
























# June 2024 Finance and Audit Committee

<b>Schedule</b>	Wednesday, June 5, 2024 9:45 AM — 10:45 AM CDT
<b>Venue</b>	UofM Lambuth - Jackson, TN
<b>Organizer</b>	Colton Cockrum

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# 1. Call to Order and Opening Remarks

Presented by David McKinney



## 2. Roll Call and Declaration of Quorum

Presented by Colton Cockrum



### 3. Approval of Finance and Audit Committee Meeting Minutes from March 13, 2024

Presented by David McKinney

**University of Memphis**  
**Board of Trustees**  
**Finance & Audit Committee**  
**March 13, 2024**  
**Meeting Minutes**

**Agenda Item 1: Call to Order and Opening Remarks**

Trustee McKinney called the meeting to order.

Trustee McKinney noted the change from the Finance & Governance Committee and Audit Committee to Finance and Audit Committee. He thanked fellow trustees who chaired and served on the Finance & Governance and the Audit committees. He also thanked the faculty support for those committees.

**Agenda Item 2: Roll Call and Declaration of Quorum/Meeting of Necessity**

Trustee McKinney recognized Secretary Cockrum

Trustee Springfield

Trustee Marchetta

Trustee Roberts (she stated she was alone and could hear him)

Trustee McKinney

Trustee Carter

Secretary Cockrum announced the presence of a quorum.

These additional trustees were acknowledged in attendance.

Trustee North

Trustee Edwards

Chairman Johnson

**Agenda Item 3: Approval of Prior Audit Committee Meeting Minutes from December 12<sup>th</sup>, 2023**

Note: The Audit Committee no longer exists, approval of meeting minutes from members who are in attendance who served on that previous committee.

Trustee McKinney called for a motion and second to approve the meeting minutes from December 12, 2023. The motion was made by Trustee Springfield and properly seconded.

Trustee McKinney asked if there was any discussion; none was provided. A roll call vote was taken, and the motion carried.

#### **Agenda Item 4: Approval of Prior Governance and Finance Committee Meeting Minutes from December 12<sup>th</sup>, 2023**

Note: The Governance and Finance Committee no longer exists, approval of meeting minutes from members who are in attendance who served on that previous committee.

Trustee McKinney called for a motion and second to approve the meeting minutes from December 12, 2023. The motion was made by Trustee Springfield and properly seconded. Trustee McKinney asked if there was any discussion; none was provided. A roll call vote was taken, and the motion carried.

#### **Agenda Item 5: Information Security Program Update**

Trustee McKinney recognized Chief Information Officer, Jeff Delaney.

Mr. Delaney provided an update on security posture for the university. Mr. Delaney opened by noting that Security Awareness Yearly Training was completed by university personnel in February 2024 with a 94% completion rate largely due to email reminders from leadership and enforcement mechanism. The 94% was achieved before enforcement action was taken. Mr. Delaney explained in regard to network access control, that an enforcement mechanism will be provided to ensure all campus computers are safe with requirements of periodic updates and patching. General Data Privacy Regulation (GDPR) assessment was completed and awaiting the final report to work on outcomes. The National Institute of Standards in Technology establishes standards to maintain controls on restricted research. NIST 800-171 R3 (revision 3) was released and an assessment has to be conducted to ensure that compliance is being maintained. Mr. Delaney explained in an update regarding the Gramm-Leach Bliley Act (GLBA) efforts that data auditing was enabled in January 2024.

Mr. Delaney provided data on suspicious email account deactivations and IT security engagements. Mr. Delaney explained next steps included: testing the security awareness training via a Phishing campaign, enforcement activity on the network access control, additional email security control adjustments, provide research DMZ (protected area) for large research data sets collaboration, and state-mandated research data controls.

President Hardgrave commented introducing Jeff Delaney as the new Chief Information Officer and Rene Bustamante as the new Executive Vice President, Chief Operating & Financial Officer at the University.

#### **Agenda Item 6: Summary of Audit Reports Issued**

Trustee McKinney recognized Chief Audit Executive, Vicki Deaton and reminded the board that these items are summaries and that no action would be required.

Ms. Deaton provided a report on the summary of internal audit reports issued. She explained that the first item listed is a consulting project report, and not an audit, with recommendations made for the future.

#### **Agenda Item 7: Audit Issue Follow Up**

Ms. Deaton explained that four audit issues from the College of Health Sciences Financial and Compliance Audit have a 'complete' status. Two audit issues were related to policy changes and have a 'complete' status.

#### **Agenda Item 8: Summary of Internal Audit Investigations Resolved**

Ms. Deaton provided a summary of internal audit investigations resolved. Four investigations were resolved since the last meeting. Memos were issued for two of the items. Two items were assigned both an internal number and a comptroller number. Resolution information to the comptroller was required on those two items. Information was provided. There was not an official report for the 2 items resolved with the Comptroller.

#### **Agenda Item 9: External Audit Report – Auxiliary Services Foundation Financial Statements Year Ended June 30, 2023**

Ms. Deaton explained that this audit was performed to meet the requirements of the Tennessee Comptroller of the Treasury. The foundation engaged an external CPA firm. The independent auditor's opinion, dated December 11, 2023, stated that the financial statements present fairly. Ms. Deaton explained that the auditors also issued a report dated December 11, 2023 in accordance with Government Auditing Standards. She reminded the committee that although an opinion is not expressed, the auditor's tests disclosed no instances of noncompliance, but the auditors did identify a deficiency that they considered material weakness in internal control. The auditors proposed a recommendation and the Foundation's management provided a response and corrective action plan.

#### **Agenda Item 10: External Audit Report – The Herff Trust Financial Statements Year Ended June 30, 2023**

Ms. Deaton summarized information and purpose of the Herff Trust that it was formed exclusively for the benefit of the University of Memphis. The Trust contracted with an external CPA firm to audit its financials and their opinion was issued December 11, 2023 stating that the financial statements present fairly. The auditors did not identify any deficiencies in internal control that would be considered material weaknesses nor any instances of noncompliance under Government Auditing Standards.

### **Agenda Item 11: External Audit Report - Report on the Application of Agreed-Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses for the year ended June 30, 2023**

Ms. Deaton explained that this is an annual report to evaluate compliance with the National Collegiate Athletic Association (NCAA) Bylaw 20.2.4.17. No opinion or conclusion was expressed on the statement of revenues and expenses. No exceptions were noted on reviewed items.

### **Agenda Item 12: Internal Audit Client Satisfaction Survey 2023**

Ms. Deaton explained that according to state statute, Internal Audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) mandatory guidance. The mandatory guidance includes establishing a Quality Assurance and Improvement Program (QAIP). She explained that part of the required ongoing monitoring is requesting feedback from the university community. In February 2024 feedback of the Office of Internal Audit and Consulting was solicited via a Client Satisfaction Survey distributed to 150 faculty and staff. 51 individuals completed the anonymous survey. 96% of the responses indicated that the audit clients were satisfied with the University's internal audit services.

### **Agenda Item 13: Quality Assurance and Improvement Program Update**

Ms. Deaton explained that the Quality Assurance and Improvement Program (QAIP) includes periodic internal assessments and external quality assessments. She noted that the UofM Office of Internal Audit and Consulting is in the process of completing a quality self-assessment review and that every five years an external quality assessment team is required to complete an independent validation of the self-assessment review. She explained the next external quality assessment will take place in 2024.

Trustee McKinney asked for any questions or discussion.

Trustee Edwards asked if the mention of the Title IX Student Scholarship issue in the Comptroller's audit report had been resolved. Ms. Deaton stated that there is a corrective action plan submitted. She also explained that at the 6-month mark a follow up will be conducted.

Trustee Marchetta asked how the loop closes itself on the deficiency for the Auxiliary Services Foundation external report. Ms. Deaton explained that when the external firm returns for the following year to complete their audit, the firm checks that deficiencies from the previous year's report have been addressed.

Trustee Roberts noted that on the same issue there was a thorough response from the head of the Auxiliary Services Foundation and that in the spirit of transparency asked Rene Bustamante to speak on the issue. Mr. Bustamante stated that he planned to do a follow-up and

recommend that assets under the Auxiliary Services Foundation have more oversight. He stated that he would report back to the committee after his follow-up.

#### **Agenda Item 14: FY23 Annual Financial Report**

Trustee McKinney recognized Executive Vice President, Chief Operating & Financial Officer (EVP,CFO&COO), Rene Bustamante.

Mr. Bustamante reported that the Division of State Audit under the Office of the State Comptroller completed the audit fieldwork of the University of Memphis FY 2023 on June 30, 2023. He reported unmodified clean audit opinions for the University as well as the UM Foundation, Auxiliary Services Foundation, UM Research Foundation, and Herff Trust. He stated that the university successfully implemented Governmental Accounting Standards Board (GASB) 96 with a result of capital assets and related debt increasing by \$8M. There were no adjustments to the University's financial statements.

Mr. Bustamante pointed out that there was one finding by the auditors relating to its monitoring of Title IV Financial Aid Recipients. Out of 12,290 students audited, 20 (0.16%) received excess financial aid totaling \$33,353 based on eligibility. He noted this item is being remediated by the financial aid office.

Mr. Bustamante reported improved financial standing of the three foundations: Total Assets grew by \$34.64M, Total Liabilities increased by \$8.81M, Net Position improved by \$26.11M. He noted that the exit conference with the Division of State Audit was held February 20, 2024 and the final audit report was released on March 5, 2024.

Mr. Bustamante noted comparisons of FY22 and FY23 and directed the committee to the slides for those visuals. He pointed out that the Composite Financial Index (CFI) remains strong for the University of Memphis.

#### **Agenda Item 15: FY 2025-2026 Capital Budget Proposal**

EVP, CFO&COO, Rene Bustamante recognized Greg Dubois and Tony Poteet.

Tony Poteet stated that these capital requests will be submitted to THEC June 30, 2024. He noted three types of requests: Capital Outlay (new space or major renovations), Capital Maintenance (major maintenance repairs and replacements over standard operating budget), and Disclosures (bonded or funded projects by the university that are meant to inform the legislature).

Mr. Poteet explained that a five-year plan for Capital Overlay is required, but THEC only scores one project for the university per year. He noted the top project as Research Modernization to convert existing spaces into research labs. He explained that inflation has been added from last

year's request since this would be the third year requesting this project. He also explained that the university must match 6% of the project from any source (campus or gifts). The other four projects submitted included: interdisciplinary science research, research park, academic building replacement, and research renovation/physical plant relocation.

Mr. Poteet explained the Capital Maintenance. He noted a calculated need for \$34M worth of projects based on a formula from THEC. He explained that projects include boilers and coil replacements, HVAC replacements in several buildings around campus, brick repairs and window replacements, sewer line replacement, and electrical replacements.

Mr. Poteet explained the disclosure projects are for information to be given to the legislature. He noted any project above \$10M has the requirement of disclosure.

Trustee McKinney and Chairman Johnson noted that these projects are critically important for the university.

Trustee Springfield asked about future costs savings because of these projects. Mr. Poteet explained that many of the projects have energy savings associated and that there is a system in place where the rating is entered to show increase in the value of the building.

Trustee McKinney called for a motion and second to approve the Capital Budget Request. The motion was made by Chairman Johnson and properly seconded. There was no further discussion. A roll call vote was taken, and the motion carried.

### **Agenda Item 16: Park Ave Housing**

Trustee McKinney recognized Rene Bustamante.

Mr. Bustamante explained that this is a Memorandum of Understanding (MOU) resolution for issuance as part of the developer's 1023 IRS approval for tax exemption and financing by the University of Memphis.

Mr. Poteet noted that this issuance is part of the requirements for selling the bonds and keeping them tax exempt which is important for keeping costs low for students.

Trustee McKinney called for a motion and a second to approve the resolution of a MOU issuance. The motion was made by Chairman Johnson and properly seconded. Trustee McKinney called for discussion.

Trustee Edwards noted that this project is long overdue with a need for additional housing for students that can help address items in the strategic plan. He applauded Mr. Poteet's efforts.

Trustee McKinney asked what the bed count upon completion of the project would be. Mr. Poteet noted it would be just above 3000 total beds.

There was no further discussion. A roll call vote was taken, and the motion carried.

### **Agenda Item 17: Creation of the Real Estate Foundation**

Trustee McKinney recognized Greg Dubois.

Mr. Dubois explained that the purpose of the university establishing a real estate foundation to allow Auxiliary Services Foundation to become more Athletics focused. He also noted that this would allow opportunity for the university to purchase, hold, manage, and operate assets as well as loan and borrow monies against pledged assets, and pursue alternative financing to support institutional operating needs and capital investments.

Trustee McKinney called for a motion to adopt the creation of the University of Memphis Real Estate Foundation. The motion was made by Trustee Springfield and properly seconded. Trustee McKinney asked if there was any discussion; none was provided. A roll call vote was taken, and the motion carried.

### **Agenda Item 18: Additional Business**

Trustee McKinney asked for additional business.

President Hardgrave publicly recognized Greg Dubois for his service and progress as Interim COO&CFO over the past several months.

### **Agenda Item 19: Adjournment**

Trustee McKinney called for a motion to adjourn. A motion was made and properly seconded. The meeting was properly adjourned.

## 4. Summary of Audit Reports Issued

Presentation

Presented by Vicki Deaton

## The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** June 5, 2024  
**Committee:** Finance and Audit Committee  
**Presentation:** Summary of Internal Audit Reports Issued  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

### **Background:**

Three internal audit reports were issued since the March 13, 2024 meeting. Summarized information is included in the attached table.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Matters for Consideration by University Management	Issues Outstanding from Prior Audit
Laboratory Safety Audit Report	5/8/2024	Effective but Improvements Needed	0	1	2	2	0	1	0
Fogelman College of Business & Economics Fixed Asset Audit Report (audit performed by UofM graduate students)	5/3/2024	Effective with the Opportunity for Improvement	0	0	1	0	0	0	0
Internal Audit Quality Self-Assessment Review Report	5/17/2024	Opinion as to Conformity with the IIA's Standards: Generally Conforms	1	0	0	0	0	0	0

# *Presentation Title*

## *Finance and Audit Committee*

Vicki D. Deaton  
Chief Audit Executive

June 5, 2024  
Jack Morris Ballroom, Lambuth Campus



**Board** *of*  
**Trustees**

JUNE 2024

# Presentation: Summary of Internal Audit Reports Issued

Three reports were issued since the March 13, 2024 meeting.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Matters for Consideration by University Management	Issues Outstanding from Prior Audit
Laboratory Safety Audit Report	5/8/2024	Effective but Improvements Needed	0	1	2	2	0	1	0
Fogelman College of Business & Economics Fixed Asset Audit Report (audit performed by UofM graduate students)	5/3/2024	Effective with the Opportunity for Improvement	0	0	1	0	0	0	0
Internal Audit Quality Self-Assessment Review Report	5/17/2024	Opinion as to Conformity with the IIA's Standards: Generally Conforms	1	0	0	0	0	0	0

# Presentation: Summary of Internal Audit Investigations Resolved

Two investigations were resolved since the March 13, 2024 meeting.

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned to Internal Audit by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	Date of Final Action by Internal Audit
Follow Up to FY2023 Audit Issue	10/30/2023	Lost or Stolen Assets	NA	24-008, TN Comp 24-8586	Investigation Complete, Internal Audit Memo Issued, Recommendations Made to Management	13 Computing Devices Lost or Missing	4/1/2024
Request from Human Resources	2/2024	Inaccurate Time Records and Inaccurate Employee Pay	NA	24-009	Investigation Complete, Internal Audit Memo and Management Letter Issued	Significant Deficiencies in Timekeeping Process, Noncompliance with Recordkeeping Requirements	4/29/2024

# Report: Review and Approval of Office of Internal Audit & Consulting Charter

According to the UofM Finance and Audit Committee Charter, the Finance and Audit Committee must “review, approve, and update the Internal Audit charter annually or more frequent if necessary.”

The Internal Audit Charter establishes the following:

- The purpose, authority, and responsibility of the internal audit activity;
- The internal audit activity’s position within the University;
- The scope of internal audit activities; and
- That access to records, personnel, and properties to complete engagements must be provided.

# Report: Review and Approval of Office of Internal Audit & Consulting Charter

The University of Memphis Office of Internal Audit and Consulting Charter was last reviewed and approved at the September 6, 2023 Board of Trustees meeting. There were no revisions to the charter at that time.

There are no proposed changes for the charter recommended from the Office of Internal Audit and Consulting this year.

# Quality Assurance and Improvement Program Update

- All UofM Internal Audit activities are conducted in accordance with all state statutes relative to Internal Audit and Audit Committees.
- The state statutes require that UofM Internal Audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) mandatory guidance.
- A quality assessment evaluates compliance with the *Standards*, the definition of internal auditing, the Code of Ethics, the internal audit & audit committee charters, the organization's governance, risk and control assessment, and the use of successful practices.

# Quality Assurance and Improvement Program Update

- The last external quality assessment performed for the UofM audit activity was in 2019.
- The UofM Office of Internal Audit and Consulting completed an internal self-assessment in 2022 and an internal self-assessment in May, 2024.
- An external quality assessment is planned for this summer.

