faculty salaries to the current market rate. Ms. Musselman responded that she would send that information to the Committee. (This information was sent to all Board members on November 17, 2021.)

Trustee Karbowski asked if the below-market salary rates were contributing to staffing shortages at the University. Ms. Musselman responded that her office is seeing more job offers declined because of the low recommended salaries, increasing the number of vacant administrative and classified positions. Discussion ensued concerning the risks created for the University by not being able to competitively recruit and retain employees, especially in critical IT positions. Dr. McPhee stated that below-market salaries are an ongoing problem for all state higher education and plans to address this subject again with his colleagues at the other LGIs before the upcoming budget presentations.

THEC 2022-23 Capital Outlay/Maintenance Recommendations - Information

The next agenda item was an information update from Mr. Thomas concerning the University's FY 2022-23 capital outlay and capital maintenance funding requests. Mr. Thomas informed the Committee that the Tennessee Higher Education Commission (THEC) had requested two project submittals for FY 2022-23. The first submittal was approved by the Board of Trustees in September and was for renovations to Kirksey Old Main (KOM) and Rutledge Hall. The combined project includes extensive renovations to both buildings and is ranked number two on THEC'S priority list.

The second submittal was for a comprehensive capital project for the Aerospace Department. The \$62 million project includes site development and academic facilities and is ranked number one on THEC's second priority list. Mr. Thomas noted that both capital projects are well-positioned for inclusion in the Governor's budget.

The meeting materials included a copy of THEC's 2022-23 Capital Projects Recommendation Summary.

Next, Mr. Thomas updated the Committee on the status of the University's FY 2022-23 capital maintenance projects submittal. The submittal was approved at the June Board of Trustees meeting and included eight (8) capital maintenance projects totaling \$11.8 million. He informed the Committee that THEC recommended funding for all of the submitted projects for FY 2022-23. Additionally, the projection for inclusion in the Governor's budget is optimistic since deferred maintenance is currently an area of focus at the state level.

The meeting materials contained a list of the individual capital maintenance projects and their associated budgets.

Mr. Thomas also provided information concerning a \$15 million statewide initiative for ADA funding in higher education. If approved by the General Assembly, the University would be able to fund some of the ADA projects with state funding rather than local funding.

Board Chair Smith noted that the University has an unprecedented number of projects in the pipeline and commended Dr. McPhee and his staff on their efforts individually and as a team. Dr. McPhee stated that these programs and facilities would attract the best and brightest students and meet the needs of the state in attracting industry and creating jobs.

THEC 2022-23 Operating Recommendations - Information

Mr. Thomas presented a report on the recommendations made by THEC at its fall meeting concerning operating appropriations and a tuition guidance range. He informed the Committee that the 2022-23 operating appropriations recommendation for MTSU was \$120.4 million, representing a \$7.5 million or 6.6% increase over 2021-22 appropriations. The net increase resulted from a combination of a decrease of \$607,300 in the outcomes formula adjustments and an \$8.1 million increase in proposed new funding for higher education. He noted that THEC's

total appropriation request of \$90 million was higher this year due to increases in the Consumer Price Index (CPI) and the Higher Education Price Index (HEPI). The increased appropriation request allowed THEC to keep the recommended tuition range at zero to three percent. Mr. Thomas further informed the Committee that THEC's operating recommendation did not include a salary component.

The meeting materials included a copy of THEC's 2022-23 state appropriations distributions recommendation schedule.

Philanthropy Report - Information

The final agenda item was a report from Joe Bales, Vice President for University Advancement, on the Middle Tennessee State University Foundation's philanthropic activity. Items presented for discussion included the following:

- 5-year fundraising results, national trends, and comparisons
- Individual unit performance
- Foundation assets and endowment management
- Current challenges and opportunities
- Trustee Fund update

Mr. Bales informed the Committee that philanthropy nationwide experienced a downtrend over the last 20 months; however, the University stayed ahead of the trend and continued to grow in 2021. Even though donations of less than \$2,500 have been significantly down due to job insecurity and labor reductions, the larger donors have stepped up fundraising efforts to provide significant gifts for project funding. Historically, the top ten gifts to the University represent thirty to fifty percent of the funds raised annually. He noted that the University is also starting to realize benefits from the bequest program instituted in 2002. The program is expected to provide a significant base for funding over the next 15-20 years.

Mr. Bales reminded the Committee that, as required by charter, an extensive review of the endowment management program was performed last year. The results confirmed that current

fundraising strategies, policies, and practices align with the University's best interests, evidenced by a 32.5% return on investment for FY 2020-21 ending June 30. He concluded the presentation with a brief discussion on where the MTSU Foundation ranks relative to its in-state peers and plans for developing a set of aspirational peers for targeted growth.

Closing Comments

Before closing the public session, Chairman Smith asked for consideration of having scheduled executive sessions at all committee meetings. Trustee Karbowski stated that she supports the concept. Dr. McPhee suggested that the University Counsel look into the matter and its relation to the current public statute before making any decisions. Mr. Floyd responded that legislation in Tennessee is unambiguous on the topic, and the scope for public boards engaging in closed executive sessions is very limited; however, he will explore the issue further to ensure that his current analysis is up to date.

Adjournment

The meeting adjourned at 3:58 p.m.

Respectfully submitted,
Finance and Personnel Committee



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: March 15, 2022

SUBJECT: **Permanent Appointment of Assistant to the
President for Community Engagement and Inclusion**

PRESENTER: Sidney A. McPhee
President

BACKGROUND INFORMATION:

Policy 808 – Compensation Reporting and Approvals – requires the appointment and salary recommendation of Vice Presidents or other executives reporting directly to the President be approved by the Board of Trustees.


The attached recommendation to permanently appoint Dr. Monica Smith as Assistant to the President for Community Engagement and Inclusion, as well as the salary request included, falls under this approval requirement and is therefore being presented to the Finance and Personnel Committee.

Office of the President

Middle Tennessee State University
204 Cope Administration Building
Murfreesboro, Tennessee 37132
615-898-2622
FAX: 615-898-2507



To: Mr. Steve Smith, Chairman, Middle Tennessee State University Board of Trustees
Mr. Joey Jacobs, Committee Chairman of the Finance and Personnel Committee

From: Sidney A. McPhee 
President

Subject: Assistant to the President for Community Engagement and Inclusion

Date: March 3, 2022

I wish to recommend to the Board the appointment of Dr. Monica Smith as the Assistant to the President for Community Engagement and Inclusion.

After an extensive search, I believe Dr. Smith's knowledge and breadth of experience relative to the requirements and responsibilities of the position by far makes her the most qualified candidate for the position. I have included a copy of her resume for your review. I am recommending the appointment of Dr. Smith to the MTSU Board of Trustees with an annual salary of \$150,000 beginning April 6, 2022 and a moving allowance not to exceed \$5,000.

If you have any questions or concerns, please let me know.

c: Dr. Christy Sigler, Interim Assistant to the President for Institutional Equity and Compliance
Mr. Alan Thomas, Vice President for Business and Finance
Ms. Kathy Musselman, Assistant Vice President for Human Resources

Attachment

Monica Smith, Ed.D.
Nashville, TN

Community Engagement Expert / Diversity Professional / Strategic Planner

Professional Summary

Strategic thinking and project management

- Proven capacity to develop strategic plans that enhance organizational goals and bolster overall performance.
- Able to oversee multiple projects simultaneously and collaborate with leadership, colleagues, and other key stakeholders to create consensus and bring objectives to completion.

Leadership and teamwork

- Superior ability to generate and reinforce a positive working environment in which all team members are able to make meaningful contributions.
- Robust conflict management, leadership, and problem solving competence.

Engagement and communication

- Award-winning expertise in promoting community engagement, development of processes, and implementation of operational and business initiatives to bring positive institutional transformation.

Analysis and assessment

- Exceptional skills to develop and deliver organization-wide reports identifying key action areas along with recommendations to drive success.

Career Experience

Founder & President | 3/2015 – Present
Transformational Ways, Nashville, TN

Direct all aspects of the company while providing confidential executive coaching and management consultation on diversity and community engagement to enhance individual and organizational performance, locate solutions, and stimulate innovation.

Director, Community Engagement & Service
Miami University, Oxford, OH

Designed and powered a strategic planning process to institutionalize and enhance community engagement and service-learning. Advanced the ongoing development and analysis of community engagement, systematizing processes and policies to safeguard the sustainability of community engagement.

**Senior Manager, Diversity Management & Ethics (Chief Diversity Officer)
Marysville, OH**

Honda of America Manufacturing: Delivered strategic direction and supervised four business units: Government Contracting/EEO, Corporate Compliance and Ethics, Supplier Diversity, and Staffing Diversity through matrix to human resources. Served as senior corporate liaison to community leaders on diversity matters—local, state, regional, and national.

Additional Relevant Experience

Executive Director (Dayton Region)| The National Conference for Community and Justice: Guided a financially distressed region of national organization to operational and programmatic stability.

Assistant Dean for Academic Diversity| Medical College of Ohio: Established an academic office to support long-term curricula revisions aligned with institutional diversity and cultural competence goals.

Director of Multicultural Affairs | University of Toledo: Directed operations and programming staffing to ensure consistent diverse educational opportunities on campus. Supervised campus diversity training and large-scale events and speakers.

Director of Multicultural Activities and Programs | Bowling Green State University: Supervised campus activities of all multicultural student organizations including Greek-letter organizations. Provided leadership and organizational training to those organizations.

Educational Background & Affiliations

Doctor of Education with Distinction for Oral and Written Defense, Higher Education Management | University of Pennsylvania

Master of Arts in Applied Behavioral Science | Wright State University

Bachelor of Arts in Psychology | Wright State University



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: March 15, 2022

SUBJECT: **Policy Revision**

PRESENTERS: Alan Thomas
Vice President for Business and Finance

BACKGROUND INFORMATION:

Policy 611 Financial Performance Review

The financial health of the University is assessed using the Composite Financial Index (CFI). The policy revision provides that the CFI will no longer be submitted to the Board as an annual information item. Instead, individual ratios and overall CFI score will be compared with other LGIs and used to assess whether any budget changes need to be presented to the Board.

The individual ratios and overall composite score will also be submitted to external agencies as requested or required (i.e., U.S. Department of Education).

Copies of the redline policy and final revised policy are attached for your review and approval.