# Quality Assurance and Improvement Program Update

Independent reviewers have been identified for the external quality assessment team. They are:

Team Lead - Blayne Clements, CIA, CFE, CRMA  
Chief Audit Officer, Austin Peay State University

Team Member – Jacqueline Struckmeyer, CPA  
Director of Internal Audit, Tennessee Board of Regents

# Report: FY2025 Internal Audit Plan for Review and Approval

In higher education, the audit universe is normally categorized by the following functional areas:

- Academic
- Administrative
- Other

At the University of Memphis, the 3 functional areas include the following 27 audit entities:

#### Academic

- Academic Affairs/Office of the Provost
- College of Arts & Sciences
- College of Business & Economics
- College of Communication & Fine Arts
- College of Education
- College of Engineering
- College of Health Sciences
- College of Nursing
- College of Professional & Liberal Studies
- School of Communication Sciences and Disorders
- School of Hospitality & Resort Management
- School of Law
- School of Public Health
- University Libraries

#### Administrative

- Advancement
- Athletics
- Business & Finance
- External Relations
- Government & Community Relations
- Information Technology Services
- Office of the President
- Operations & Facilities
- Research & Innovation

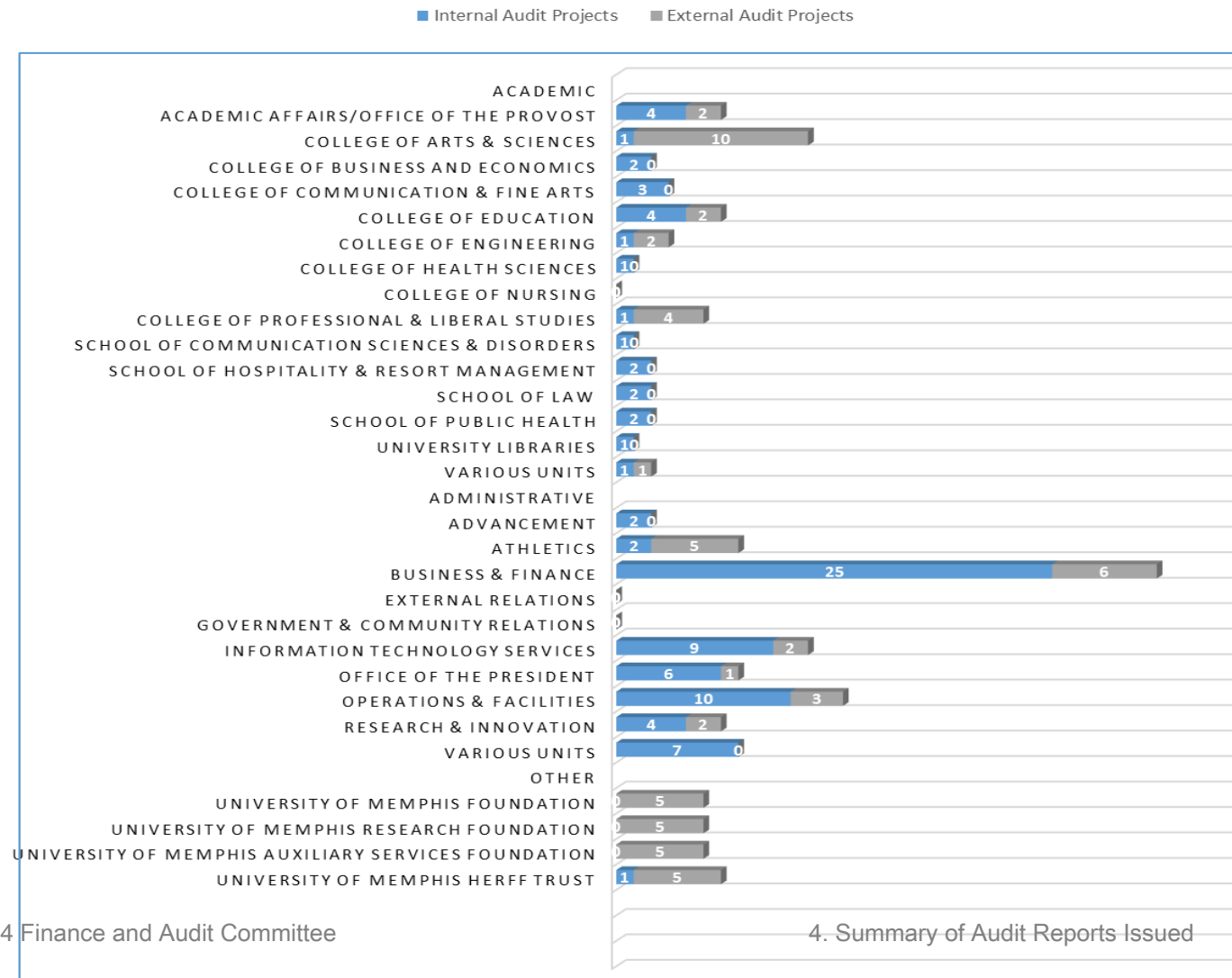
#### Other

- University of Memphis Foundation
- University of Memphis Research Foundation (including the wholly-owned subsidiary, UMRF Ventures Inc.)
- University of Memphis Auxiliary Services Foundation
- University of Memphis Herff Trust

Besides the University of Memphis Office of Internal Audit and Consulting, the following entities perform audits, investigations, reviews, agreed-upon procedures, or assessments at the UofM.

Other Entities Who Perform Audits and Reviews at the UofM
TN Comptroller of the Treasury Division of State Audit
TN Comptroller of the Treasury Division of Investigations
TN Comptroller of the Treasury Information Systems Audits
TN Comptroller of the Treasury Performance Audits
Various State of TN Departments and Agencies
Various State of TN Departments for Sponsored Program Review
Various Federal Agencies for Sponsored Program Review
Internal Revenue Service
External Legal Experts
External Certified Public Accounting Firms
External Environmental Auditors
External Subject Matter Experts

## AUDIT PROJECTS BY FUNCTIONAL AREA FOR LAST 5 YEARS



This chart shows audit projects performed by Internal Audit or an outside entity in the 27 UofM audit entities over the last 5 years.

In Tennessee governmental entities, internal audit plans are comprised of risk-based audits, required audits, special requests, and investigations. The risk-based portion of the FY2025 Proposed Audit Plan (about 65%) is in part derived from current higher education risk and audit guidance, consideration of the University’s goals, vision, and mission, and Internal Audit’s risk evaluation.

- Risk based audits
- Required audits and projects
- Audit issue follow up
- Investigations
- Consulting/Advisory Services
- Administration

Budgeted Allocation of Internal Audit Resources			
	FY2023	FY2024	FY2025
Audits	66%	60%	54%
Follow Up of Audit Issues	5%	8%	6%
Investigations	5%	10%	20%
Consulting/Advisory Role	12%	10%	10%
Audit Committee Projects & Administration	12%	12%	10%
Total	100%	100%	100%

# For Your Approval: University of Memphis Proposed Audit Plan & Allocation of Audit Resources – FY2025

54%	<div>Audits</div> <div>Risk Based Audits</div> <div> Graduate School Financial and Compliance Audit (this will include reviewing international student recruitment contracts)  University Student Travel Expense Review  University Development Audit  Housing &amp; Residence Life Audit </div> <div>Risk Based Information Technology Projects</div> <div>IT Security Review - Department TBD</div> <div>Audits Required by Statutes</div> <div> Annual audit of President's expenses  New IIA Global Internal Audit Standards Gap Analysis </div> <div>Prior Year Audit Project Completion</div> <div>Audits Requested by Management</div> <div> NACHA - WEB Transactions Data Security Audit  Report of Action on FY2023 Financial Statement Audit Finding  State Audit FY2024 Year End Work (cash and inventory work for State Auditors at year end for external audit) </div>
6%	<div>Follow-up of Past Audit Issues</div> <div>Internal Audit issues identified in past audits and as required by state statute</div>
20%	<div>Investigations/Participation on Complaint Triage Team</div>
10%	<div>Consulting and Advisory Role</div> <div> Special Audit Requests, Consulting Projects, Assistance to Legal Counsel, Attorney Client Projects (as requested by Management)  Advisory Role (advisory role on various committees and miscellaneous inquiries for assistance during the year) </div>
10%	<div>Audit Committee Projects &amp; Administration</div>
100%	

# Presentation: Annual Report of Grievance Activities – Support Staff Only

The University is committed to providing a process for non-exempt support staff to seek prompt resolution to grievances without fear, restraint, interference, discrimination or reprisal. As required by TCA 49-8-117, we provide an annual report to the education committee of the senate and the education committee of the house of representatives summarizing grievance activities of the previous year.

The grievance activity reports provided for review cover the periods of FY2023 (July 1, 2022 through June 30, 2023) as well as FY2024 to date (July 1, 2023 through May 1, 2024), and includes the grievances status and resolutions.

# Questions?



# 5. Summary of Internal Audit Investigations

Presentation

Presented by Vicki Deaton

## The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** June 5, 2024

**Committee:** Finance and Audit Committee

**Presentation:** Internal Audit Investigations Resolved

**Presented by:** Vicki D. Deaton, Chief Audit Executive

**Background:**

Two investigations were completed by the Office of Internal Audit and Consulting since the March 13, 2024 meeting. Attached is a summary of the investigation information.

<b>Allegation Received by</b>	<b>Date Allegation Received</b>	<b>Description of Allegation</b>	<b>Date Assigned to Internal Audit by Complaint Triage Team</b>	<b>Internal Audit Investigation Number</b>	<b>Investigation Status</b>	<b>Investigation Outcome</b>	<b>Date of Final Action by Internal Audit</b>
Follow Up to FY2023 Audit Issue	10/30/2023	Lost or Stolen Assets	NA	24-008, TN Comp 24-8586	Investigation Complete, Internal Audit Memo Issued, Recommendations Made to Management	13 Computing Devices Lost or Missing	4/1/2024
Request from Human Resources	2/2024	Inaccurate Time Records and Inaccurate Employee Pay	NA	24-009	Investigation Complete, Internal Audit Memo and Management Letter Issued	Significant Deficiencies in Timekeeping Process, Noncompliance with Recordkeeping Requirements	4/29/2024



## 6. Annual Review & Approval of Internal Audit Charter

For Approval

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

## Report For Approval

**Date:** June 5, 2024  
**Committee:** Finance and Audit Committee  
**Report Title:** Review and Approval of Office of Internal Audit and Consulting Charter  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

### Background:

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

According to the University of Memphis Audit Committee Charter, the Audit Committee must "review, approve, and update the Internal Audit charter annually or more frequent if necessary." The University of Memphis Office of Internal Audit and Consulting Charter was last reviewed and approved at the September 6, 2023 Board of Trustees meeting. There were no revisions to the charter at that time.

To comply with requirements of State of Tennessee statutes and the University of Memphis Audit Committee Charter, the attached University of Memphis Office of Internal Audit and Consulting Charter is presented to the Finance and Audit Committee. There are no proposed changes recommended from the Office of Internal Audit and Consulting this year.

**University of Memphis**  
**Office of Internal Audit & Consulting Charter**  
June 1, 2022

**Introduction**

The University of Memphis is within the state university system in Tennessee. The University is governed by an independent board, the Board of Trustees (Board), established by state statutes. The University of Memphis Audit Committee is a standing committee of the Board. In accordance with state statutes, the Office of Internal Audit and Consulting (Internal Audit) reports directly to the Audit Committee. All Internal Audit activities are conducted per all state statutes relative to Internal Audit and Audit Committees. In addition, the state statutes require that Internal Audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics. This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance.

**Purpose**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the University of Memphis' operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

University of Memphis management has responsibility for risk management, control, and governance. Therefore, University management has the primary responsibility for risk assessment, compliance oversight, and establishing and maintaining a sufficient system of internal controls. Internal Audit serves in an advisory role and assists University management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements, and providing other information designed to promote effective controls.

**Internal Audit Plan**

Annually, the Chief Audit Executive (CAE) develops an internal audit plan based on the University's management prepared risk assessment, state statute requirements, current higher education risk and audit guidance, past audit projects at the University, and input from University management. The plan is submitted to the Audit Committee for review and approval. The CAE reviews and adjusts the plan as necessary in response to changes in Internal Audit's resource levels or changes to the University's risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan is communicated to and approved by the Audit Committee.

**Services**

Internal Audit performs assurance services by assessing evidence to provide an independent opinion or conclusion regarding a University entity, operation, function, process, system, or other subject matter. The nature and scope of assurance engagements are determined by the approved internal audit plan and staff of Internal Audit. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — Internal Audit, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are usually performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — Internal Audit, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services, the Internal Auditor should maintain objectivity and not assume management responsibility.

Investigations are conducted under the authority of the Audit Committee, who through the State of Tennessee Audit Committee Act and the University of Memphis Audit Committee Charter, has the authority to conduct or authorize investigations into any matter within its scope of responsibility. Internal auditors perform administrative investigations to provide information regarding allegations of illegal, improper, wasteful, or fraudulent activity to the Audit Committee, the Board, University management, and state and federal agencies as required. Internal auditors do not have statutory authority in Tennessee state government to perform criminal investigations.

### **Authority, Responsibility, and Scope**

Internal Audit's performance of assurance and consulting services may include the examination and evaluation of the effectiveness of all aspects of University operations. Internal Audit has full and direct access to all University records, which includes electronic and manual records, personnel relative to their performance of duties and responsibilities, and access to all University physical properties. All documents and information obtained by Internal Audit will be treated in a confidential manner to comply with all policies, laws, and regulations regarding protection of University information.

Internal Audit does not have direct responsibility for, or authority over, any of the activities, functions, or tasks it reviews. Internal Audit's review does not relieve others of their responsibilities. The University's Internal Auditors must maintain a high degree of independence. They must not be assigned duties or be involved in activities that are the responsibility of University management. Internal Audit should only engage in activities that they would normally be expected to review or evaluate as part of the normal Internal Audit function.

Internal Audit is not independent for the purpose of issuing an opinion on the University's annual financial statements per the requirements for an external auditor under Tennessee Board of Accountancy regulations. The Tennessee Comptroller of the Treasury's Division of State Audit serves as the external auditors for the University based upon state statutes.

### **Organizational Structure**

The Office Internal Audit and Consulting reports directly to the Audit Committee but reports administratively to the University President for internal accounting purposes. However, to provide independence and to comply with state statutes and Tennessee Comptroller of the Treasury's requirements, Internal Audit has direct reporting responsibility to the Board of Trustee's Audit Committee. Internal Audit employees have organizational independence and strive to fulfill their responsibilities with professional objectivity.

### **Reporting and Monitoring**

All audit work is summarized in written reports distributed to University management to ensure that significant issues noted in audits and other projects are properly addressed by University management. In addition, summaries of all internal audit activities are distributed to the Audit

Committee and all significant issues are emphasized to the Audit Committee. Internal Audit will answer questions and provide additional details for any Internal Audit activity when requested by the Audit Committee. Internal Audit is responsible for following up on issues noted in audits or other projects conducted by Internal Audit to ensure issues are addressed by University management. Any issues not properly addressed by University management will be reported to the Audit Committee.

All Internal Audit reports are provided to the Tennessee Comptroller of the Treasury's Division of State Audit in their role as external auditors for the University. All investigation reports are provided to the Tennessee Comptroller of the Treasury's Division of State Audit and the Division of Investigations.

#### **Periodic Review of Office of Internal Audit & Consulting Charter**

The Chief Audit Executive will periodically assess this charter to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable the Office of Internal Audit and Consulting to accomplish objectives under the IIA Standards and state statutes. The results of the periodic assessment of this charter will be communicated to University management and the Audit Committee.



# 7. Plan for Quality Assurance Review External Validation

Presentation

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** June 5, 2024

**Committee:** Finance and Audit Committee

**Presentation:** Quality Assurance and Improvement Program Update

**Presented by:** Vicki D. Deaton, Chief Audit Executive

## Background:

Per the University of Memphis Office of Internal Audit and Consulting Charter:

All Internal Audit activities are conducted in accordance with all state statutes relative to Internal Audit and Audit Committees. In addition, the state statutes require that Internal Audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) mandatory guidance, which includes the Definition of Internal Auditing, Core Principles for the Practice of Internal Audit, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

The IIA's mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance.

A Quality Assurance and Improvement Program includes ongoing internal monitoring, periodic internal assessments, and external quality assessments. A quality assessment evaluates compliance with the *Standards*, the definition of internal auditing, the core principles, the Code of Ethics, the internal audit & audit committee charters, the organization's governance, risk and control assessment, and the use of successful practices.

The last external quality assessment performed for the UofM audit activity was in 2019. Since then, the UofM Office of Internal Audit and Consulting completed an internal self-assessment in 2022 and an internal self-assessment in May, 2024. An external quality assessment is planned for this summer. Independent reviewers have been identified for the external quality assessment team.

They are:

Team Lead - Blayne Clements, CIA, CFE, CRMA

Chief Audit Officer, Austin Peay State University

Blayne has led or participated in the following IIA Quality Assurance and Improvement Program assessments.

- University of Memphis, 2019 – team lead;
- Austin Peay State University, self-assessment in 2018 and 2023;
- Nevada System of Higher Education, 2015 and 2021;
- Ivy Tech Community College, 2012;
- Tennessee Board of Regents, self-assessments (20 institutions) 2008 and 2013;

Team Member – Jacqueline Struckmeyer, CPA

Director of Internal Audit, Tennessee Board of Regents

Jacqueline has participated in the following IIA Quality Assurance and Improvement Program assessments.

- Austin Peay State University, self-assessment in 2013;
- Tennessee Board of Regents, self-assessments (20 institutions) 2023

### **Certifications**

CFE: Certified Fraud Examiner

CIA: Certified Internal Auditor

CPA: Certified Public Accountant

CRMA: Certification in Risk Management Assurance

The results of the external quality assessment will be shared with the Finance and Audit Committee when completed.



## 8. Approval of FY2024 Audit Plan

For Approval

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

## Report For Approval

**Date:** June 5, 2024  
**Committee:** Finance and Audit Committee  
**Report Title:** Review and Approval of Proposed FY2025 Internal Audit Plan  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

### Synopsis:

The Proposed FY2025 Internal Audit Plan for the University is presented for review and approval by the Finance and Audit Committee. Finance and Audit Committee approval of the Internal Audit Plan is required by the "State of Tennessee Audit Committee Act of 2005" (TCA 4-35-101 thru 108), the University of Memphis Finance and Audit Committee Charter, and the University of Memphis Office of Internal Audit & Consulting Charter.