611 Financial Performance Review

Approved by Board of Trustees

Effective Date: _____, 2022

Responsible Division: Business and Finance

Responsible Office: Business and Finance

Responsible Officer: Associate Vice President, Business and Finance

I. Purpose

It is the policy of Middle Tennessee State University (MTSU or University) to have a sound financial base that demonstrates financial stability sufficient to support the mission of the University over the long term. A sound financial base and a pattern of financial stability provide the foundation for accomplishing the University's mission, regardless of changing economic conditions. Financial and physical resources should be managed in a manner that permits the University to fulfill its mission long term.

II. Responsibility

The President, through the Vice President for Business and Finance, is responsible for administering and managing the University's financial affairs in such a manner as to ensure the University's current and future financial health. This policy establishes the tools used to assess the financial health of the University, the reporting process, and actions to be taken if the University shows signs of financial weakness.

III. Background

- A. The analytical framework contained within this policy is derived from Strategic Financial Analysis for Higher Education; Identifying, Measuring & Reporting Financial Risks; Seventh Edition, published by KPMG; Prager, Sealy & Co., LLC; and ATTAIN. This framework and its primary metric, referred to as the Composite Financial Index (CFI), are widely used in the higher education community to understand the financial health of institutions. The methodology, ratios, and related benchmarks contained in this policy are taken from this publication.
- B. To determine the University's financial performance, four (4) questions are asked:
 1. Are resources sufficient and flexible enough to support its mission?

2. Does financial asset performance support the institution's strategic direction?
 3. Do operating results indicate the University is living within its available resources?
 4. Is debt managed strategically to advance its mission?
- C. To address these four (4) questions, data from the University's unaudited financial report are used to determine four (4) core financial ratios that are then combined into a single composite metric of financial condition, the CFI.

IV. Calculation of Core Ratios and CFI

All calculations include the financial results of the University's component unit (i.e., related foundation(s) noted as "CU") to present a comprehensive picture of the University's overall financial condition. The data source for calculation of each ratio is the University's unaudited annual financial report, with all calculations reflecting the results from a single year (i.e., no use of moving averages). The four (4) core financial ratios, including general descriptions, the calculation method, data sources, an expected performance standard, and a performance watch level, and a similar description of the calculation and interpretation of the CFI value, are as follows:

A. Return on Net Assets

1. Description. The return on net assets ratio measures total economic return during the fiscal year. This measure is similar to the return on equity ratio used in examining for-profit concerns and answers the questions, "Are they better off financially than they were a year ago?" and "Does financial asset performance support the strategic direction of the University?" While investments in plant, capital campaign, or poor stock market can all create year to year volatility in this measure, the trend over time should be positive. Calculation:

$$\frac{\text{Change in Net Assets} + \text{CU Change in Net Assets}}{\text{Total Net Assets (beginning of year)} + \text{CU Total Net Assets (beginning of year)}}$$

2. Expected Performance Standard. The return on net assets ratio should be at least three percent (3%) above the rate of inflation. For example, if the Consumer Price Index (CPI) is at three percent (3%), a return on the net assets ratio of six percent (6%) is desirable.
3. Watch Level. Consistently below the rate of inflation. Anything below the rate of inflation indicates a reduction of the University's asset base in real dollars, thereby eroding the purchasing power of institutional resources for future generations.

B. Net Operating Revenues Ratio

1. Description. The net operating revenues ratio indicates an operating surplus or deficit in the given fiscal year. A positive ratio indicates that the University experienced an operating surplus for the year. This ratio is similar to a profit margin and answers the questions, “Did they balance operating expenses with available revenue?” and “Do the operating results indicate that the University is living within available resources?” Depreciation expense is included to reflect the use of physical assets in measuring operating performance. Calculation:

$$\frac{\text{Operating Income (Loss + Non-operating Revenues (Expenses) + CU Change in Unrestricted Net Assets)}}{\text{Operating Revenues + Non-operating Revenues + CU Total Unrestricted Revenue}}$$

2. Expected Performance Standard. A ratio of four percent (4%). This is considered adequate to keep pace with the growth in operating expenses and maintain reserves at acceptable levels.
3. Watch Level. Consistently below zero (0). A deficit in a single year does not necessarily indicate a problem, but deficits over several years are a cause for concern and suggest that the University’s mission cannot be sustained and institutional finances should be restructured.

C. Primary Reserve Ratio

1. Description. The primary reserve ratio measures financial strength and flexibility by comparing expendable net assets to total expenses. This measure answers the question, “How long can the University survive without additional net assets generated by operating revenue?” Calculation:

$$\frac{\text{Expendable Net Assets + CU Expendable Net Assets}}{\text{Total Expenses + CU Total Expenses}}$$

2. Expected Performance Standard. A ratio of 0.40 (representing about 5 [5] months of expenses) or higher. At this level, the University has the flexibility to manage minor financial disruptions and other unforeseen events with less need to immediately disrupt ongoing activities. At this level, the University can be expected to carry on a reasonable level of facilities maintenance activities.
3. Watch Level. A ratio of 0.133 (represents less than 1.5 months of expenses in ready assets) or less. The University at these levels has less operating flexibility to meet unexpected events, generally lacks sufficient resources to pursue strategic initiatives, and may struggle to invest in plant maintenance.