**Background Information – Proposed FY2025 Audit Plan**

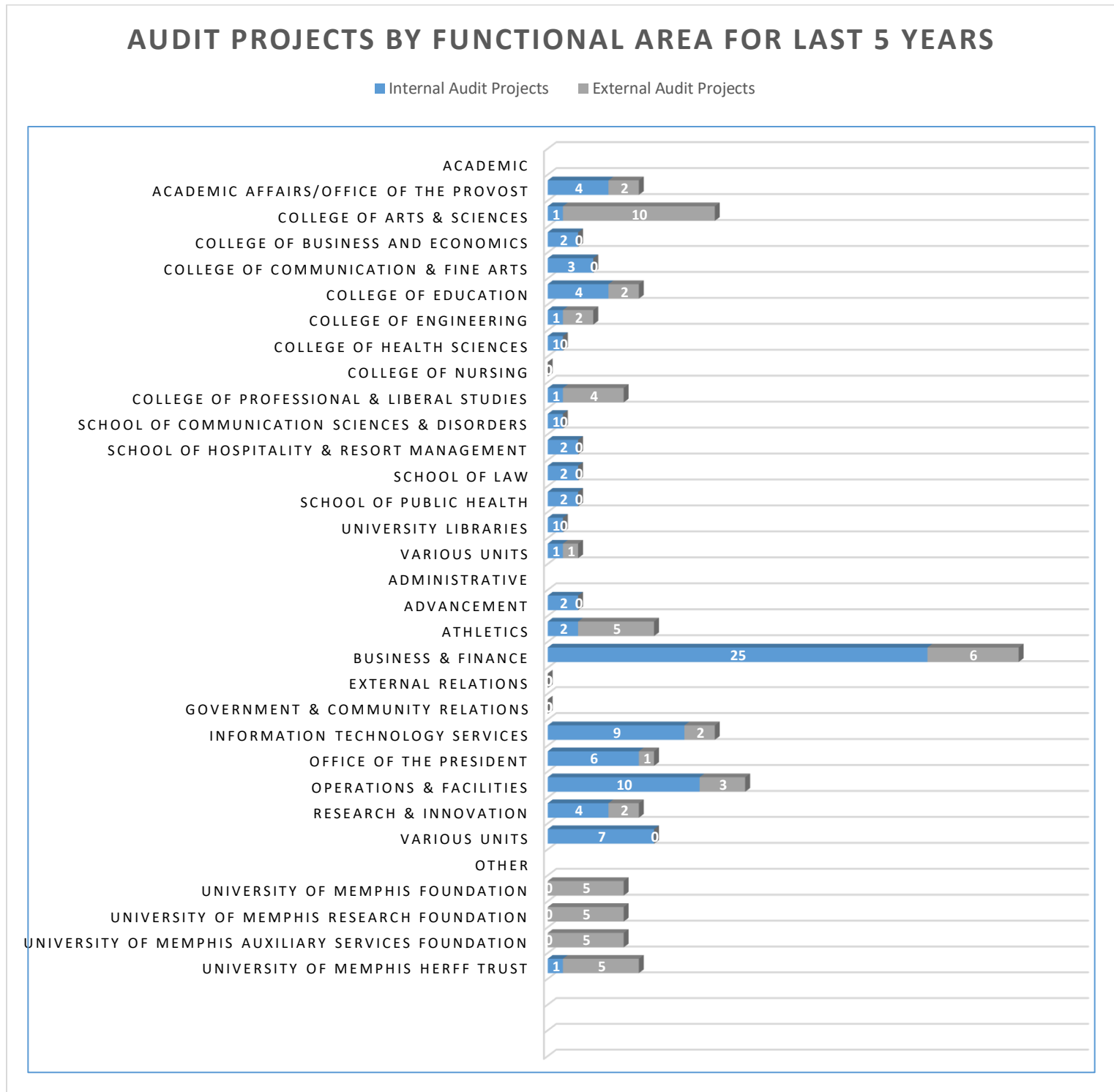
In higher education, the audit universe is normally categorized by the following functional areas:

- Academic
- Administrative
- Other

At the University of Memphis, the 3 functional areas include the following 27 audit entities:

Academic	Administrative	Other
<ul style="list-style-type: none"><li>•Academic Affairs/Office of the Provost</li><li>•College of Arts &amp; Sciences</li><li>•College of Business &amp; Economics</li><li>•College of Communication &amp; Fine Arts</li><li>•College of Education</li><li>•College of Engineering</li><li>•College of Health Sciences</li><li>•College of Nursing</li><li>•College of Professional &amp; Liberal Studies</li><li>•School of Communication Sciences and Disorders</li><li>•School of Hospitality &amp; Resort Management</li><li>•School of Law</li><li>•School of Public Health</li><li>•University Libraries</li></ul>	<ul style="list-style-type: none"><li>•Advancement</li><li>•Athletics</li><li>•Business &amp; Finance</li><li>•External Relations</li><li>•Government &amp; Community Relations</li><li>•Information Technology Services</li><li>•Office of the President</li><li>•Operations &amp; Facilities</li><li>•Research &amp; Innovation</li></ul>	<ul style="list-style-type: none"><li>•University of Memphis Foundation</li><li>•University of Memphis Research Foundation (including the wholly-owned subsidiary, UMRF Ventures Inc.)</li><li>•University of Memphis Auxiliary Services Foundation</li><li>•University of Memphis Herff Trust</li></ul>

The chart below shows audit projects performed by Internal Audit or an outside entity in the 27 UofM audit entities.



Besides the University of Memphis Office of Internal Audit and Consulting, the following entities perform audits, investigations, reviews, agreed-upon procedures, or assessments at the UofM.

TN Comptroller of the Treasury Division of State Audit
TN Comptroller of the Treasury Division of Investigations
TN Comptroller of the Treasury Information Systems Audits
TN Comptroller of the Treasury Performance Audits
Various State of TN Departments and Agencies
Various State of TN Departments for Sponsored Program Review
Various Federal Agencies for Sponsored Program Review
Internal Revenue Service
External Legal Experts
External Certified Public Accounting Firms
External Environmental Auditors
External Subject Matter Experts

In Tennessee governmental entities, internal audit plans are comprised of risk-based audits, required audits, special requests, and investigations. The risk-based portion, (about 65%) of the FY2025 Proposed Audit Plan, is in part derived from current higher education risk and audit guidance, consideration of the University's goals, vision, and mission, and Internal Audit's risk evaluation. The plan also includes required projects and activities, projects carried over or deferred from the prior year, and time for investigations, consulting, and follow up of past audit issues. University management were also given the opportunity to provide input for the Proposed FY2025 Audit Plan.

Audit resources are budgeted based on actual resource allocation in prior years. Below is the budgeted resource allocation by type of activity for the last 2 years and the upcoming year.

Budgeted Allocation of Internal Audit Resources		FY2023	FY2024	FY2025
Audits		66%	60%	54%
Follow Up of Audit Issues		5%	8%	6%
Investigations		5%	10%	20%
Consulting/Advisory Role		12%	10%	10%
Audit Committee Projects & Administration		<u>12%</u>	<u>12%</u>	<u>10%</u>
Total		100%	100%	100%

The annual audit plan may be impacted and revised during the year due to changing risk factors and special requests from management. Any significant changes to the plan will be reviewed and approved by the Finance and Audit Committee.

54%	<b><u>Audits</u></b> <b><u>Risk Based Audits</u></b> <p>Graduate School Financial and Compliance Audit (this will include reviewing international student recruitment contracts)</p> <p>University Student Travel Expense Review</p> <p>University Development Audit</p> <p>Housing &amp; Residence Life Audit</p> <b><u>Risk Based Information Technology Projects</u></b> <p>IT Security Review - Department TBD</p> <b><u>Audits Required by Statutes</u></b> <p>Annual audit of President's expenses</p> <p>New IIA Global Internal Audit Standards Gap Analysis</p> <b><u>Prior Year Audit Project Completion</u></b>  <b><u>Audits Requested by Management</u></b> <p>NACHA - WEB Transactions Data Security Audit</p> <p>Report of Action on FY2023 Financial Statement Audit Finding</p> <p>State Audit FY2024 Year End Work (cash and inventory work for State Auditors at year end for external audit)</p>
6%	<b><u>Follow-up of Past Audit Issues</u></b> <p>Internal Audit issues identified in past audits and as required by state statute</p>
20%	<b><u>Investigations/Participation on Complaint Triage Team</u></b>
10%	<b><u>Consulting and Advisory Role</u></b> <p>Special Audit Requests, Consulting Projects, Assistance to Legal Counsel, Attorney Client Projects (as requested by Management)</p> <p>Advisory Role (advisory role on various committees and miscellaneous inquiries for assistance during the year)</p>
10%	<b><u>Audit Committee Projects &amp; Administration</u></b>
100%	

## 9. Annual Report of Grievance Activities - Support Staff Only

Presentation

Presented by Vicki Deaton

## The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** June 5, 2024

**Committee:** Finance and Audit Committee

**Report Title:** Annual Report of Grievance Activities – Support Staff Only

**Presented by:** Vicki D. Deaton, Chief Audit Executive

**Background:**

According to Policy HR5052, Grievance Process and Conflict Resolution, the University is committed to providing a process for non-exempt support staff to seek prompt resolution to grievances without fear, restraint, interference, discrimination or reprisal.

As required by TCA 49-8-117 the University of Memphis *“shall provide an annual report to the education committee of the senate and the education committee of the house of representatives summarizing grievance activities of the previous year.”*

The grievance activity reports provided for review cover the periods of FY2023 (July 1, 2022 through June 30, 2023) as well as FY2024 to date (July 1, 2023 through May 1, 2024), and includes the grievances status and resolutions.

**The University of Memphis**  
**Annual Report Summarizing Grievance Activities-Support Staff Only**  
**July 1, 2022 – June 30, 2023**

**Grievances filed**

Termination for cause.....	3
Suspension without pay.....	0
Demotion.....	0
Work assignments.....	0
Work conditions.....	0
Uncategorized.....	0
Total.....	3

**Grievances resolved before reaching the hearing step**

Appeal of Termination.....	2
Workplace Conditions.....	0
Total.....	2

**Grievances for which a hearing was conducted**

Appeal of Terminations .....	1
Suspension.....	0
Total.....	1

**Grievances with pending status**

Terminations.....	0
Sexual Harassment.....	0
Work Conditions.....	0
Total.....	0

**Grievances Closed**

Appeal of Termination.....	3
Suspension.....	0
Work Conditions .....	0
Dismissed .....	0
Total.....	3

**The University of Memphis**  
**Annual Report Summarizing Grievance Activities-Support Staff Only**  
**July 1, 2023 – May 01, 2024**

**Grievances filed**

Termination for cause.....	0
Suspension without pay.....	0
Demotion.....	0
Work assignments.....	0
Work conditions.....	0
Uncategorized.....	0
Total.....	0

**Grievances resolved before reaching the hearing step**

Appeal of Termination.....	0
Workplace Conditions.....	0
Total.....	0

**Grievances for which a hearing was conducted**

Appeal of Terminations .....	0
Suspension.....	0
Total.....	0

**Grievances with pending status**

Terminations.....	0
Sexual Harassment.....	0
Work Conditions.....	0
Total.....	0

**Grievances Closed**

Appeal of Termination.....	0
Suspension.....	0
Work Conditions .....	0
Dismissed .....	0
Total.....	0

## 10. FY25 Budget Update

For Approval

Presented by Rene Bustamante

# The University of Memphis Board of Trustees

## Agenda Item

**Date:** June 5, 2024

**Committee:** Finance and Audit

**Item:** FY2024-25 Proposed Budget,  
FY2023-24 Estimated Budget

**Recommendation:** Approval

**Presented by:** Rene Bustamante, Chief Operating and Financial Officer

### Background:

**Budget Control Policy** (UM 1768) recognizes budgeting as the process whereby the plans of an institution are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars, for a given period. This policy also recognizes that a budget is a plan and circumstances may necessitate revisions or changes from time to time. In view of this, we will submit budgets for approval three times each fiscal year. At this time, both the FY2024-25 Proposed budget and FY2023-24 Estimated budget are presented for consideration.

The **Proposed Budget** is prepared in the spring for implementation each fiscal year on July 1. This budget is based on the level of state funds recommended in the Governor's proposed budget as well as early estimates of factors such as enrollment projections, proposed revenue changes and research activities. The **Proposed Budget** is submitted to the Board for approval prior to the start of the subsequent fiscal year which includes the FY2025 Compensation Plans.

The final budget submitted for each fiscal year is the **Estimated Budget**. This budget includes carryforward balances from prior years that represent available resources at the departmental level. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year. The **Estimated Budget** also includes final adjustments to the current year budget and is the budget against which final year-end actual amounts are compared. It is prepared, submitted, and considered by the Board at the same time as the **Proposed Budget** for the upcoming fiscal year.

### Committee Recommendation:

The Finance and Audit Committee met June 5, 2024, and recommended approval of the FY2023-24 Estimated Budget and the FY2024-25 Proposed Budget and assumptions as presented in the meeting materials.



# *Final Operating Budget for Fiscal Year 2024 Proposed Operating Budget for Fiscal Year 2025*

*Finance & Audit Committee*

*Rene Bustamante*

Executive Vice President & Chief Financial Officer

June 5, 2024  
Lambuth



JUNE 2024

- Budget Overview
- FY25 Proposed Budget
- FY24 Estimated (Final) Budget
- FY25 Compensation Strategy

## Revenue Budget Components

- State Appropriations
- Tuition Revenues
  - Enrollment changes
  - Tuition Rate (THEC FY25 Binding Range 0% - 5.5%)

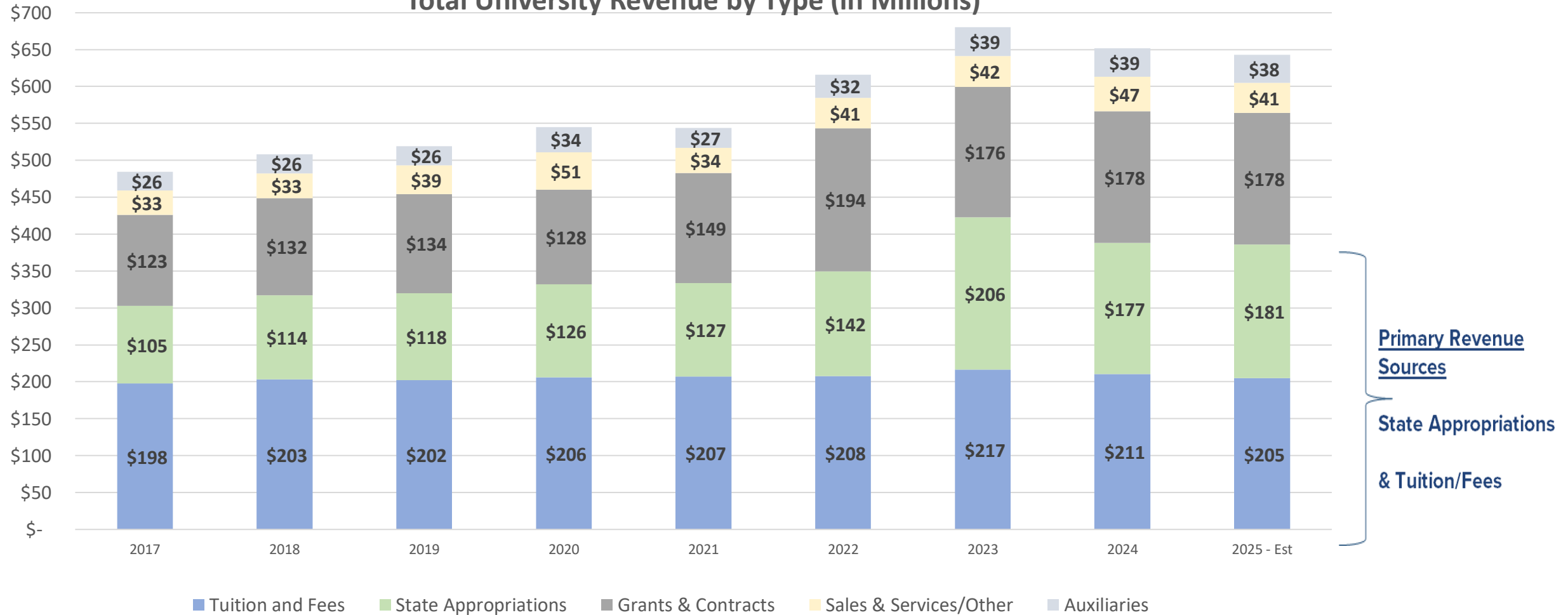
# University Revenue Growth



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Trustees

Total University Revenue by Type (in Millions)



FY22 & FY23 Grants & Contracts increases include COVID federal funds  
 FY23 Revised Budget includes \$50M one time state appropriation for Carnegie Endowment  
 Revised budget includes one-time tuition adjustments for international enrollment growth

# FY25 State Appropriations

FY25 Governor’s Budget – Recurring State Appropriations	
State Appropriation – Operating Increase	\$1,892,000
Salary Increase Pool <sup>1</sup> (3%)	4,525,500
Health Insurance & Retirement Increases	1,636,600
Outcomes Formula Adjustment	1,958,600
<b>Net Recurring State Appropriations</b>	<b>\$10,012,700</b>

FY25 Expenses	
Salary Increase Cost – State Portion – 2%	\$4,525,500
Salary Increase Cost – UofM Portion – 2%	613,500
Health Insurance & Retirement Increases	1,636,600
STEM Building Operations & Maintenance	700,000
<b>Total Expenses</b>	<b>\$7,475,500</b>
Remaining after Expenses	\$2,537,200

FY25 Governor’s Budget Capital Maintenance – One Time State Appropriations	
Re-roof Engineering Technology & Life Sciences	\$3,300,000
<b>Net Capital Maintenance State Appropriations</b>	<b>\$3,300,000</b>

FY25 Amended Governor’s Budget Special – One Time State Appropriations	
Safety & Security funds	\$ 5,488,000

FY25 Governor’s Budget Capital Projects – One Time State Appropriations	
Research Modernization – did not receive funding	\$ -
<b>Net Capital Projects State Appropriations</b>	<b>\$ -</b>

## THEC Binding Tuition Ranges

- The Focus Act (TCA 49.7.1601) requires Tennessee Higher Education Commission (THEC) make student fee and state appropriation recommendations concurrently.
- Numerous factors impact the tuition recommendation, including student affordability and financial aid, institutional revenues and cost inflation factors.
- Efforts to mitigate the financial effect on students: UofM has implemented multiple tuition & fee structure changes to keep the overall cost of education as low as possible for our Tennessee resident students while remaining competitive with our national peers
- UofM has funded tuition & fee restructures with FY22 and FY20 Tuition increases, no new revenues to allocate
- Implemented Campus wide budget reductions in FY21 & FY24

Fiscal Year	THEC Binding Range	UofM Increase (Tuition & Mandatory Fees)
FY25 (Proposed)	0.0% - 5.5%	<b>3.71%</b>
FY24	0.0% - 3.0%	2.86%
FY23	0%	-
FY22	0.0% - 2.0%	1.45%
FY21	0.0% - 2.0%	-
FY20	0.0% - 2.5%	2.18%
FY19	0.0% - 3.0%	-

# FY25 Proposed Budget

## The FY25 Proposed budget was developed with the following assumptions:

- State Appropriation changes from the Governor's Budget (\$10.0M)
- 0% tuition increase (Any approved tuition increases will be incorporated in the FY25 October Budget)
- Projected decline in first time freshmen due to less first-time freshmen applicants and higher admissions standards efforts
- 2% Salary pool & benefit increases
  - Distributed by function and salary classification in the general orgs
  - Salary Pool to be updated and distributed Campus wide once approved