D. Viability Ratio

1. Description. The viability ratio measures the financial health of the University by comparing total expendable net assets to total current and non-current liabilities. This ratio is similar to a coverage ratio used in the private sector to indicate the ability of an organization to cover its long term debt from readily available resources and answers the questions, “How much of their debt can the University pay off with existing resources?” and “Is debt managed strategically to advance the University’s mission?” If the University has no debt, this ratio is ignored in the calculation of the CFI score. A ratio of 1.0 indicates the University has expendable resources sufficient to satisfy all outstanding plant related debt. Calculation:

$$\frac{\text{Expendable Net Assets} + \text{CU Expendable Net Assets}}{\text{Plant Related Debt} + \text{CU Plant Related Debt}}$$

2. Expected Performance Standard. A ratio of 1.25 or higher (the higher the ratio, the stronger the credit-worthiness of the University). At these levels, the University has increased flexibility to address unexpended events.
3. Watch Level. A ratio of 0.41 or less. Similar to the primary reserve ratio watch level, the University at this level has decreased flexibility to respond to unforeseen events, essentially a reduced “margin of error” in the financial management of the University. Dropping below a ratio of 0.41 may identify the University as a credit risk.

V. Composite Financial Index (CFI)

- A. After their calculation, these four (4) ratios are combined to deliver a single measure of the overall financial health of the University. By blending these four (4) core financial ratios into one (1) metric, a more balanced view of the University’s finances is provided since weakness in one (1) measure can be offset by strength in another. Additionally, measuring the index over time provides a glimpse as to the progress the University is making toward achieving financial goals. CFI scores range from a low of -4.0 to a high of 10.0. The CFI is computed using a four (4)-step methodology:
 1. Computing the values of the core ratios as outlined above;
 2. Calculating strength factors by dividing the core ratios by threshold values;
 3. Multiplying the factors by specific weights; and
 4. Totaling the resulting scores to obtain the composite financial index.

With Outstanding Debt:

Core Ratio Value		Threshold Value		Strength Value		Weight		Score
Return on Net Assets	/	0.020	=	0.00	x	20%	=	0.00
Net Operating Revenues	/	0.013	=	0.00	x	10%	=	0.00
Primary Reserve	/	0.133	=	0.00	x	35%	=	0.00
Viability	/	0.417	=	0.00	x	35%	=	0.00
Composite Financial Index Score							=	0.00

- B. Expected Performance Standard. A score of at least 3.0. Strategic Financial Analysis for Higher Education indicates that at this level the University is relatively financially healthy in that sufficient liquid resources exist to meeting unforeseen circumstances, net operating revenues are adequate, expendable net assets exceed the level of debt, and the return on net assets is reasonable.
- C. Watch Level: A score of 1.0 or less. Again, Strategic Financial Analysis for Higher Education suggest that scores of 1.0 or below call into question the University's ability to carry out existing programs and survive.

VI. Review Periods

While it is important to review annual results, these results should be placed in context by reviewing longer terms trends. By focusing on three (3) to five (5) year trends, the long term financial health of the University may be better ascertained.

VII. Process for Reporting

- A. After completion of published financial statements, the Vice President for Business and Finance shall be responsible for calculation of the University's core ratios and CFI score. The individual ratios and overall CFI score will be shared with the other Locally Governed Institutions (LGIs) for creating averages of each metric for comparison purposes. The President and Vice President for Business and Finance will discuss the metrics annually to determine if any changes are needed in the University's budget and report those changes with the next budget submission to the Board.

- B. The individual ratios and overall composite score will also be submitted to external agencies as requested or required (i.e., U.S. Department of Education).

Forms: none.

Revisions: June 5, 2017 (original); _____, 2022.

Last Reviewed: _____ 2022.

References: none.



611 Financial Performance Review

Approved by Board of Trustees

Effective Date: ~~June 5, 2017~~ _____, 2022

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Responsible Office: Business and Finance

Responsible Officer: Associate Vice President, Business and Finance

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III. Background

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3. Watch Level. Consistently below the rate of inflation. Anything below the rate of inflation indicates a reduction of the University's asset base in real dollars, thereby eroding the purchasing power of institutional resources for future generations.

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$$\frac{\text{Operating Income (Loss + Non-operating Revenues (Expenses) + CU Change in Unrestricted Net Assets)}}{\text{Operating Revenues + Non-operating Revenues + CU Total Unrestricted Revenue}}$$

2. Expected Performance Standard. A ratio of four percent (4%). This is considered adequate to keep pace with the growth in operating expenses and maintain reserves at acceptable levels.
3. Watch Level. Consistently below zero (0). A deficit in a single year does not necessarily indicate a problem, but deficits over several years are a cause for concern and suggest that the University’s mission cannot be sustained and institutional finances should be restructured.

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$$\frac{\text{Expendable Net Assets + CU Expendable Net Assets}}{\text{Total Expenses + CU Total Expenses}}$$

2. Expected Performance Standard. A ratio of 0.40 (representing about 5 [5] months of expenses) or higher. At this level, the University has the flexibility to manage minor financial disruptions and other unforeseen events with less need to immediately disrupt ongoing activities. At this level, the University can be expected to carry on a reasonable level of facilities maintenance activities.
3. Watch Level. A ratio of 0.133 (represents less than 1.5 months of expenses in ready assets) or less. The University at these levels has less operating flexibility to meet unexpected events, generally lacks sufficient resources to pursue strategic initiatives, and may struggle to invest in plant maintenance.

D. Viability Ratio

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V. Composite Financial Index (CFI)

- A. After their calculation, these four (4) ratios are combined to deliver a single measure of the overall financial health of the University. By blending these four (4) core financial ratios into one (1) metric, a more balanced view of the University’s finances is provided since weakness in one (1) measure can be offset by strength in another. Additionally, measuring the index over time provides a glimpse as to the progress the University is making toward achieving financial goals. CFI scores range from a low of -4.0 to a high of 10.0. The CFI is computed using a four (4)-step methodology:
 1. Computing the values of the core ratios as outlined above;
 2. Calculating strength factors by dividing the core ratios by threshold values;
 3. Multiplying the factors by specific weights; and
 4. Totaling the resulting scores to obtain the composite financial index.

With Outstanding Debt:

Core Ratio Value		Threshold Value		Strength Value		Weight		Score
Return on Net Assets	/	0.020	=	0.00	x	20%	=	0.00
Net Operating Revenues	/	0.013	=	0.00	x	10%	=	0.00
Primary Reserve	/	0.133	=	0.00	x	35%	=	0.00
Viability	/	0.417	=	0.00	x	35%	=	0.00
Composite Financial Index Score							=	0.00

- B. Expected Performance Standard. A score of at least 3.0. Strategic Financial Analysis for Higher Education indicates that at this level the University is relatively financially healthy in that sufficient liquid resources exist to meeting unforeseen circumstances, net operating revenues are adequate, expendable net assets exceed the level of debt, and the return on net assets is reasonable.
- C. Watch Level: A score of 1.0 or less. Again, Strategic Financial Analysis for Higher Education suggest that scores of 1.0 or below call into question the University's ability to carry out existing programs and survive.

VI. Review Periods

While it is important to review annual results, these results should be placed in context by reviewing longer terms trends. By focusing on three (3) to five (5) year trends, the long term financial health of the University may be better ascertained.

VII. Process for Reporting

- A. After completion of published financial statements, the Vice President for Business and Finance shall be responsible for calculation of the University's core ratios and CFI score, and submission of this information to the Board of Trustees (Board). ~~As part of this submission, the Vice President for Business and Finance shall provide a narrative that explains the factors underlying changes in ratio values and CFI scores from the prior year, and whether these factors were planned or unexpected. If watch level performance is evidenced on any indicator, the submission shall also address what action the University plans to take to improve the ratio or score in subsequent years.~~

The individual ratios and overall CFI score will be shared with the other Locally Governed Institutions (LGIs) for creating averages of each metric for comparison purposes. The President and Vice President for Business and Finance will discuss the metrics annually to determine if any changes are needed in the University's budget and report those changes with the next budget submission to the Board.

- B. ~~The Board shall review the University's annual submissions. For any measure that evidences watch level performance, the Board will review with the President the adequacy of the University's plan to address the issue. If the CFI watch level criteria specified in this policy is met, additional information may be requested by the Board.~~
The individual ratios and overall composite score will also be submitted to external agencies as requested or required (i.e., U.S. Department of Education).

Forms: none.

Revisions: June 5, 2017 (original); _____, 2022~~none.~~

Last Reviewed: ~~November 2020~~ _____ 2022.

References: none.



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Information Item

DATE: March 15, 2022

SUBJECT: **Governor's Budget and Legislative
Budget Hearings Update**

PRESENTER: Alan Thomas
Vice President Business and Finance

BACKGROUND INFORMATION:

Alan Thomas, Vice President for Business and Finance, will update the Committee on how the Governor's 2022-23 Budget will impact the University.

As you are aware, Governor Lee held his State of the State Address on Monday, January 31, 2022, at which time he presented the 2022-23 State Budget. After a preliminary analysis of the budget in relation to higher education, a summary of the financial impact to MTSU was sent out to all Board members and the campus. An analysis prepared by the Tennessee Higher Education Commission (THEC) on the budget was released as well showing the impact to all of higher education. Both of these communications are included in these materials for your information and review.

Two committees of the General Assembly scheduled budget hearings for the

University in February. A budget hearing with the House Finance, Ways and Means Committee was held on Monday, February 7. The budget hearing with the Senate Education Committee was held on Wednesday, February 23. We are awaiting to hear from the General Assembly on the appearance before other committees if required and before the Governor's Budget is passed in late April or early May.

From: Kimberly Edgar <Kimberly.Edgar@mtsu.edu>
Sent: Tuesday, February 1, 2022 3:24 PM
To: University
Subject: From President McPhee: Governor Lee's proposed 2022-23 budget

Good afternoon.

Governor Lee presented his 2022-23 budget to the Tennessee General Assembly last night. We have conducted a preliminary analysis of the details of the Governor's Budget and I wanted to outline how his proposed budget could affect our University, if approved by the General Assembly.

Highlights of the budget as they relate to MTSU's institutional needs and priorities are as follows:

- Net operating appropriations, which includes adjustments made through the funding formula, will increase by \$7.5 million. The University will receive an additional \$1.2 million to cover group health insurance premium increases for a partial year.
- The Governor's Budget included partial funding for a 4.0 percent salary pool for MTSU in the amount of \$4.6 million. As in years past, this is only partial funding, and the University would need to fund the remaining pool from other revenue sources. In the current budget, which keeps tuition and fees flat at higher education institutions, the additional funding would have to come from operating appropriations. We are in the process of obtaining additional clarification on the salary pool requirements.
- The Governor recommended \$1.11 billion in capital improvements funding for all of higher education. These investments mark the largest investment in capital in the State's history. Included in this recommendation is the renovation project for KOM and Rutledge Hall, which has a total project budget of \$54.3 million (includes \$2.4 million in University required matching funds). In addition, MTSU is scheduled to receive funding for an Aerospace Campus totaling \$62.2 million, which includes \$5.0 million in University matching funds. In total, this will be \$116.5 million in new capital projects for the University with over \$109 million funded with new capital appropriations.
- Following last year's largest capital maintenance budget in state history, the Governor is recommending \$108.2 million in capital maintenance funding for

higher education, which includes funding for five (5) projects submitted by MTSU for a total of \$7.16 million. These projects include lighting and lighting control updates, building mechanical and controls updates, campus wide access control and security updates, elevator modernization, and building exterior updates.