# Proposed (Recurring) Budget Comparison

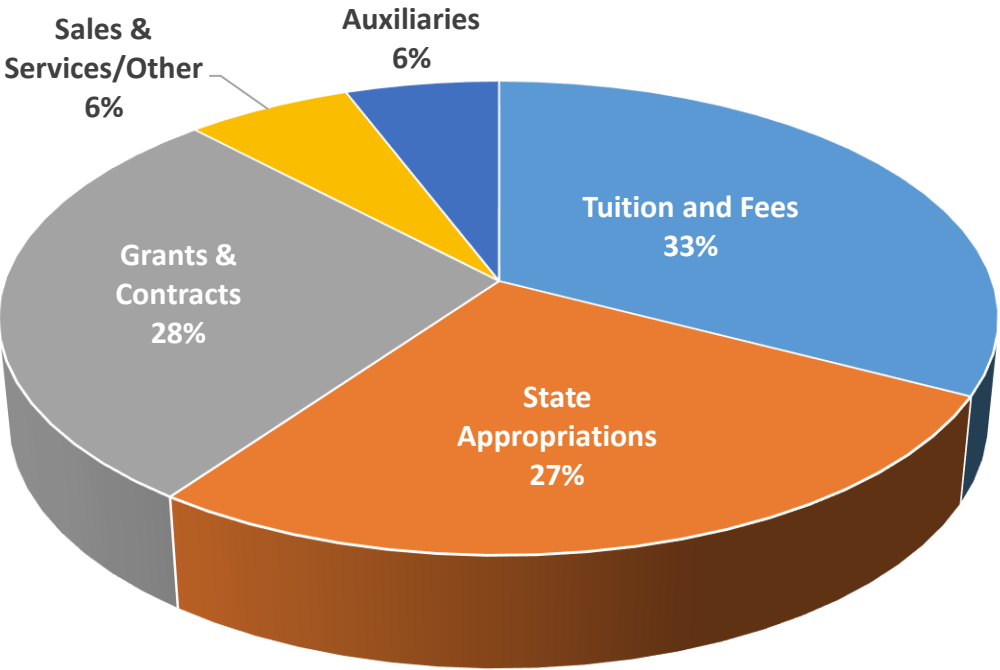
University of Memphis  
FY24 & FY25 Proposed Revenue & Expenditure Budget

	Proposed FY 2024	Proposed FY 2025	Variance	
<b><u>Revenues</u></b>				
Educational & General				
Tuition and Fees	\$ 209,503,500	\$ 206,718,300	\$ (2,785,200)	-1.3%
State Appropriations	171,065,600	177,707,600	6,642,000	3.9%
Unrestricted Grants, Contracts, & Gifts	31,669,300	33,033,800	1,364,500	4.3%
Sales and Services	34,315,800	34,767,500	451,700	1.3%
Other	3,284,000	3,284,000	-	0.0%
Total Educational & General	449,838,200	455,511,200	5,673,000	1.3%
Auxiliary	37,002,600	36,961,700	\$ (40,900)	-0.1%
Restricted	154,594,100	152,115,500	(2,478,600)	-1.6%
Finance and Audit Committee				
Total Revenues	\$ 641,434,900	\$ 644,588,400	\$ 3,153,500	0.5%

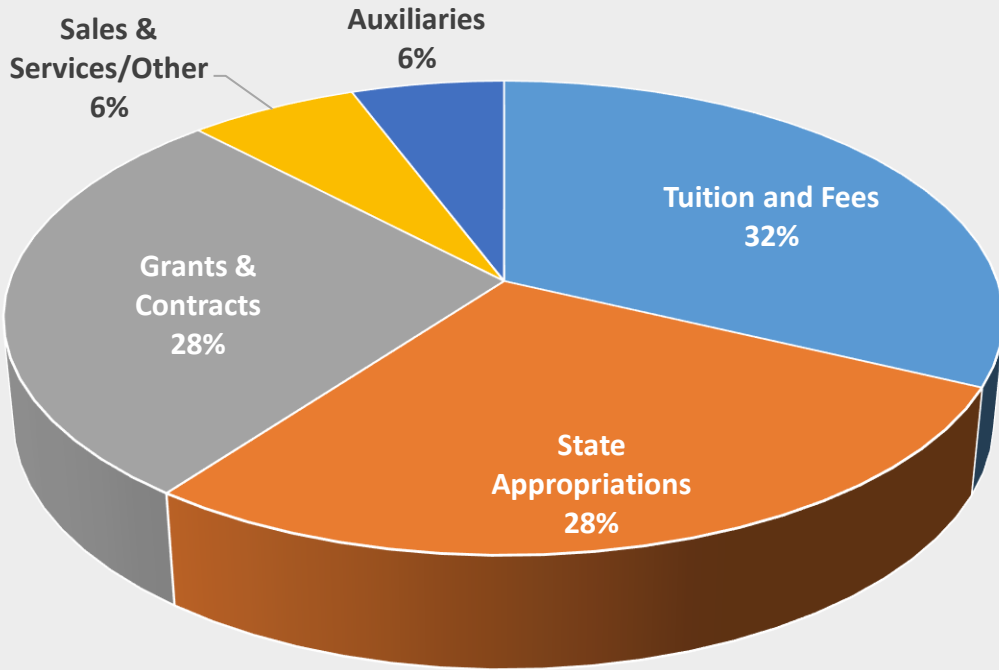
# Revenue Comparison

## FY25 Proposed to FY24 Proposed Budget

FY2024 Proposed Unrestricted and Restricted Revenue Total  
\$641.4M



FY2025 Proposed Unrestricted and Restricted Revenue Total  
\$644.6M



# Proposed (Recurring) Budget Comparison

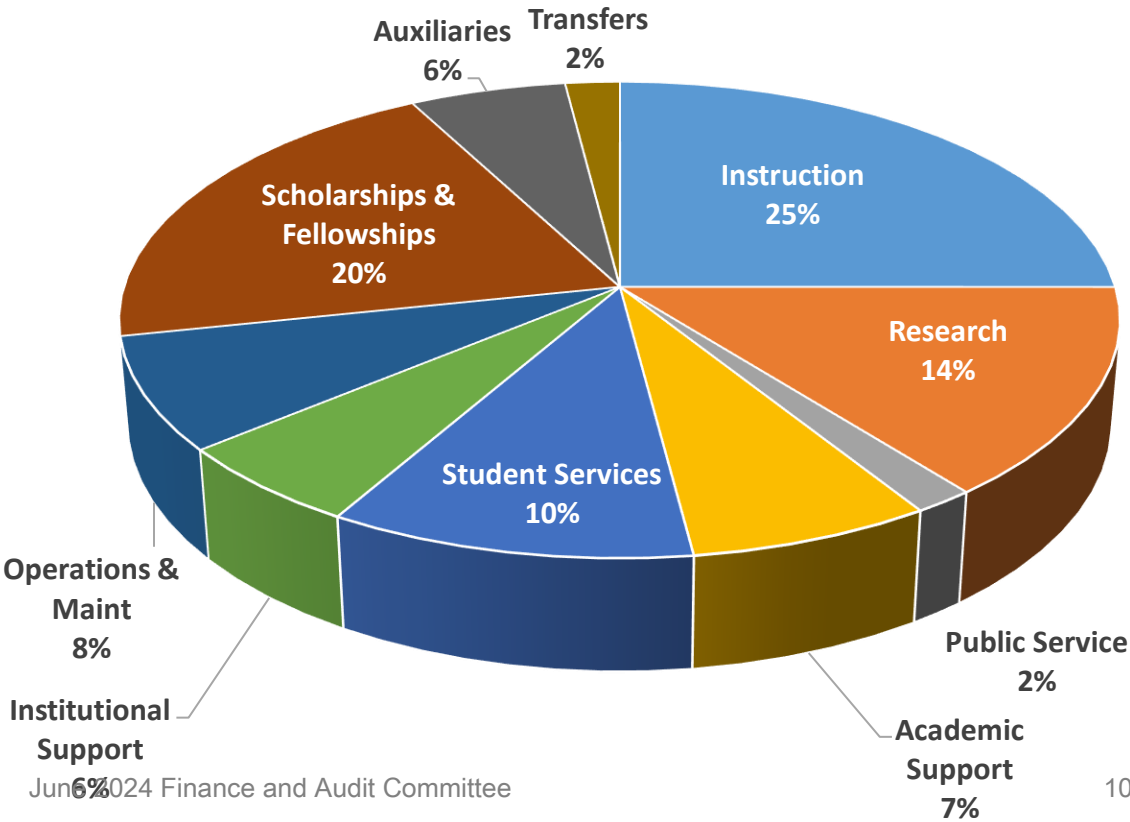
University of Memphis  
FY24 & FY25 Proposed Revenue & Expenditure Budget

	Proposed FY 2024	Proposed FY 2025	Variance	
<b><u>Expenditures</u></b>				
Educational & General				
Instruction	\$ 157,954,600	\$ 154,181,900	\$ (3,772,700)	-2.4%
Research	52,371,700	54,783,600	2,411,900	4.6%
Public Services	4,691,300	4,628,700	(62,600)	-1.3%
Academic Support	43,850,100	46,315,900	2,465,800	5.6%
Student Services	58,663,800	65,691,000	7,027,200	12.0%
Institutional Support	35,580,500	37,634,300	2,053,800	5.8%
Operation & Maintenance	48,969,900	46,093,300	(2,876,600)	-5.9%
Scholarships & Fellowships	34,845,900	32,964,700	(1,881,200)	-5.4%
Transfers	12,910,400	13,217,800	307,400	2.4%
Total Educational & General	449,838,200	455,511,200	5,673,000	1.3%
Auxiliary	37,002,600	36,961,700	\$ (40,900)	-0.1%
Restricted	154,594,100	152,115,500	(2,478,600)	-1.6%
<b>Total Expenditures and Transfers</b>	<b>\$ 641,434,900</b>	<b>\$ 644,588,400</b>	<b>\$ 3,153,500</b>	<b>0.5%</b>

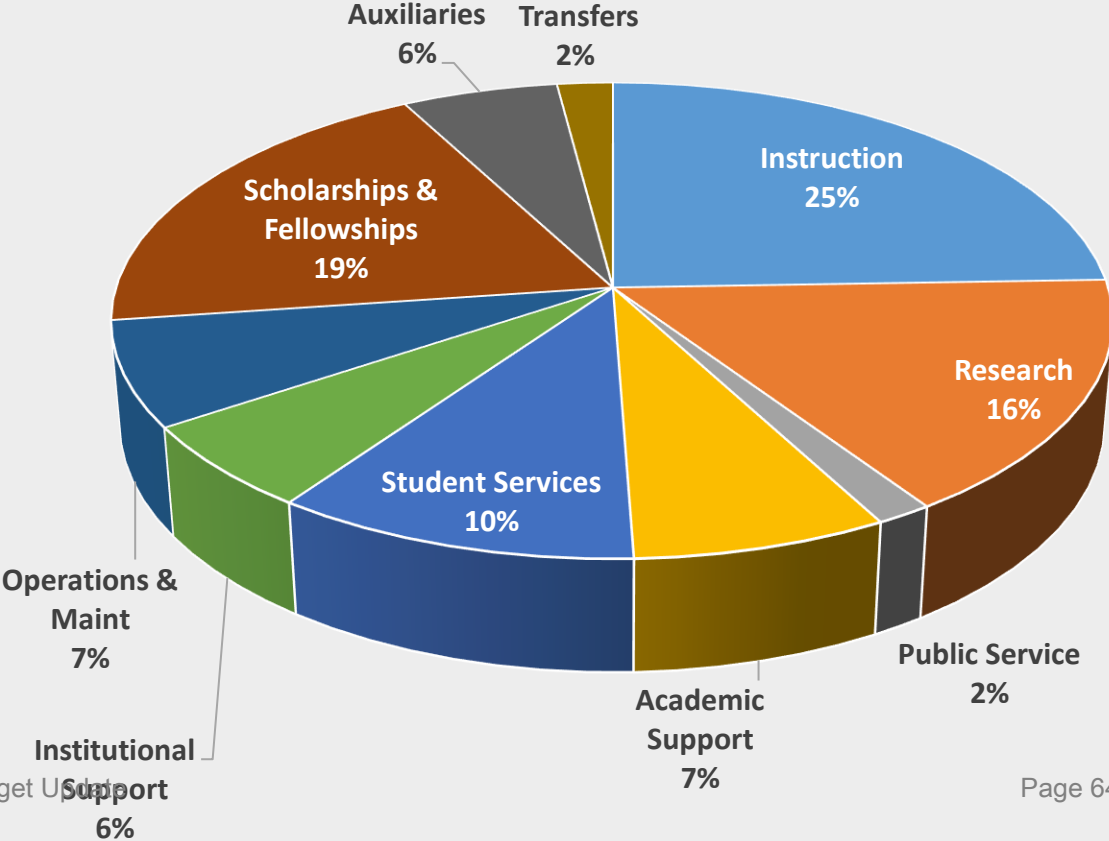
# Expenditure Comparison

## FY25 Proposed to FY24 Proposed Budget

FY2024 Proposed Unrestricted and Restricted Expense Total  
\$641.4M



FY2025 Proposed Unrestricted and Restricted Expense Total  
\$644.6M



# FY24 Estimated Budget

# Revised to Estimated Budget Comparison

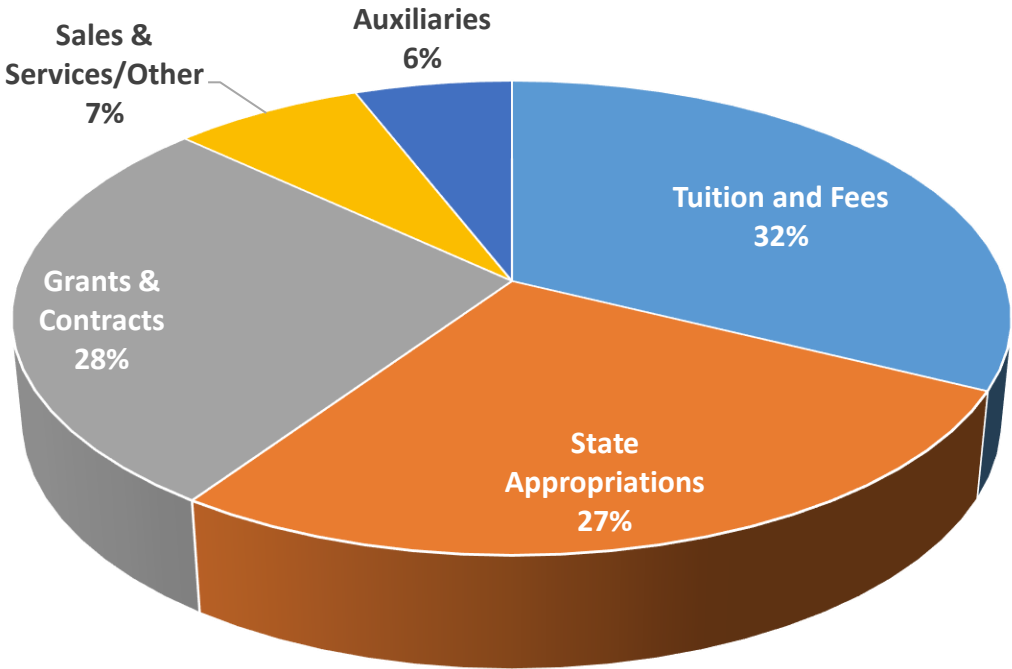
## University of Memphis Revised FY24 & Estimated FY24 Revenue & Expenditure Budget

	Revised FY 2024	Estimated FY 2024	Variance	
<b><u>Revenues</u></b>				
Educational & General				
Tuition and Fees	\$ 210,531,100	211,257,900	\$ 726,800	0.3%
State Appropriations	173,959,500	173,959,500	-	0.0%
Unrestricted Grants, Contracts, & Gifts	31,986,100	33,528,900	1,542,800	4.8%
Sales and Services	38,063,000	38,415,100	352,100	0.9%
Other	5,814,000	9,654,000	3,840,000	66.0%
Total Educational & General	460,353,700	466,815,400	6,461,700	1.4%
Auxiliary	38,473,500	40,891,200	2,417,700	6.3%
Restricted	152,771,100	151,271,100	(1,500,000)	-1.0%
<b>Total Revenues</b>	<b>\$ 651,598,300</b>	<b>\$ 658,977,700</b>	<b>\$ 7,379,400</b>	<b>1.1%</b>