- Non-recurring funding of \$2.0 million was included in the budget for MTSU to assist with a 3+4 partnership we have with Meharry Medical College for a fast-track program for select, qualified students to receive both an undergraduate degree from MTSU and a medical degree from Meharry. The funding is earmarked for financial aid for the students in this medical education program.
- Funding of \$170 million for an upgrade to the Enterprise Resource Planning (ERP) systems at the state's public higher education institutions was also included in the budget. MTSU will have access to \$20 million of this funding for upgrading the campus ERP system.

Other items indirectly affecting the University include the following:

- The GIVE HOPE Expansion Act of 2022 will increase the maximum annual HOPE award to \$5,100 for students at four-year institutions and to \$3,200 for students at two year institutions. The Act will also expand access to dual enrollment courses for high school students through the GIVE program, lower the age to qualify for Tennessee Reconnect to 23, and expand eligibility for the HOPE nontraditional and HOPE Foster Child Tuition programs.
- Provides non-recurring funding to increase the 401(k) match for one year at 2:1 for first \$50 employee contribution.

As a result of the level of appropriations included in the Governor's Budget, tuition and fees at higher education institutions will remain flat in the 2022-23 academic year.

As the General Assembly debates the final budget, we will continue to review additional information as it becomes available and incorporate the impact into the University's budgeting process for the upcoming year. As future developments are known, I will keep the campus updated on the Legislature's actions.

Sincerely,

Sidney A. McPhee

Sidney.McPhee@mtsu.edu

State of Tennessee
Tennessee Higher Education Commission
Tennessee Student Assistance Corporation
9th Floor, 312 Rosa L. Parks Avenue
Nashville, TN 37243
(615) 741-3605

MEMORANDUM

To: Tennessee Higher Education Commission Members
Tennessee Student Assistance Corporation Board of Directors

From: Executive Director Emily House

Subject: Administration's FY 2022-23 Proposed Higher Education Budget

Date: January 31, 2022

This evening, Governor Bill Lee presented his 2022-23 budget proposal to the 112th General Assembly. This historic budget for higher education includes an operating improvement of \$90 million to fund productivity increases and \$47.5 million for salary increases across universities, community colleges, and the Tennessee Colleges of Applied Technology—a total of \$137.5 million for all formula units and TCATs. This increase corresponds to the 0% tuition and fee scenario presented to you in November.

Additionally, the TELS program will receive \$88.6 million to increase HOPE scholarships at universities to \$5,100 and at community colleges to \$3,200, as well as increase access to dual enrollment and TN Reconnect. The budget proposal also includes \$5.2 million to fund operating increases at the medical universities, a \$200 million investment in the TCATs for facilities and equipment upgrades, \$50 million to expand the Governor's Investment in Vocational Education (GIVE) and Supporting Postsecondary Access in Rural Communities (SPARC) programs, \$18.6 million to expand Graduate Medical Education opportunities, and \$18.8 million for salary increases across all specialized units.

Finally, the Governor's budget includes funding for over \$1.11 billion in capital improvements, including 21 capital outlay projects and \$250 million in strategic investments at Tennessee State University. The Governor's budget also recommends \$108 million for capital maintenance, \$50 million of which is identified as recurring funds. These investments mark the largest investment in capital in the State's history. See below for additional details.

Recurring Institutional Improvements (\$212.2 million)

- \$90.0 million to fully fund growth in outcomes at the universities and community colleges and growth in enrollment at the TCATs and to recognize the increase in inflation affecting all institutions;
- \$47.5 million for salary increases—equal to a 4.0 percent salary pool—at UT, TBR, and LGI formula units, including UT Southern;
- \$18.8 million for salary increases at all specialized units, including the Centers of Excellence and Centers of Emphasis;
- \$18.6 million to expand Graduate Medical Education (GME);
- \$10.4 million to annualize the state share of a 7.7 percent group health insurance premium increase for January 1, 2023;
- \$4.2 million to fund the state share of a 3.2 percent group health insurance premium increase for January 1, 2022;
- \$8.0 million to address TCAT waitlist concerns (*additional non-recurring funding outlined below*);
- \$5.2 million for operating increases at the medical universities;
- \$5.0 million to TBR for the TN Law Enforcement Hiring, Training, and Recruitment Program to expand the partnership with the Corrections Institute for Correctional Officer training program;
- \$1.8 million to TBR for Operation Open Roads to expand Commercial Driver’s License (CDL) courses across the state (*additional non-recurring funding outlined below*);
- \$1.5 million to TBR to grow the Correctional Education Investment initiative;
- \$1.0 million to the East Tennessee State University nursing program; and
- \$170,000 to TBR to hire a capital outlay project manager.

Non-recurring Institutional Improvements (\$290.9 million)

- \$200.0 million to address equipment and facility upgrades at the TCATs;
- \$50.0 million to the University of Memphis to provide matching research grant funds associated with movement to a Research Very High (R1) Carnegie classification;
- \$14.5 million for a five-year pilot program to expand the Knox Promise initiatives statewide through tnAchieves;
- \$11.4 million to address TCAT waitlist concerns (*see above for accompanying recurring funding*);
- \$8.0 million to TBR for Operation Open Roads to expand Commercial Driver’s License (CDL) courses across the state (*see above for accompanying recurring funding*);
- \$2.0 million to provide continued financial aid for the Early Acceptance Program jointly administered by Middle Tennessee State University and Meharry Medical College;
- \$2.8 million to Tennessee Tech for the Evins Appalachian Center for Craft;

- \$1.2 million to Tennessee Tech for the Cybersecurity Education, Research, and Outreach (CERO) Center; and
- \$1.0 million to Tennessee Tech for the Rural Reimagined initiative to support the use of technology and service learning in rural communities.

Capital Improvements & Maintenance (\$1.21 billion)

- \$856.2 million for 10 Capital Outlay—Major Renovations and 11 Capital Outlay—General Construction:

Capital Outlay—Major Renovations (\$278.8 million)

- \$45.8 million for the East Tennessee State University Brown Hall Renovation North;
- \$51.9 million for the Middle Tennessee State University Kirksey Old Main and Rutledge Hall Buildings Renovations;
- \$25.0 million for the University of Memphis College of Business and Economics Renovation;
- \$38.4 million for the University of Tennessee at Chattanooga 504 McCallie Renovation;
- \$36.1 million for the Tennessee Technological University Johnson Hall Renovation and Foster Hall Demo;
- \$22.2 million for the University of Tennessee Health Science Center Nash Vivarium Basement Renovation;
- \$24.5 million for the Pellissippi State Hardin Valley Campus Renovation;
- \$7.4 million for the Volunteer State Mattox Renovation;
- \$8.5 million for the Austin Peay State University Kimbrough Classroom and Office Renovations; and
- \$18.98 million for the University of Tennessee Health Science Center Cancer Research Building 4th Floor Renovation.

Capital Outlay—General Construction (\$577.3 million)

- \$57.2 million for the Middle Tennessee State University Aerospace Campus;
- \$49.2 for the Columbia State Southern Regional Technology Center;
- \$40.8 million for the East Tennessee State University Integrated Health Services Building;
- \$20.0 million for the University of Memphis Mynders Hall Renovation;
- \$34.1 million for the Nashville State Clarksville Campus Expansion;
- \$83.0 million for the University of Tennessee, Knoxville College of Business;
- \$56.9 million for the Tennessee State University New Engineering Classroom Building;

- \$55.9 million for the University of Tennessee at Chattanooga Health Sciences Building;
 - \$57.4 million for the Tennessee Technological University Advanced Construction & Manufacturing Engineering Building;
 - \$67.5 million for the Roane State / TCAT Knox County Campus Expansion;
 - \$55.3 million for the East Tennessee State University Academic Building;
- \$250 million to Tennessee State University for Strategic Initiatives; and
 - \$108.2 million for 51 capital maintenance projects.

Recurring THEC/TSAC Improvements (\$4.3 million)

- \$4.0 million to provide funding for administration legislation for programming in American Civics (*additional non-recurring funding outlined below*); and
- \$344,900 to provide three additional Re-Entry Navigators to assist with expansion of the Correctional Education Investment initiative.

Non-Recurring THEC Administered Initiatives (\$52.0 million)

- \$40.0 million for a third round of the Governor’s Investment in Vocational Education (GIVE) initiative;
- \$10.0 million for a fourth round of the Supporting Post-Secondary Access for Rural Communities (SPARC) initiative; and
- \$2.0 million to provide funding for administration legislation for programming in American Civics (*see above for accompanying recurring funding*).

Other Recurring Initiatives (\$88.6 million)

- \$88.6 million for the GIVE HOPE Expansion Act of 2022 to increase the maximum annual HOPE award to \$5,100 for students at four-year institutions and \$3,200 for students at two-year institutions; and increase access to dual enrollment, TN Reconnect and HOPE Nontraditional and HOPE Foster Child Tuition programs.

Other Non-Recurring Initiatives (\$242.0 million)

- \$170.0 million to replace end-of-life Enterprise Resource Planning (ERP) system with a common vendor within UT and the LGIs; and
- \$72.0 million to the University of Tennessee Oak Ridge Innovation Institute to provide innovative education, training, and workforce development for scientists and engineers.



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Information Item

DATE: March 15, 2022

SUBJECT: **HEERF Funding Update**

PRESENTER: Alan Thomas
Vice President Business and Finance

BACKGROUND INFORMATION:

A summary of the CARES ACT legislation was presented to the Finance and Personnel Committee at the February 16, 2021 meeting. Included in the summary was a status report of the Higher Education Emergency Relief Fund (HEERF) funds disbursed to assist students and the University with the financial burden related to the COVID-19 pandemic and the conversion to remote delivery of classes. The following information is an update on the Higher Education Emergency Relief Fund (HEERF) as of March 1, 2022.