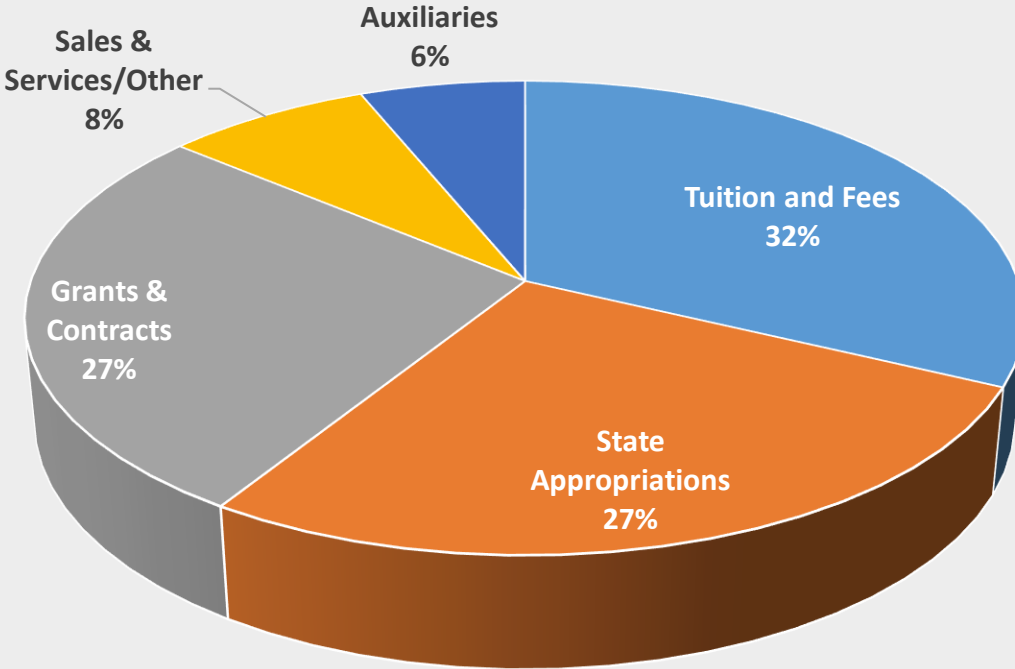
# Revenue Comparison

## FY24 Revised Budget to FY24 Estimated

FY2024 Revised Unrestricted and Restricted Revenue Total  
\$651.6M



FY2024 Estimated Unrestricted and Restricted Revenue Total  
\$659.0M



# Revised to Estimated Budget Comparison



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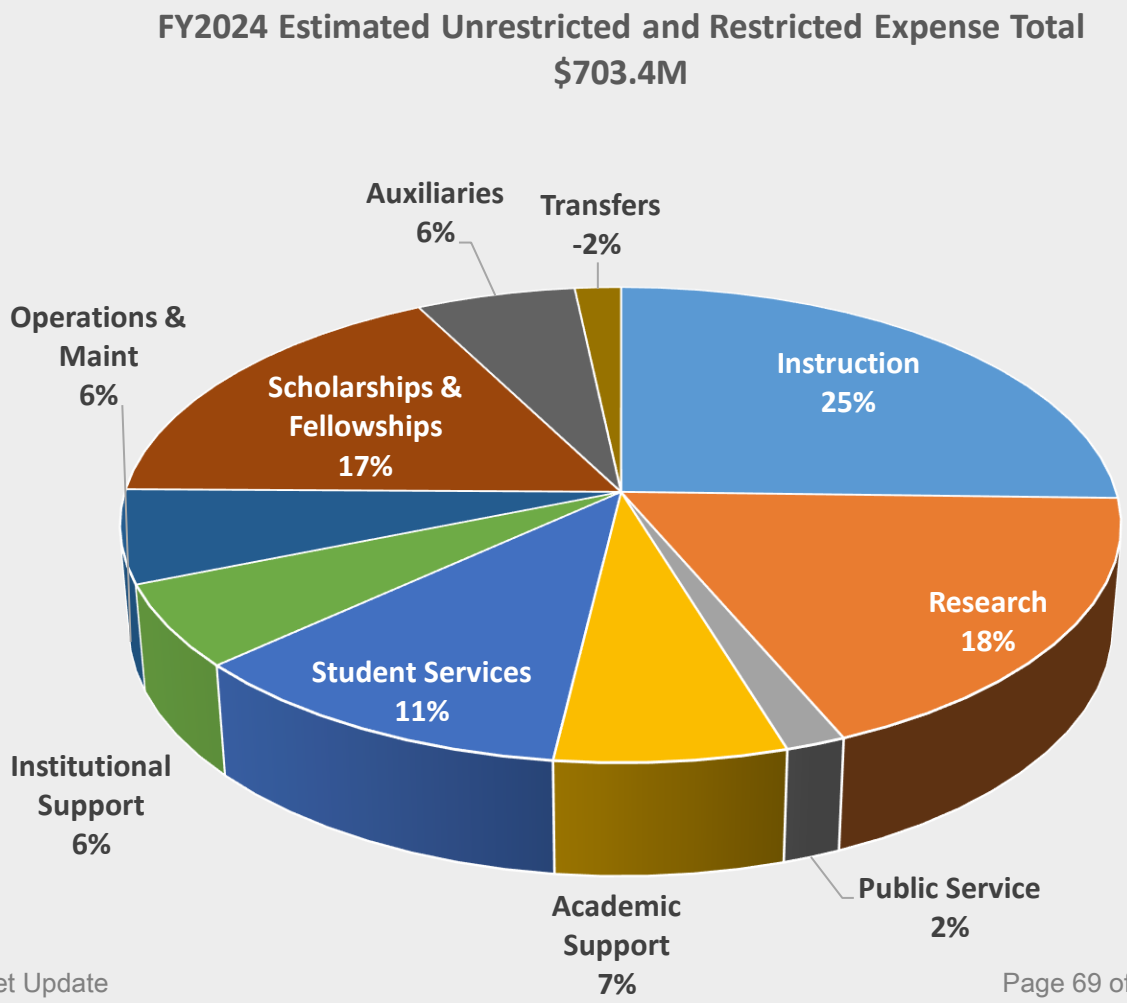
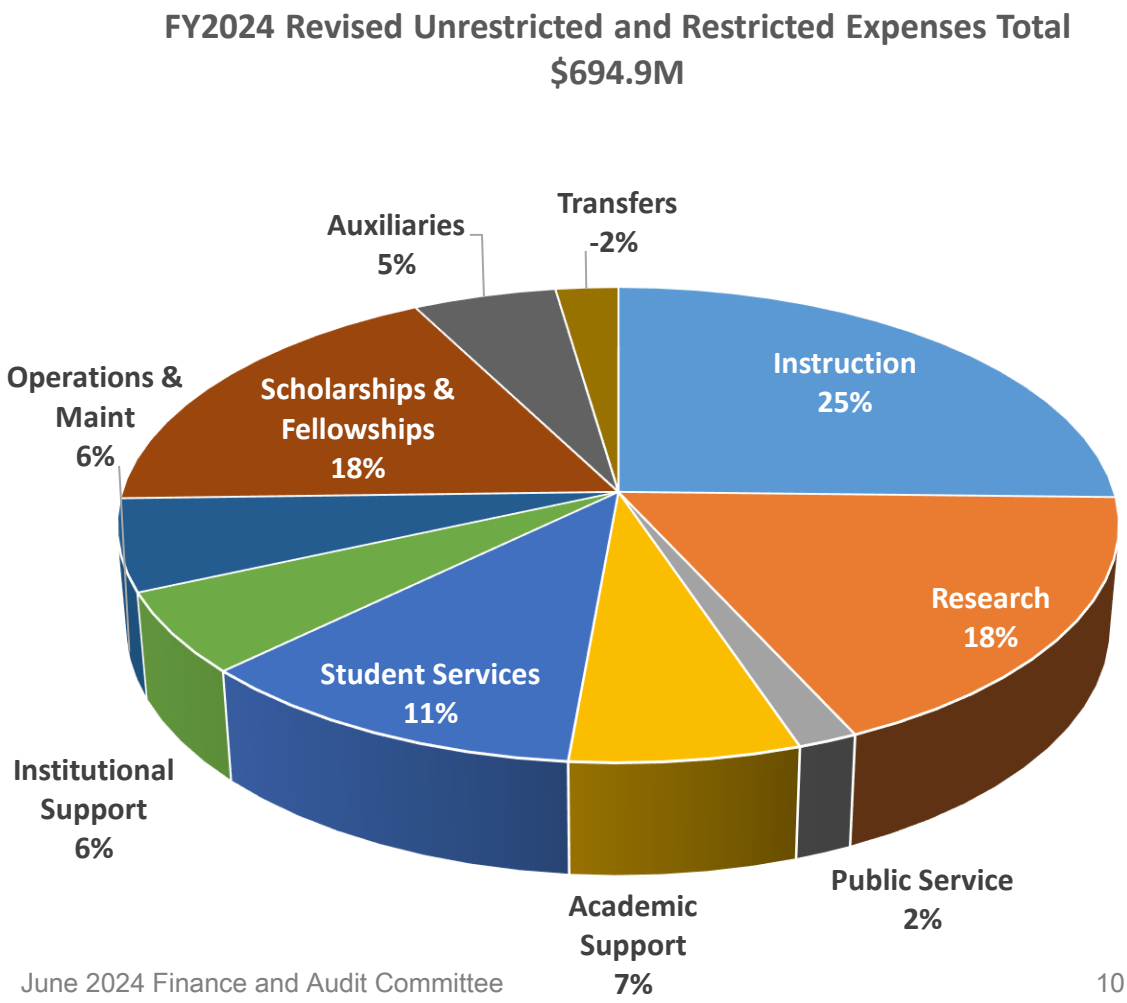
Board of  
Trustees

## University of Memphis Revised FY24 & Estimated FY24 Revenue & Expenditure Budget

	Revised FY 2024	Estimated FY 2024	Variance	
<u>Expenditures</u>				
Educational & General				
Instruction	\$ 181,296,700	\$ 181,539,400	\$ 242,700	0.1%
Research	81,749,200	83,460,800	1,711,600	2.1%
Public Services	6,655,200	6,728,900	73,700	1.1%
Academic Support	47,135,400	47,447,500	312,100	0.7%
Student Services	81,328,600	81,271,000	(57,600)	-0.1%
Institutional Support	40,226,700	40,888,200	661,500	1.6%
Operation & Maintenance	45,450,100	46,060,400	610,300	1.3%
Scholarships & Fellowships	36,669,000	34,359,800	(2,309,200)	-6.3%
Transfers	(16,827,900)	(12,388,700)	4,439,200	-26.4%
Total Educational & General	503,683,000	509,367,300	5,684,300	1.1%
Auxiliary	38,473,500	42,728,400	\$ 4,254,900	11.1%
Restricted	152,771,100	151,271,100	(1,500,000)	-1.0%
Total Expenditures and Transfers	\$ 694,927,600	\$ 703,366,800	\$ 8,439,200	1.2%

# Expenditure Comparison

## FY24 Revised Budget to FY24 Estimated



# FY 2025

## Compensation Strategy

- Three percent (3%) salary pool was approved by the Legislature and partially funded by State Appropriations
- Effective July 1, 2024
- For Higher Education, the salary pool is to be distributed at the discretion of each institution

# Salary Pool Recommendation

## Governor’s Budget

Cost of 3% Salary Pool	State Funding *	Additional funding needed
\$7,400,000	\$4,525,500	\$2,874,500

\* Traditionally, the State funds approximately 55% of the funding required for a salary increase. The remaining 45% needs to be funded through other University resources (i.e., Tuition Increase, Reallocation of Recurring Budget, State Appropriations)

## University’s Recommendation

Cost of 2% Salary Pool	State Funding *	Additional funding needed
\$5,139,000	\$4,525,500	\$613,500

- **FY24 Final Estimated Budget**
- **FY25 Proposed Operating Budget**

# Questions

# **FY2024-25 Proposed Budget and FY2023-24 Estimated Budget**

## Executive Summary

The **Proposed Budget** is prepared in the spring for implementation each fiscal year on July 1. This budget is based on the level of state funds recommended in the Governor's proposed budget, as well as early estimates of factors such as enrollment projections, proposed tuition increases and research activities. This budget is considered the University's base (recurring) budget and is a balanced budget (revenues = expenditures). The **Proposed Budget** is submitted to the Board for approval prior to the start of the subsequent fiscal year.

### The FY25 Proposed Budget was prepared with the following assumptions:

- State Appropriations as recommended in the Governor's Budget passed in May.
- Zero Tuition Increases (Any approved FY25 Tuition increases will be incorporated into the FY25 October Budget)
- Projected decline in first time freshmen due to less first-time freshmen applicants & higher admissions standards efforts
- FY25 salary pool & benefit increases distributed by function and classification in the general orgs for distribution once approved.

The University of Memphis FY2025 proposed budget revenues total \$644.6M. This total reflects revenue increases of \$3.2M from the FY2024 proposed budget approved June 2023.

FY2025 v FY2024 Proposed Budget Total Revenues by Fund Type (\$ Millions)				
Fund Type	2024	2025	Variance	
			\$	%
Educational & General (E&G)	\$ 449.8	\$ 455.5	\$ 5.7	1.3%
Auxiliary Units	37.0	37.0	-	(0.1%)
<b>Total Unrestricted</b>	<b>\$ 486.8</b>	<b>\$ 492.5</b>	<b>\$ 5.7</b>	<b>1.2%</b>
Restricted (Gifts, Grants, and Contracts)	154.6	152.1	(2.5)	(1.6%)
<b>Total Unrestricted and Restricted</b>	<b>\$ 641.4</b>	<b>\$ 644.6</b>	<b>\$ 3.2</b>	<b>0.5%</b>

### Unrestricted E&G Revenues

Unrestricted Education and General funds (E&G) support the core operations of the university: instruction, research, public service, academic support, student services, institutional support, facilities operations, maintenance, scholarships, and fellowships. These operations are funded primarily through tuition, student fees, state appropriations, and other sources including gifts, grants/contracts, sales and services, and other miscellaneous revenues.

The E&G revenue increases from FY24 Proposed Budget to FY25 Proposed Budget is a result of:

- \$6.6M Proposed FY25 State appropriation increases of \$10M offset by the FY24 \$5.4M Safety & Security funding one-time funds and increased Insurance Premium funding recorded in Oct Revised Budget
- -\$2.8M Tuition & Fee decrease is due to the net impact of FY24 Tuition & Fee Increases, FY25 Enrollment Decline Projections, as well as declines in Commercial Aviation fees & TNeCampus revenues
- \$1.3M Increase primarily due to University Campus Schools contract adjustments & establishing 3<sup>rd</sup> year of the High School

### **Auxiliaries & Restricted**

Auxiliaries are self-supporting enterprises, which furnish services to students, faculty, and staff, such as housing, bookstore, parking, and food services. There was no material change in Auxiliary revenues

**Restricted funds** must be used in accordance with purposes established by an external party, primarily grants, contracts, gift funds and endowments. The restricted budget decreased by \$2.5M and is related to elimination of Federal stimulus funding and anticipated increases in various grant activities.

### **Estimated (Final) Budget**

The final budget submitted for each fiscal year is the ***Estimated Budget***. This budget includes carryforward balances from prior years that represents available resources at the departmental level. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year. The Estimated budget also includes final adjustments to the current year budget and is the budget against which final year-end actual amounts are compared. It is prepared, submitted, and considered by the Board of Trustees at the same time as the ***Proposed Budget*** for the upcoming fiscal year.

The FY2024 estimated operating budget reflects changes that have occurred since the revised budget was finalized in fall 2023. Estimated total revenues are \$659.0M, an overall 1.1% increase over the revised budget.

<b>FY2024 Revised v Estimated Budget Total Revenues by Fund Type (\$ Millions)</b>				
			<b>Variance</b>	
<b>Fund Type</b>	<b>Revised</b>	<b>Estimated</b>	<b>\$</b>	<b>%</b>
Educational & General (E&G)	\$ 460.3	\$ 466.8	\$ 6.5	1.4%
Auxiliary Units	38.5	40.9	2.4	6.3%
<b>Total Unrestricted</b>	<b>\$ 498.8</b>	<b>\$ 507.7</b>	<b>\$ 8.9</b>	<b>1.8%</b>
Restricted (Gifts, Grants, and Contracts)	152.8	151.3	(1.5)	(1.0%)
<b>Total Unrestricted and Restricted</b>	<b>\$ 651.6</b>	<b>\$ 659.0</b>	<b>\$ 7.4</b>	<b>1.1%</b>

- Educational and General (E&G) revenue increases of \$6.5M is primarily a result of increased earnings on University Investments, Spring Tuition & Fee enrollment changes and Departmental UofM Foundation Gift revenues processed after the October budget as well as increases in unrestricted Grant & Contract revenues
- Auxiliary revenues increased by \$2.4M as a result of an increase in Tiger Smart book rental activities & adjustments for Meal Plans, Housing & Parking to reflect actuals
- Restricted revenues were adjusted to reflect FY24 actual grant activity

# **Proposed 2024-25 Operating Budget**

**University of Memphis**  
**FY24 & FY25 Proposed Revenue & Expenditure Budget**

	Proposed FY 2024	Proposed FY 2025	Variance	
<b><u>Revenues</u></b>				
Educational & General				
Tuition and Fees	\$ 209,503,500	\$ 206,718,300	\$ (2,785,200)	-1.3%
State Appropriations	171,065,600	177,707,600	6,642,000	3.9%
Unrestricted Grants, Contracts, & Gifts	31,669,300	33,033,800	1,364,500	4.3%
Sales and Services	34,315,800	34,767,500	451,700	1.3%
Other	3,284,000	3,284,000	-	0.0%
Total Educational & General	449,838,200	455,511,200	5,673,000	1.3%
Auxiliary	37,002,600	36,961,700	\$ (40,900)	-0.1%
Restricted	154,594,100	152,115,500	(2,478,600)	-1.6%
<b>Total Revenues</b>	<b>\$ 641,434,900</b>	<b>\$ 644,588,400</b>	<b>\$ 3,153,500</b>	<b>0.5%</b>
<b><u>Expenditures</u></b>				
Educational & General				
Instruction	\$ 157,954,600	\$ 154,181,900	\$ (3,772,700)	-2.4%
Research	52,371,700	54,783,600	2,411,900	4.6%
Public Services	4,691,300	4,628,700	(62,600)	-1.3%
Academic Support	43,850,100	46,315,900	2,465,800	5.6%
Student Services	58,663,800	65,691,000	7,027,200	12.0%
Institutional Support	35,580,500	37,634,300	2,053,800	5.8%
Operation & Maintenance	48,969,900	46,093,300	(2,876,600)	-5.9%
Scholarships & Fellowships	34,845,900	32,964,700	(1,881,200)	-5.4%
Transfers	12,910,400	13,217,800	307,400	2.4%
Total Educational & General	449,838,200	455,511,200	5,673,000	1.3%
Auxiliary	37,002,600	36,961,700	\$ (40,900)	-0.1%
Restricted	154,594,100	152,115,500	(2,478,600)	-1.6%
<b>Total Expenditures and Transfers</b>	<b>\$ 641,434,900</b>	<b>\$ 644,588,400</b>	<b>\$ 3,153,500</b>	<b>0.5%</b>

The FY25 Proposed Budget is balanced and within available resources.

University of Memphis  
Variance Recap of FY24 & FY25 Proposed Revenue & Expenditure Budget

**Revenue Change from FY24 Proposed to FY25 Proposed Budget**

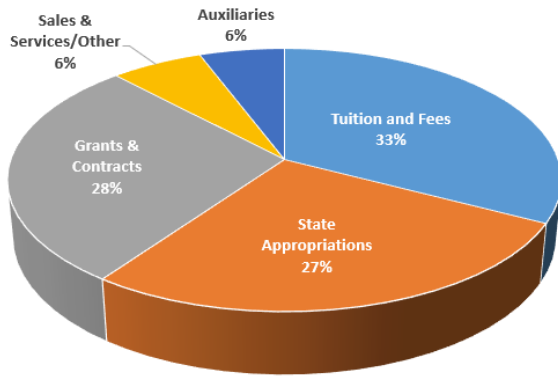
Tuition and Fees	\$ (2,785,200)	Decrease is net of FY24 Tuition & Fee Increases, FY25 Enrollment Decline Projections, declines in Commercial Aviation fees & TNeCampus revenues
State Appropriations	6,642,000	Net impact of the FY24 \$5.4M one time Safety & Security appropriation and FY25 State appropriations increases to include Outcomes funding, Salary pool, and Health Insurance increases
Unrestricted Gifts & Grants/Contracts	1,364,500	Increase is primarily due to the Campus School structure for the Elementary School, Middle School, and establishing Year 3 of the High School. Reclassified CSD clinic revenue which moved from unrestricted contract revenues to sales and services
Sales and Services	451,700	Reclassified CSD clinic revenue which moved from unrestricted contract revenues to sales and services
Other	-	No change
Auxiliary	(40,900)	Align various auxiliary revenues for enrollment projections and contract changes
Restricted Grants and Contracts	(2,478,600)	Decrease is related to elimination of Federal stimulus funding and anticipated increases in various grant activities.
<b>Total Revenue Change</b>	<b>\$ 3,153,500</b>	

**Expenditure Change from FY24 Proposed to FY25 Proposed Budget**

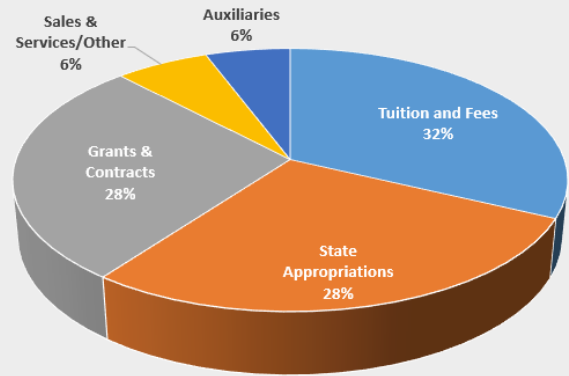
Instruction	\$ (3,772,700)	Decrease is net of distribution of the planned FY25 Salary Pool, associated benefit changes, Faculty Research splits and FY24 SRI Budget allocations distributed across campus
Research	2,411,900	Increase primarily due to new Faculty Research Effort process, also includes distribution of the planned FY25 Salary Pool, and associated benefit increases, and FY24 SRI Budget allocations
Public Service	(62,600)	Net of distribution for the planned FY25 Salary Pool, associated benefit increases, and the reduction in operations for Conference Events
Academic Support	2,465,800	Increase is due to the planned FY25 Salary Pool, associated benefit increases, FY24 SRI Budget allocations; and increases to the Campus School's agreements for Elementary and Middle School operations and Year 3 of High School
Student Services	7,027,200	Primarily distribution of the planned FY25 Salary Pool, associated benefit increases, New Student Affairs Division and FY24 SRI Budget allocations
Institutional Support	2,053,800	Primarily distribution of the planned FY25 Salary Pool, associated benefit increases, and FY24 SRI Budget allocations
Operation & Maintenance	(2,876,600)	Decrease is primarily due to the reversal of the \$5.5m Safety & Security one time state support, distribution of the FY25 Salary Pool & benefit increases; and FY24 budget allocations which includes investments related to Safety & Security
Scholarships and Fellowships	(1,881,200)	Adjusted budget to anticipated scholarship levels for FY25
Transfers	307,400	Renewal & Replacement alignment for University Campus Schools
Auxiliary	(40,900)	Align various auxiliary revenues for enrollment projections and contract changes
Restricted Grants and Contracts	(2,478,600)	Decrease is related to elimination of Federal stimulus funding and anticipated increases in various grant activities.
<b>Total Expenditure Change</b>	<b>\$ 3,153,500</b>	

Revenues remain consistent across categories except for a slight change in Tuition & Fee revenues and State Appropriations

**FY2024 Proposed Unrestricted and Restricted Revenue Total  
\$641.4M**

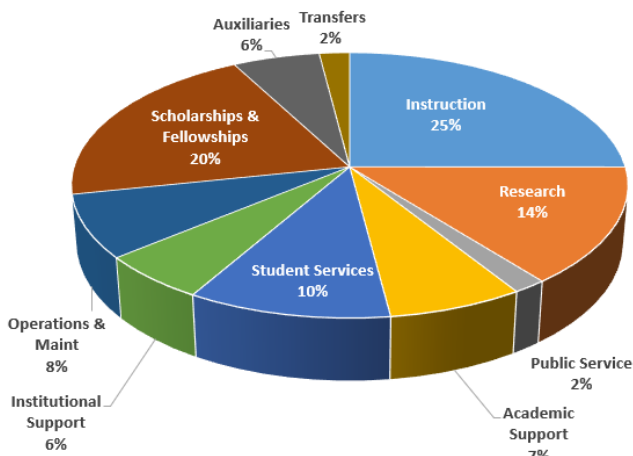


**FY2025 Proposed Unrestricted and Restricted Revenue Total  
\$644.6M**

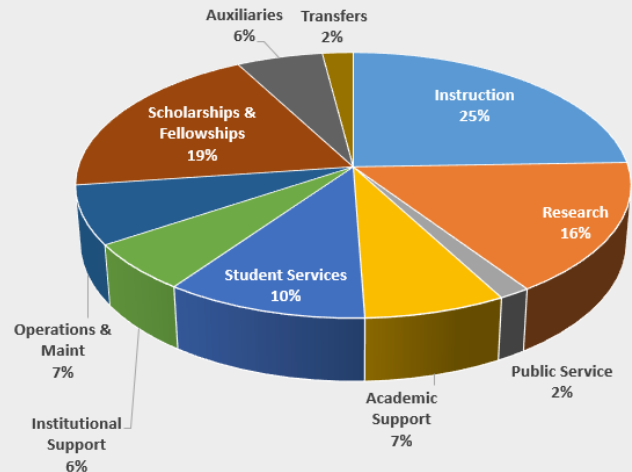


Expenditures are budgeted across the nine functional areas shown in the two charts below. Spending by function continues to remain consistent from prior year, except for increases in Research activities, reductions in Scholarships budgets based on award levels and a decrease Maintenance & Operations budget due to elimination of the \$5.4M Safety & Security State one time appropriation incorporated in the prior year FY24 July Proposed budget.

**FY2024 Proposed Unrestricted and Restricted Expense Total  
\$641.4M**



**FY2025 Proposed Unrestricted and Restricted Expense Total  
\$644.6M**



# **Estimated (Final)**

## **2023-24**

### **Operating Budget**

**University of Memphis**  
**Revised FY24 & Estimated FY24 Revenue & Expenditure Budget**

	Revised FY 2024	Estimated FY 2024	Variance	
<b><u>Revenues</u></b>				
Educational & General				
Tuition and Fees	\$ 210,531,100	211,257,900	\$ 726,800	0.3%
State Appropriations	173,959,500	173,959,500	-	0.0%
Unrestricted Grants, Contracts, & Gifts	31,986,100	33,528,900	1,542,800	4.8%
Sales and Services	38,063,000	38,415,100	352,100	0.9%
Other	5,814,000	9,654,000	3,840,000	66.0%
Total Educational & General	460,353,700	466,815,400	6,461,700	1.4%
Auxiliary	38,473,500	40,891,200	2,417,700	6.3%
Restricted	152,771,100	151,271,100	(1,500,000)	-1.0%
<b>Total Revenues</b>	<b>\$ 651,598,300</b>	<b>\$ 658,977,700</b>	<b>\$ 7,379,400</b>	<b>1.1%</b>
<b><u>Expenditures*</u></b>				
Educational & General				
Instruction	\$ 181,296,700	\$ 181,539,400	\$ 242,700	0.1%
Research	81,749,200	83,460,800	1,711,600	2.1%
Public Services	6,655,200	6,728,900	73,700	1.1%
Academic Support	47,135,400	47,447,500	312,100	0.7%
Student Services	81,328,600	81,271,000	(57,600)	-0.1%
Institutional Support	40,226,700	40,888,200	661,500	1.6%
Operation & Maintenance	45,450,100	46,060,400	610,300	1.3%
Scholarships & Fellowships	36,669,000	34,359,800	(2,309,200)	-6.3%
Transfers	(16,827,900)	(12,388,700)	4,439,200	-26.4%
Total Educational & General	503,683,000	509,367,300	5,684,300	1.1%
Auxiliary	38,473,500	42,728,400	\$ 4,254,900	11.1%
Restricted	152,771,100	151,271,100	(1,500,000)	-1.0%
<b>Total Expenditures and Transfers</b>	<b>\$ 694,927,600</b>	<b>\$ 703,366,800</b>	<b>\$ 8,439,200</b>	<b>1.2%</b>

\*The Revised Expenditure Budget includes all unrestricted resources available including current year revenues as well as one-time activities and resources available from prior year operations.

University of Memphis  
Variance Recap of **FY24 Revised** & **FY24 Estimated** Revenue & Expenditure Budget

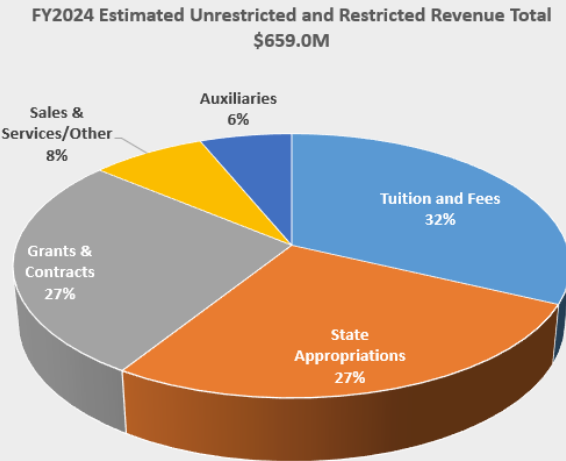
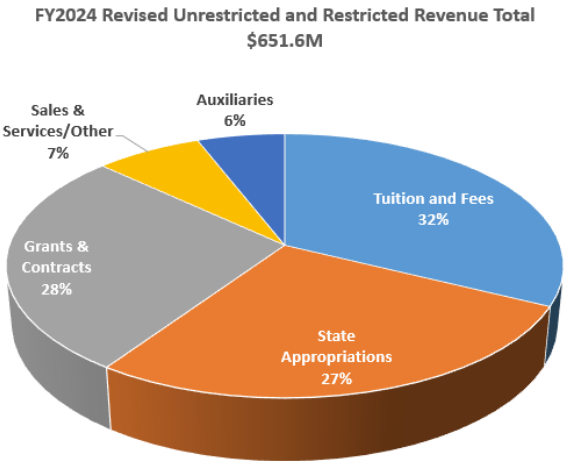
**Revenue Change from FY24 Revised to FY24 Estimated Budget (see Revenue recap for detail)**

Tuition and Fees	\$ 726,800	Increase is due to Tuition & Fee adjustments for Spring enrollment as well as changes in commercial aviation program, TNeCampus & general university fees
State Appropriations	-	No Change
Unrestricted Gifts & Grants/Contracts	1,542,800	Increase is due to Departmental UofM Foundation Gift revenues processed after the October budget and increases in Grant & Contract revenues
Sales and Services	352,100	Increase due to Departmental revenue adjustments
Other	3,840,000	Increase in Investment revenues due to market rates
Auxiliary	2,417,700	Increase in Tiger Smart book rental activities & adjustments for Meal Plans, Housing & Parking to reflect actuals
Restricted Grants and Contracts	(1,500,000)	Revenue adjustments to reflect current year Scholarship & Grant Activities
<b>Total Revenue Change</b>	<b>\$ 7,379,400</b>	

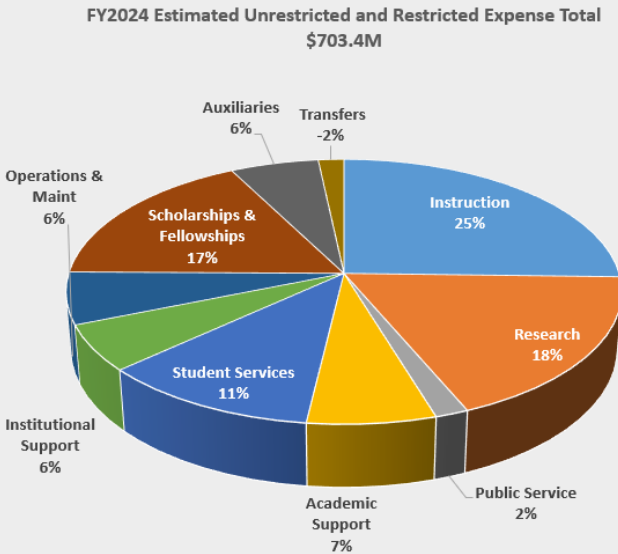
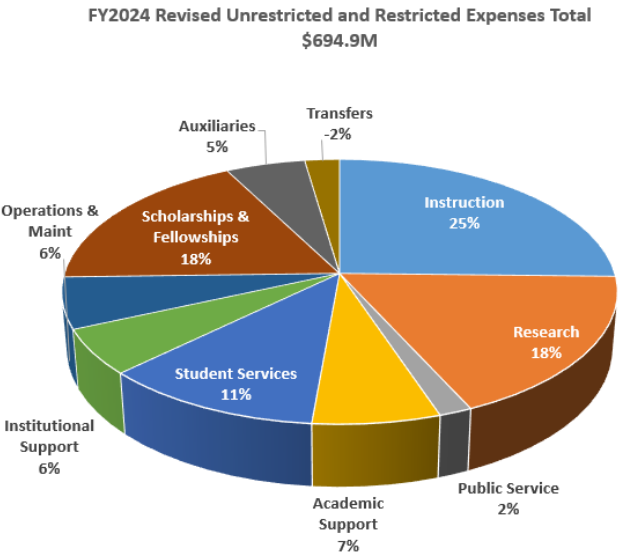
**Expenditure Change from FY24 Revised to FY24 Estimated Budget**

Instruction	\$ 242,700	Net of budget allocations distributed after October Budget; Faculty Research Effort Change adjustments; Faculty salary splits to grants & research, UM Foundation support for departmental operations & benefit reallocations based on staffing levels
Research	1,711,600	Faculty salary splits from instruction, one-time cost shares / startup funds, allocated funds for Carnegie R1 initiatives, UM Foundation support for departmental operations and benefit reallocations based on staffing levels
Public Service	73,700	Net of budget allocations processed after October budget, FIT activities, and benefit reallocations based on staffing levels
Academic Support	312,100	Increase in budget allocations for GA expenditures, computer allocations and benefit reallocation based on staffing levels
Student Services	(57,600)	Decrease is net of budget allocations processed after the October budget, UM Foundation support for departmental operations, Salary lapse sweeps and benefit reallocations based on staffing levels
Institutional Support	661,500	Net of budget allocations processed after October budget, salary lapse sweeps and benefit reallocations based on staffing levels
Operation & Maintenance	610,300	Net of budget allocations processed after October budget, salary lapse sweeps and benefit reallocations based on staffing levels
Scholarships and Fellowships	(2,309,200)	Adjusted budgets to FY24 projected award levels.
Transfers	4,439,200	Increase in Unexpended Plant projects and R&R ITS Capital Planning
Auxiliary	4,254,900	Increase in Tiger Smart book rental activities & adjustments for Meal Plans, Housing & Parking to reflect actuals and a transfer to Plant funds
Restricted Grants and Contracts	(1,500,000)	Revenue adjustments to reflect current year Scholarship & Grant Activities
<b>Total Expenditure Change</b>	<b>8,439,200</b>	

The FY24 Estimated budgets are within available resources and comply with all applicable policies and guidelines. This budget includes all funds available including current year revenues as well as one-time activities and resources available from prior year operations. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year.



In the Estimated budget, spending by function remains consistent with slight decrease in Scholarships based on award activities.



\* Athletics is included in Student Services function.



# 11. FY25 Tuition and Fees Recommendation

For Approval

Presented by Rene Bustamante

# The University of Memphis Board of Trustees

Recommendation

For Approval

**Date:** June 5, 2024

**Committee:** Finance and Audit Committee

**Recommendation:** FY25 Tuition and Mandatory Fee Increases

**Presented by:** Rene Bustamante, Executive Vice President / Chief Operating and Financial Officer

## Background:

The University must evaluate certain criteria when considering an increase in tuition and mandatory fees. Those criteria include:

- Level of state support.
- Tennessee Higher Education Commission (THEC) binding tuition & mandatory fee ranges
- Total cost of attendance.
- Efforts to mitigate the financial effect on students.
- Other factors affecting the university's financial stability such as projected student enrollment, university enrollment goals, and critical priorities & values as defined in the University strategic plan

Staff has outlined the current year assessment of these criteria as follows:

- **Level of state support** – THEC based tuition models on a core Consumer Price Index of 4.0 percent and flat enrollment. THEC did not include a salary allocation in their request for new state operating revenues. The inflation factor for UofM equates to an appropriation increase of \$1.9 million. The University is also responsible for approximately 45% of the Salary Pool proposed by the State.
- **Tennessee Higher Education Commission (THEC) binding tuition & mandatory fee ranges** – Under the FOCUS Act, THEC now sets a binding range each year in which institutions can increase undergraduate in-state tuition, as well as a binding range for the combined undergraduate in-state tuition plus mandatory fees. For 2024-25, THEC approved both of these ranges at 0.0% – 5.5% at their Spring Commission meeting.
- **Total cost of attendance** – Tuition and mandatory fees at UofM continue to be comparable to other public institutions of higher education in the state. For FY24, undergraduate tuition and fees increased by 2.86 percent. UofM is right at the statewide average rate for tuition and fees, which can be seen in the schedules below.

- **Efforts to mitigate the financial effect on students** – UofM has taken numerous steps over the past several years to contain costs and to keep tuition as low as possible. This resulted in the UofM having the lowest average tuition increase in the State of Tennessee of 1.3% over the past 8 years, including a 0% tuition and fee increases in 3 of the past 8 years.
- **Changes in Federal and/or State legislation or compliance requirements** – Also being considered is the impact of the upcoming changes in the Fair Labor Standard Act (overtime rule).
- **Other Factors** – Considered projected FY25 student enrollment and overall enrollment goals - the University's in-state enrollment has decreased over the last two years. The University is continuing efforts and activities to grow enrollment as defined in the strategic plan.