MTSU received \$43,021,581 under the HEERF program specifically for student emergency financial aid grants. A total of 49,185 in payments were made to students. All of these funds have been awarded and disbursed as shown in the following table:

	Awarded	Spent or Encumbered	Remaining Commitments
Higher Education Emergency Relief Fund			
Emergency Aid to Students	43,021,581	43,021,581	-0-
Institutional Portion	54,280,544	53,759,687	520,857
Strengthening Institutions Program	4,330,449	4,330,449	-0-
Governor's Emergency Education Relief Fund	1,554,075	1,554,075	-0-
Totals	103,186,649	102,665,792	520,857

Additionally, MTSU received \$60,165,068 from the HEERF program and Governor's Emergency Education Relief Fund (GEERF) specifically for institutional emergency relief. Below is a summary of how funds from the Institutional portion have been used:

Projects	Spent/Committed
Student Housing Refunds	1,269,730
Meal Plan Refunds	638,220
Tuition Reductions	855,792
Student Fee Reductions	9,424,504
Student Wage Payments	776,088
Revenue Reductions in Auxiliary Units	9,811,458
Revenue Reductions in Education and General Units	4,495,986
Revenue Reduction from Enrollment Declines	7,255,951
Campus Safety (i.e. PPE, protective barriers, etc.)	4,483,880
Academic Program Equipment	1,747,982
Online Tests Proctoring	405,000
Technology Enhancements	18,479,620
Total Used	59,644,211



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: March 15, 2022

SUBJECT: **Capital Disclosures**

PRESENTER: Bill Waits
Assistant Vice President for Campus Planning

BACKGROUND INFORMATION:

In accordance with THEC Policy 4.0.6C, concerning disclosure of projects funded through bonds, gifts, grants or local funds, disclosure of a capital project to the Tennessee Higher Education Commission is the first step in the project approval process and indicates an institution is considering a large-scale project investment, but does not obligate the University to carry out the work identified.

On February 9, MTSU had the opportunity to amend the MTSU FY 21/22 Capital Disclosure list via the quarterly disclosure process with a new disclosure for the Phillips Bookstore Improvements project. This gift-in-place project is provided by Barnes and Noble College and includes new retail layout and seating area for the bookstore. This disclosure will allow the work to be carried out over the summer of 2022. Included in the materials is the full MTSU disclosed project list as it will appear on April 1, 2022.

Full MTSU Capital Disclosure List

Capital Disclosure List as it will appear April 1, 2022 with the FY 21/22 Quarter 4 amendment:

Project	Project Description	Disclosure Year	Project Cost	Funding Sources			
				Gifts	Gift-in-Place	Plant Funds	TSSBA Bonds
Phillips Bookstore Improvements	Renovations to the Phillip Bookstore including new retail displays, seating area, and all related work. The design and construction is to be carried out as a gift-in-place project from Barnes and Noble College, who is the contract holder for the Phillip Bookstore.	FY 21/24 Q4	\$ 350,000		\$ 350,000		
New Student Housing	Provide new student housing including dorm rooms, common areas, and support spaces. The project will contain a minimum of 500 beds. The project will be located on part of the existing Womack Lane housing complex. The project scope also includes partial demolition and abatement of the Womack Lane housing complex and associated infrastructure, site development, utilities, and all associated work.	FY 21/22	\$ 63,200,000				\$ 63,200,000
Student Athlete Performance Center	This disclosure to replace the "Football Operations Facility" disclosed in FY 19/20. Provide a new Student Athlete Performance Center Building including athletic offices, locker rooms, training areas, football operations, and support spaces. The project scope also contains required site development including parking improvements and site utilities. To facilitate desired location of the building, relocating the Murphy Center loading dock and demolition of the upper deck on the north side of Floyd Stadium is required.	FY 21/22	\$ 66,000,000	\$ 5,000,000			\$ 61,000,000
Athletic Video Board Upgrades	Replace video board, related audio systems, and control boards at Floyd Stadium and the Murphy Center that are at the end of their useful life.	FY 21/22	\$ 3,900,000				\$ 3,900,000
Parking Structure	Construct parking deck and associated site work.	FY 21/22	\$ 22,800,000				\$ 22,800,000
Aerospace Instructional Center	Construct a new academic building and site improvements to support the MTSU Department of Aerospace. This disclosure is to amend/replace the "New Flight School Academic Building" disclosed in FY 2020/2021.	FY 21/22	\$ 5,000,000			\$ 5,000,000	
Tennis Facility Improvements	Demolition and construction of new tennis courts, seating, and support facilities. This disclosure is to revise and replace the "Tennis Facility Improvements" project disclosed in FY 2020/2021.	FY 21/22	\$ 5,000,000	\$ 1,000,000		\$ 1,500,000	\$ 2,500,000
Campus Quadrangle	Site Improvements in the central campus quadrangle, including sidewalks lighting, landscaping, grading, drainage, and related work.	FY 22/23	\$ 2,020,000			\$ 2,020,000	



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Information Item

DATE: March 15, 2022

SUBJECT: **Faculty Senate Presentation**

PRESENTERS: Anne Anderson
Professor and Weatherford Chair of
Finance

Robert Gordon
Associate Professor, Media Arts
2021-22 Faculty Senate President

BACKGROUND INFORMATION:

Dr. Anne Anderson and Mr. Robert Gordon will present an item from the Faculty Senate Finance Subcommittee.