The binding range for undergraduate in-state tuition and mandatory fees for fiscal year 2024-25 is zero to five and a half percent as enacted at the May 16, 2024, THEC meeting. UofM is proposing the following tuition and mandatory fee increases listed below:

Proposed Tuition & Mandatory Fee increase	Annual Increase		
	Instate	OOS	Int'l
Undergraduate Tuition	3.71% \$384	4.09% \$738	4.28% \$1,008
Graduate Tuition	3.69% \$460	4.02% \$680	4.21% \$900
Law Tuition	3.78% \$748	4.03% \$1,012	4.12% \$1,210

A five-year history of UofM's in-state undergraduate student tuition/maintenance and mandatory fees is presented below in comparison to Tennessee Locally Governed Institutions (LGIs) and the University of Tennessee System:

Undergraduate In State Tuition (Maintenance Fees)											
		AY19-20	% Incr	AY20-21	% Incr	AY21-22	% Incr	AY22-23	% Incr	AY23-24	% Incr
Austin Peay State University	APSU	7,044	2.3%	7,044	0.0%	7,146	1.4%	7,146	0.0%	7,356	2.9%
East Tennessee State University	ETSU	7,572	2.0%	7,572	0.0%	7,722	2.0%	7,722	0.0%	7,950	3.0%
Middle Tennessee State University	MTSU	7,554	2.4%	7,554	0.0%	7,704	2.0%	7,704	0.0%	7,908	2.6%
Tennessee State University	TSU	7,026	1.8%	7,026	0.0%	7,128	1.5%	7,128	0.0%	7,324	2.7%
Tennessee Technological University *	TN Tech	8,040	2.7%	9,060	12.7%	9,240	2.0%	9,240	0.0%	9,510	2.9%
University of Memphis	UofM	8,208	1.8%	8,208	0.0%	8,352	1.8%	8,352	0.0%	8,520	2.0%
University of Tennessee-Chattanooga **	UTC	7,836	13.8%	7,836	0.0%	7,992	2.0%	7,992	0.0%	8,232	3.0%
University of Tennessee-Knoxville	UTK	11,332	2.0%	11,332	0.0%	11,332	0.0%	11,332	0.0%	11,332	0.0%
University of Tennessee-Martin	UTM	8,214	10.0%	8,214	0.0%	8,378	2.0%	8,378	0.0%	8,546	2.0%
University of Tennessee-Southern	UTS					9,000		9,000	0.0%	9,270	3.0%
Univ. Avg		8,098		8,205		8,399		8,399		8,595	

\* TTU implemented 15/4 fee structure in 2020-21

\*\* UT Chattanooga implemented 15/4 fee structure in 2019-20. Fees shown represent the rates for incoming freshmen in the UT system.

Undergraduate Mandatory Fees											
		AY19-20	% Incr	AY20-21	% Incr	AY21-22	% Incr	AY22-23	% Incr	AY23-24	% Incr
Austin Peay State University	APSU	1,583	0.0%	1,583	0.0%	1,615	2.0%	1,615	0.0%	1,667	3.2%
East Tennessee State University	ETSU	1,919	3.5%	1,919	0.0%	1,952	1.7%	1,952	0.0%	2,000	2.5%
Middle Tennessee State University	MTSU	1,870	2.4%	1,870	0.0%	1,888	1.0%	1,888	0.0%	1,970	4.3%
Tennessee State University	TSU	1,157	4.5%	1,157	0.0%	1,207	4.3%	1,207	0.0%	1,247	3.3%
Tennessee Technological University	TN Tech	1,278	0.0%	1,278	0.0%	1,282	0.3%	1,282	0.0%	1,320	3.0%
University of Memphis	UofM	1,704	4.1%	1,704	0.0%	1,704	0.0%	1,704	0.0%	1,824	7.0%
University of Tennessee-Chattanooga	UTC	1,820	2.5%	1,820	0.0%	1,856	2.0%	1,856	0.0%	1,912	3.0%
University of Tennessee-Knoxville	UTK	1,932	1.9%	1,932	0.0%	1,912	-1.0%	1,912	0.0%	2,152	12.6%
University of Tennessee-Martin	UTM	1,534	5.1%	1,534	0.0%	1,534	0.0%	1,534	0.0%	1,662	8.3%
University of Tennessee-Southern	UTS					1,200		1,200	0.0%	1,236	3.0%

Univ. Avg	1,690			1,644				1,615				1,699
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Total Undergraduate In State Tuition and Mandatory Fees											
		AY19-20	% Incr	AY20-21	% Incr	AY21-22	% Incr	AY22-23	% Incr	AY23-24	% Incr
Austin Peay State University	APSU	8,627	1.8%	8,627	0.0%	8,761	1.6%	8,761	0.0%	9,023	3.0%
East Tennessee State University	ETSU	9,491	2.3%	9,491	0.0%	9,674	1.9%	9,674	0.0%	9,950	2.9%
Middle Tennessee State University	MTSU	9,424	2.4%	9,424	0.0%	9,592	1.8%	9,592	0.0%	9,878	3.0%
Tennessee State University	TSU	8,183	2.2%	8,183	0.0%	8,335	1.9%	8,335	0.0%	8,571	2.8%
Tennessee Technological University *	TN Tech	9,318	2.4%	10,338	10.9%	10,522	1.8%	10,522	0.0%	10,830	2.9%
University of Memphis	UofM	9,912	2.2%	9,912	0.0%	10,056	1.5%	10,056	0.0%	10,344	2.9%
University of Tennessee-Chattanooga **	UTC	9,656	11.4%	9,656	0.0%	9,848	2.0%	9,848	0.0%	10,144	3.0%
University of Tennessee-Knoxville	UTK	13,264	2.0%	13,264	0.0%	13,244	-0.2%	13,244	0.0%	13,484	1.8%
University of Tennessee-Martin	UTM	9,748	9.2%	9,748	0.0%	9,912	1.7%	9,912	0.0%	10,208	3.0%
University of Tennessee-Southern	UTS					10,200		10,200	0.0%	10,506	3.0%

Univ. Avg	9,788			9,849				10,014				10,294
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\* TTU implemented 15/4 fee structure in 2020-21

\*\* UT Chattanooga implemented 15/4 fee structure in 2019-20. Fees shown represent the rates for incoming freshmen in the UT system.

### Committee Recommendation:

For FY25, the Finance and Audit Committee recommends approval for the discontinuation of the Guaranteed Tuition rate program.

For FY25, the Finance and Audit Committee recommends approval for the proposed tuition and mandatory fee increases as presented in the meeting materials.

# *FY25 Tuition Recommendation*

## *Finance & Audit Committee*

*Rene Bustamante*

Executive Vice President & Chief Financial Officer

June 5, 2024

Lambuth



**Board *of*  
Trustees**

JUNE 2024

## **FY25 State Appropriations – limited new funding**

### **FY25 Enrollment Assumptions:**

- **Decline in First Time Freshmen and In State Populations**
  - Current estimate – revenue impact of (\$6M)
- **Decline in Summer Enrollment**
  - Current estimate – revenue impact of (\$2M)

### **FY25 Tuition/USF Increase Options (THEC Binding Range 0% - 5.5%):**

#### **Elimination of Guaranteed Tuition Plan**

# 2024-25 Tuition Increase Proposal

- Under the FOCUS Act, the Tennessee Higher Education Commission (THEC) now sets a binding range in which institutions can increase undergraduate in-state tuition, as well as a binding range for the combined undergraduate in-state tuition plus mandatory fees. At the THEC Commission meeting on May 16, 2024, a binding range of 0% - 5.5% was approved.
- As we face revenue challenges for our FY25 budget, there are several proposals we will be presenting:
  - Increase tuition between 0% - 5.5% per the THEC binding range.
  - Recommendation to eliminate the guaranteed tuition plan.

## THEC Binding Tuition Ranges

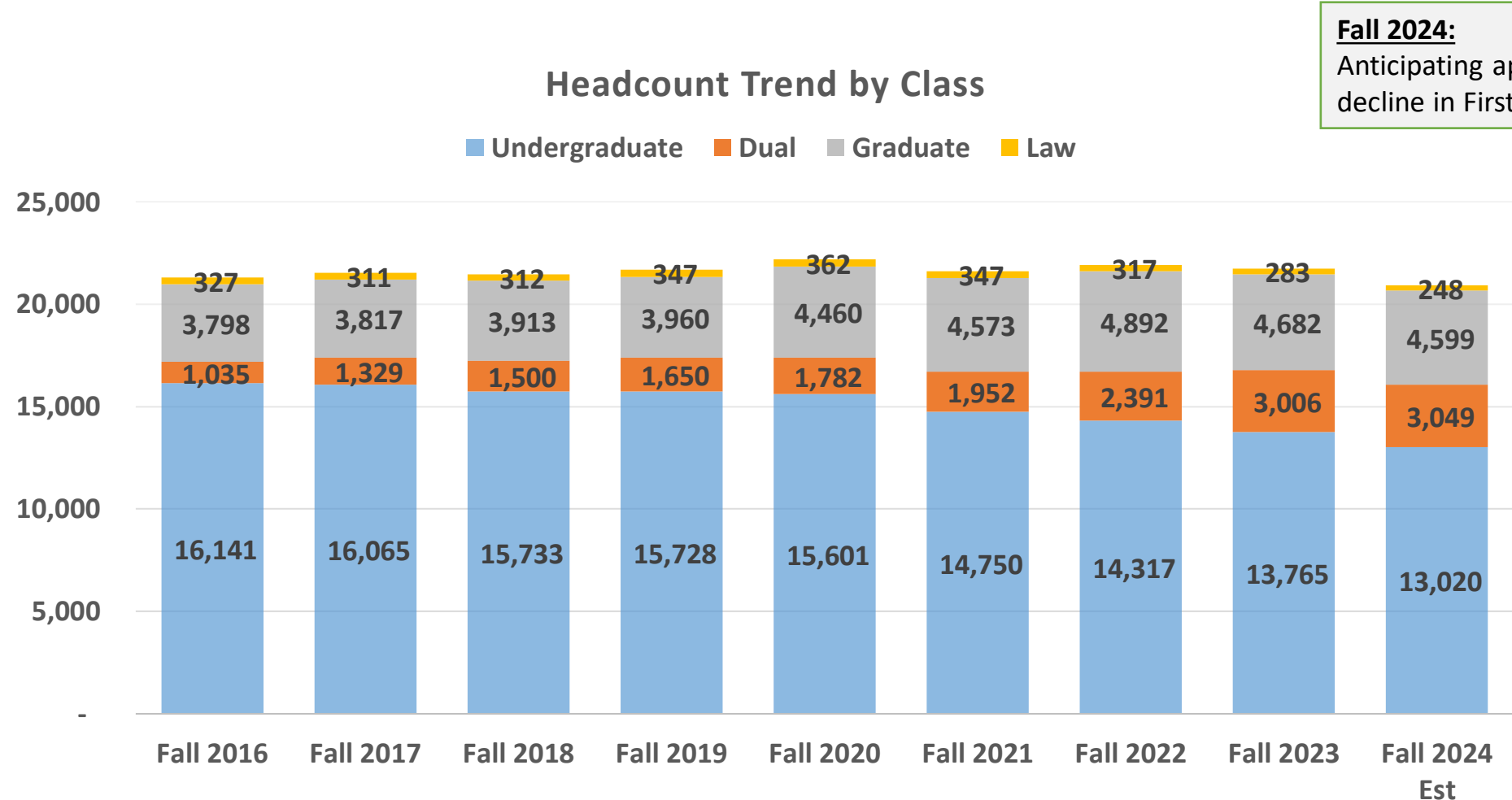
- The Focus Act (TCA 49.7.1601) requires Tennessee Higher Education Commission (THEC) make student fee and state appropriation recommendations concurrently.
- Numerous factors impact the tuition recommendation, including student affordability and financial aid, institutional revenues and cost inflation.
- Efforts to mitigate the financial effect on students: UofM has implemented multiple tuition & fee structure changes to keep overall cost of education as low as possible for our Tennessee resident students while remaining competitive with our national peers.
- UofM has funded tuition & fee restructures with FY22 and FY20 Tuition increases, no new revenues to allocate.

Fiscal Year	THEC Binding Range	UofM Increase (Tuition & Mandatory Fees)
FY25 (Proposed)	0.0% - 5.5%	<b>3.71%</b>
FY24	0.0% - 3.0%	2.86%
FY23	0%	-
FY22	0.0% - 2.0%	1.45%
FY21	0.0% - 2.0%	-
FY20	0.0% - 2.5%	2.18%
FY19	0.0% - 3.0%	-

# Statewide Instate Tuition Rates & Increases

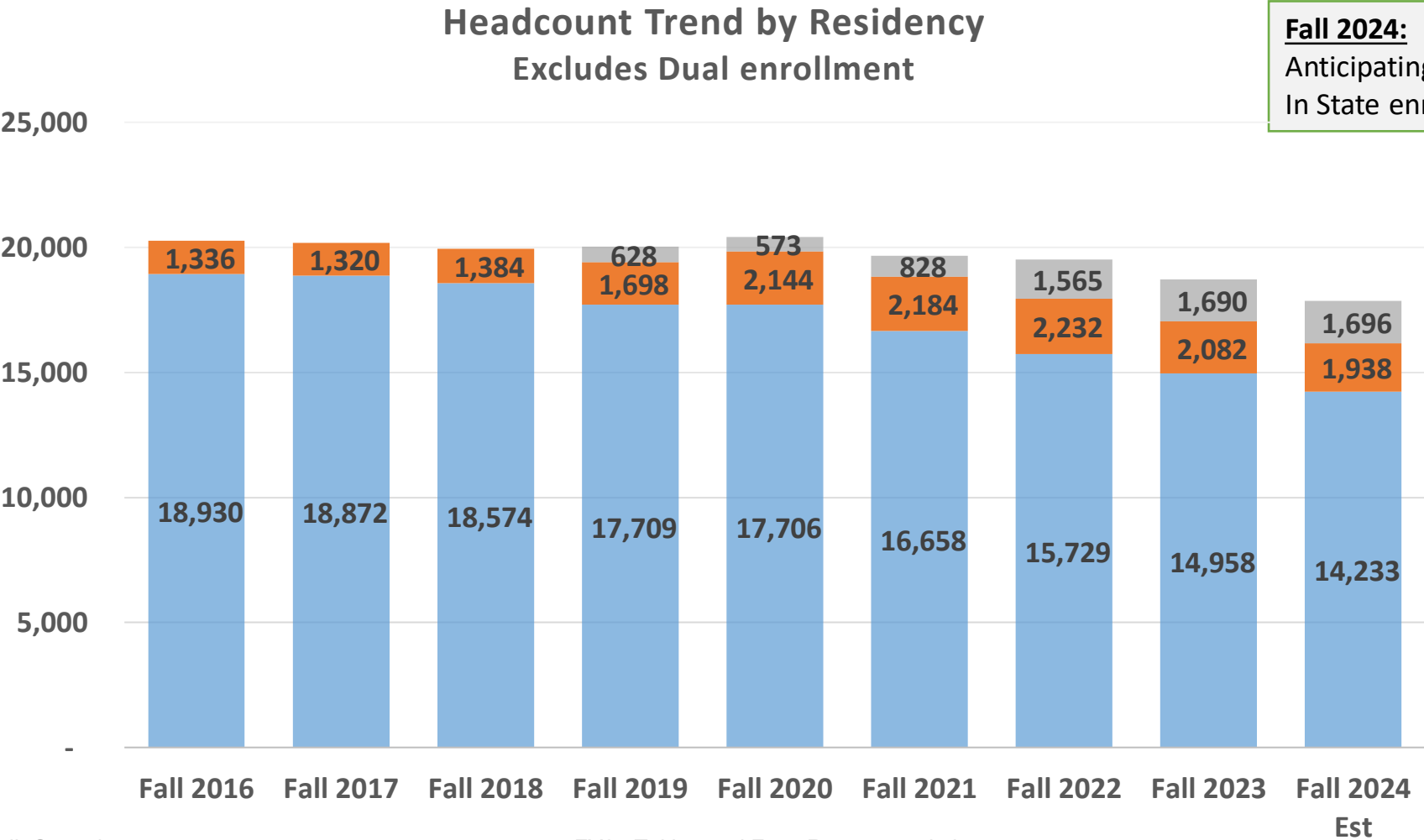
Total Undergraduate In State Tuition and Mandatory Fees											
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University of Memphis	UofM	9,912	2.2%	9,912	0.0%	10,056	1.5%	10,056	0.0%	10,344	2.9%
University of Tennessee-Chattanooga	UTC	9,656	11.4%	9,656	0.0%	9,848	2.0%	9,848	0.0%	10,144	3.0%
University of Tennessee-Knoxville	UTK	13,264	2.0%	13,264	0.0%	13,244	-0.2%	13,244	0.0%	13,484	1.8%
University of Tennessee-Martin	UTM	9,748	9.2%	9,748	0.0%	9,912	1.7%	9,912	0.0%	10,208	3.0%
University of Tennessee-Southern	UTS					10,200		10,200	0.0%	10,506	3.0%
Univ. Avg		9,788		9,849		10,014		10,014		10,294	

# Enrollment by Class



**Fall 2024:**  
Anticipating approximate 25% decline in First Time Freshmen

# Enrollment by Residency



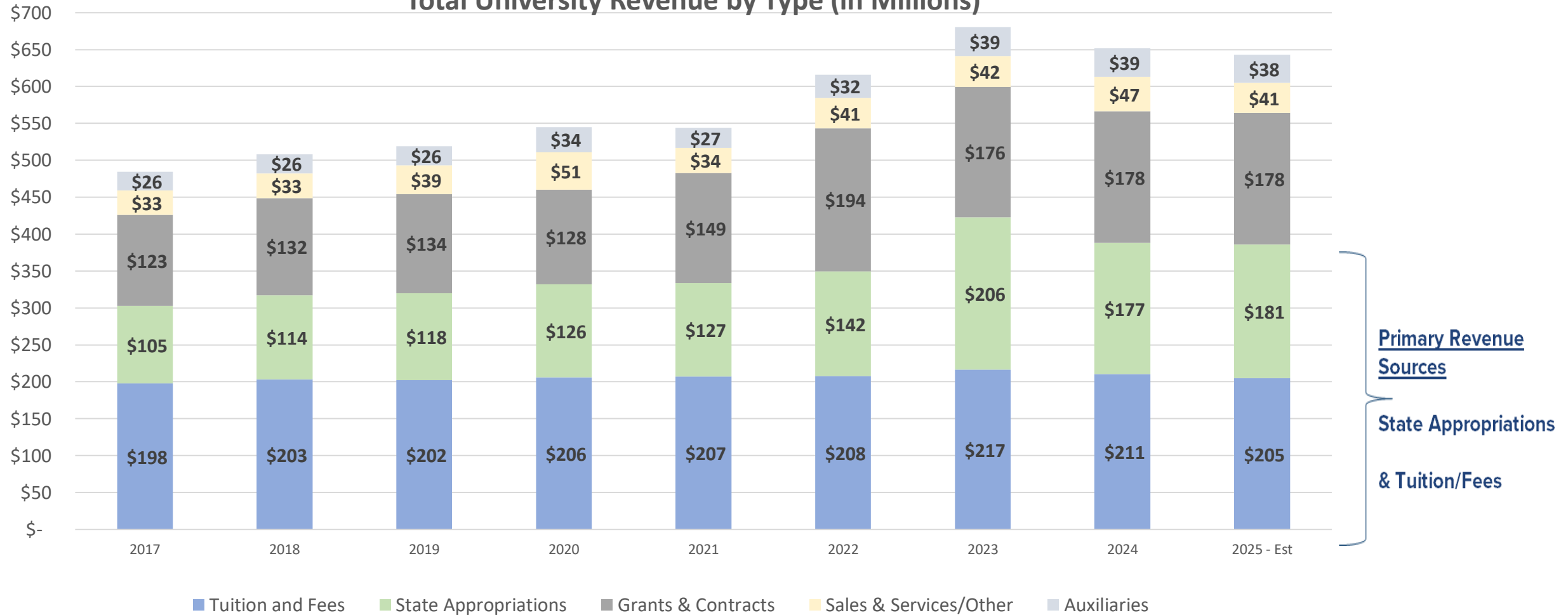
# University Revenue Growth



THE UNIVERSITY OF  
MEMPHIS®

Board of  
Trustees

## Total University Revenue by Type (in Millions)



FY22 & FY23 Grants & Contracts increases include COVID federal funds

FY23 Revised Budget includes \$50M one-time state appropriation for Carnegie Endowment

Revised budget includes one-time tuition adjustments for international enrollment growth

# FY25 Tuition & Fee Proposal

Proposed Tuition & Mandatory Fee increase	Annual Increase		
	Instate	OOS	Int'l
Undergraduate Tuition	3.71% \$384	4.09% \$738	4.28% \$1,008
Graduate Tuition	3.69% \$460	4.02% \$680	4.21% \$900
Law Tuition	3.78% \$748	4.03% \$1,012	4.12% \$1,210

**Note:**

Undergraduate based on 15 CH/semester

Graduate based on 10 CH/semester

Law based on 11 CH/semester

UMGlobal rate increases are consistent with above amounts

For UMGloba Undergraduate Out-of-State (OOS) & Int'l students, the annual increase amounts will differ slightly as they have no cap on Tuition & Fees

- Resulting net tuition and fees revenue is projected to be \$6.0M (\$5.3M from tuition and \$0.7M from mandatory fees)
- The tuition increase has a corresponding expense increase to scholarships of \$865K
- The result is a net impact of \$5.1M
- Mandatory fees support areas are reliant on fee revenues to continue providing excellent student services in a time of rising costs
- The proposed tuition & fee increase will fund inflationary cost increases for software and operations, scholarships, technology infrastructure, safety and security, and student success initiatives.

# Guaranteed Tuition Program

# Guaranteed Tuition Program

	First Time Freshman	Guaranteed Cohort	% Guaranteed	UG HC	UG Guar HC	% of HC - Guaranteed	UG Tuition Total	UG Tuition Guaranteed	% Guaranteed Tuition Base
Fall 2019 (FY20)	2,683	2,682	100%	17,378	2,679	15%	\$132,506,319	\$ 24,064,749	18%
Fall 2020 (FY21)	2,540	2,517	99%	17,374	4,710	27%	131,227,925	40,763,990	31%
Fall 2021 (FY22)	2,592	1,626	63%	16,694	5,338	32%	129,046,878	48,154,155	37%
Fall 2022 (FY23)	2,414	911	38%	16,703	6,031	36%	126,240,491	51,126,498	40%
Fall 2023 (FY24)	2,591	989	38%	16,766	4,680	28%	124,498,338	40,662,866	33%
Fall 2024 (FY25)	1,943	742	38%	16,118	4,835	30%			

- Those in the guaranteed tuition cohorts will stay in the plan (FY25, FY26 & FY27). Those starting in Fall 2024 will also be included in the plan (FY25, FY26, FY27 & FY28)
- Currently 33% of our UG tuition revenue base is tied up in guaranteed tuition plans
- Since the inception of this Guaranteed Tuition program thru FY24, the THEC binding ranges has been between 0% - 3%, limiting the University's ability to maximize revenues from this program
- Plan was originally proposed to boost enrollment at a time when inflation was very low
  - Plan did not positively impact enrollment
  - High inflation past 3 years

- Recommendation to discontinue the Guaranteed Tuition Rate structure effective Fall 2025 (FY26)

- Proposed 2024-25 Tuition and Mandatory Fee rates
- Proposed discontinuation of the Guaranteed Tuition Rate structure effective Fall 2025 (FY26)

# Questions?

## 12. Park Avenue Campus Student Housing P3

For Approval

Presented by Rene Bustamante and Tony Poteet

# **The University of Memphis Board of Trustees**

## **Recommendation**

### **Presentation of P3 Student Housing Terms for approval**

**Date:** June 5, 2024

**Committee:** **Finance and Audit**

**Presentation:** Park Avenue Campus Student Housing P3

**Presented by:** **Rene Bustamante / Tony Poteet**

#### **Background:**

The University of Memphis has received proposals from qualified financiers and developers to plan, design, finance, construct, operate and maintain a student housing development on property owned by the University on the Park Avenue Campus. The development is in accordance with the approved campus master plan and will serve as an enhancement to the existing University of Memphis Park Avenue Campus. The project schedule allows construction to commence in 2024 with occupancy in the fall of 2026.

The apartment housing type will add to the diversity of offerings on campus and is a unit-type that is in Demand as confirmed by an independent demand study. With increased enrollment in graduate and international students the proposed housing will supplement the current limited apartment inventory. This housing will be available for athletes, nursing students, and all other University students at competitive market rates. The location is quiet, safe and on the shuttle route to main campus. The Development will convey through its design a strong “sense of place” and a safe, vibrant, walkable environment for learning, living, and studying while ensuring quality and functionality at a price matching student need.

A developer has been selected (Annex Group) and a pre-development agreement has been approved by the State Building Commission. The developer has utilized a local design firm (LRK) working with university staff to design the facility. Tax exempt bonds with a 30-year term will be sold to finance the construction, and the Annex Group will operate and maintain the facility during the term. The facility as designed is 236,267 square feet and will cost approximately \$ 58,000,000.

The facility will be fenced with gated vehicle access to adequate parking and the architectural style of the facility is collegiate and harmonious to other newer facilities on the Park Avenue Campus. Residence Life will provide all student services on an equal basis with other U of M residence halls.

A Land Lease Agreement has been developed and will be executed along with a related Residence Life Agreement and an Asset Management Agreement for the project. The asset will revert to the University at the end of the term and the lease allows for buyout after 10 years.

A local Trustee that will hold revenue in escrow for payment of operations, debt service, debt service reserve, operating expense reserve, asset management fee, University residence life fees and utilities. Funds remaining after expenses will revert to the University.

The construction will be completed in accordance with approved plans, and a maintenance and renewal and replacement plan is included. The annual project budgeting will be completed in conjunction with the University. All insurance and default requirements of the State of Tennessee will be met. The project land lease is expected to be approved by the State Building Commission in June of 2024.

The project includes 542 beds total with 256 in a four-bedroom configuration, 214 in two bedrooms, and 72 in studio units. A Resident Coordinator apartment and 8 Resident Advisors will live in the facility also. Ten thousand square feet will be included for leasing, administration, social center, study center, maintenance, storage and a small grab and go food operation.

Other detailed terms are included in the presentation including a review of the proforma. Rental rates are comparable to current university apartment units and the pro forma includes an annual rental rate increase of 3%.

**Committee Recommendation:** The Finance and Audit Committee requests a motion to approve the project as detailed in the meeting materials.

# *Park Avenue Campus Student Housing*

*2024-2025*

Rene Bustamante, EVP and COO-CFO  
Melinda Carlson, VP Student Affairs  
Tony Poteet, Chief University Planning Officer



JUNE 2024

# Park Avenue Campus Student Housing



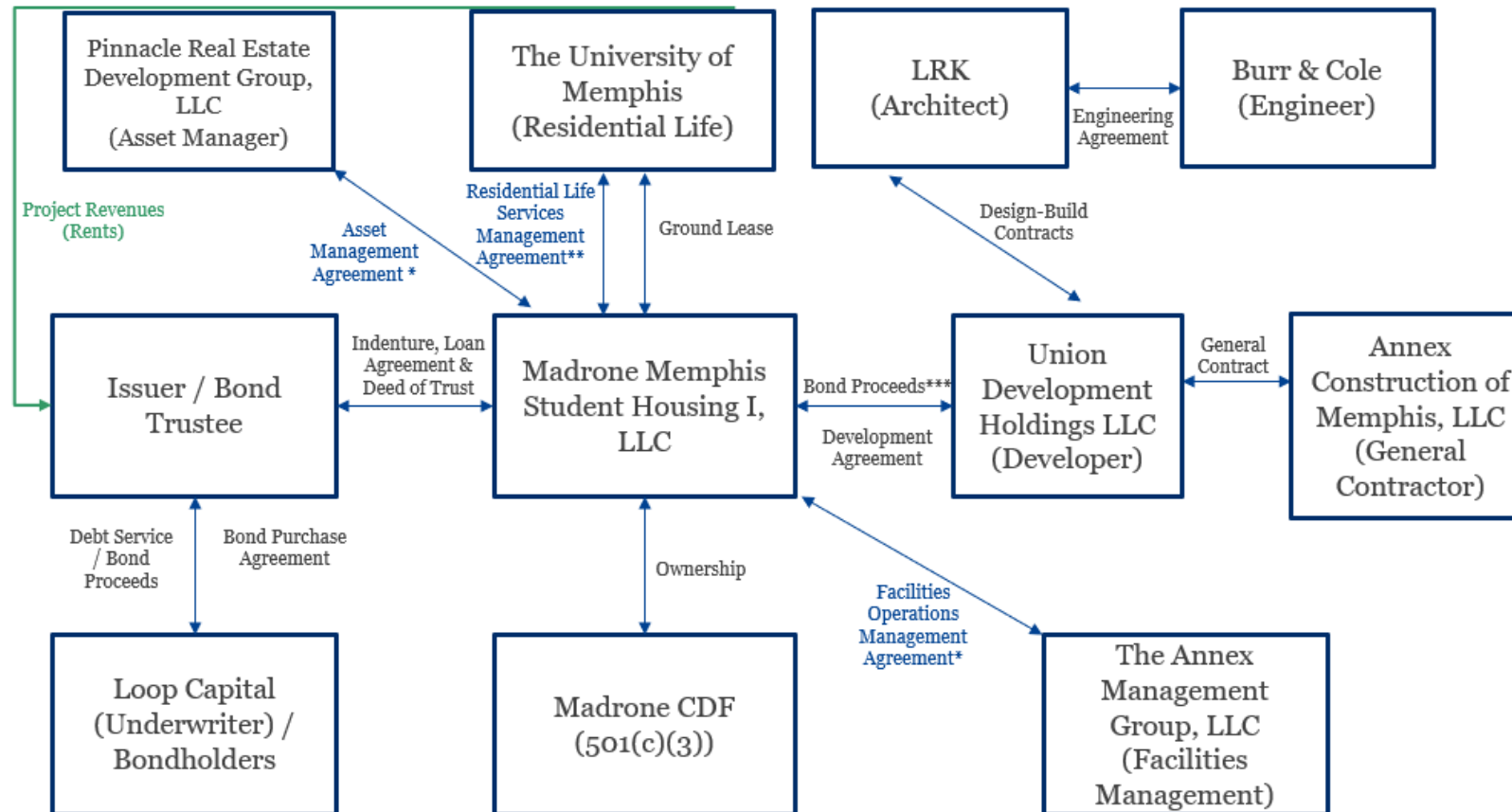
# Goals

- Develop and enter into a contract with the best-evaluated proposer to finance, construct, and operate a residential student housing development with 500+ apartment-style beds.
- Provide housing that includes bed/bath parity, available parking on a 2 bed: 1 space ratio, adequate student amenities, and a safe, vibrant, walkable community for learning, living, and studying.
- Deliver the housing by fall of 2026 with quality and functionality at a rental rate comparable to other University residences within a design that conveys a strong sense of place that enhances student life.

# Process

- BOT approval to proceed with P3 process in June 2022.
- Programming, evaluating options, and development of the RFP.
- SBC approval to issue RFP for project May 2023.
- SBC approval to award to the best-evaluated proposer November 2023.
- SBC approval of the predevelopment agreement for P3 December 2023.
- BOT approval of resolution for agreement with 501c3 Madrone March 2024.
- SBC approval of a revision to the predevelopment agreement May 2024.
- SBC approval of ground lease schedule for June 13, 2024.
- Construction to begin ASAP after lease approval for fall 2026 opening.

# Selected Team



# Design Overview

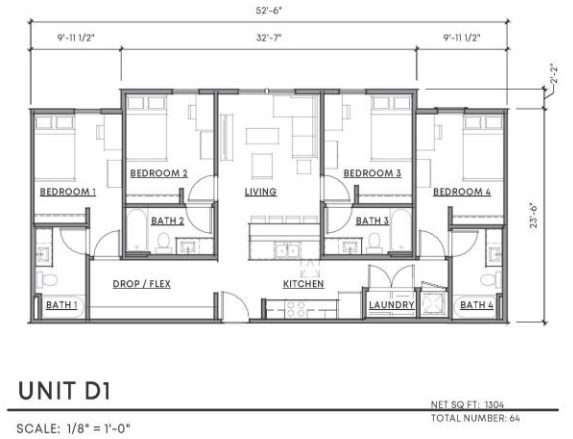
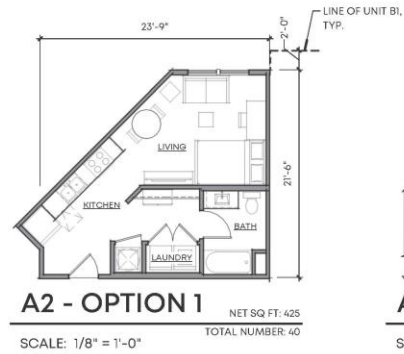
- Demolition of 5 buildings included to clear a 6.5-acre site.
- 542 beds in a wood frame building with brick and siding veneer.
- 289 parking spaces.
- Fully furnished units with full kitchen and washer/dryer.
- 72 beds studio.
- 214 beds two-bedroom unit.
- 256 beds four-bedroom unit.

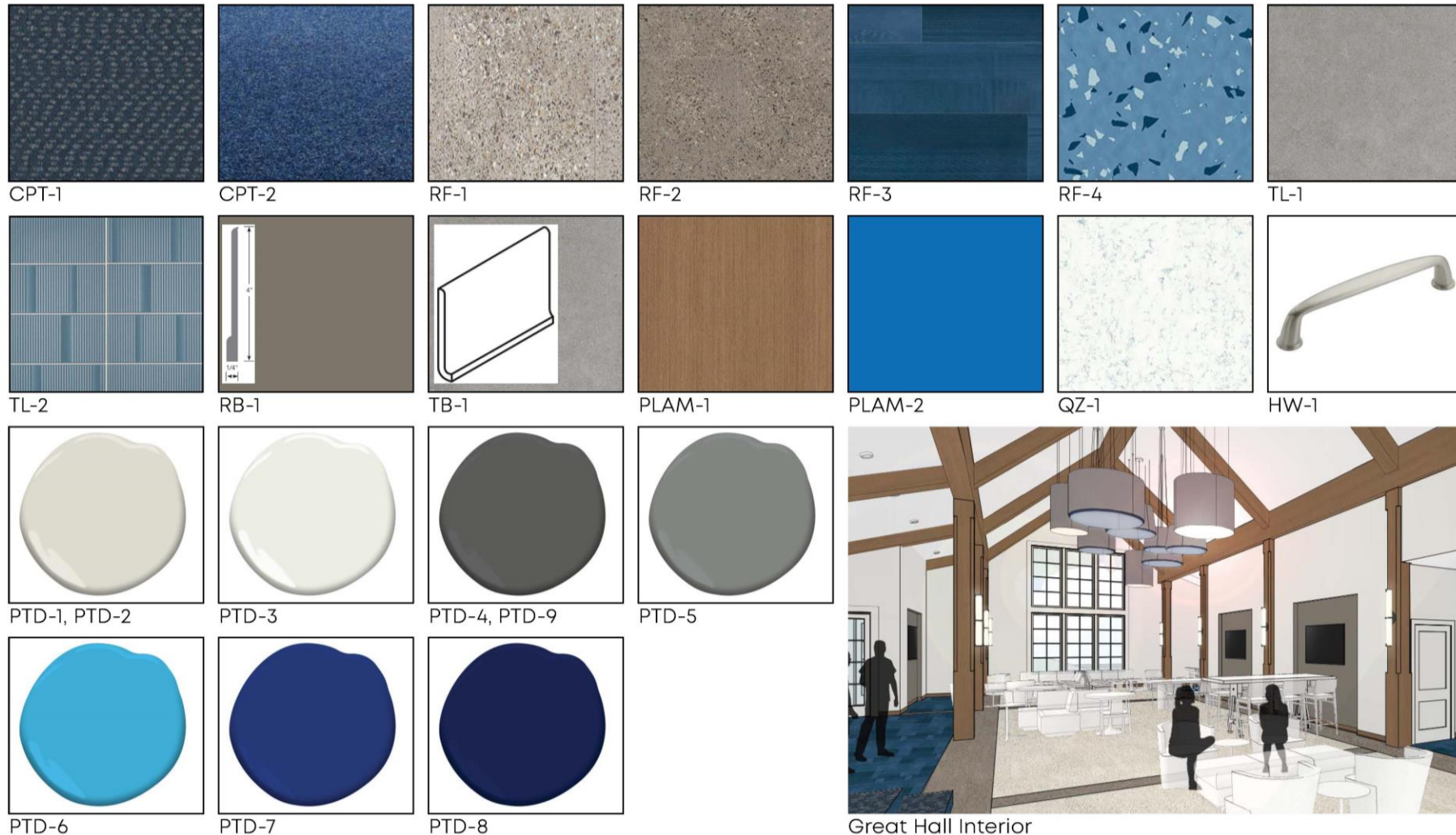
# Design Overview

- Lobby lounge, grab-and-go food, community room, four study rooms, and outdoor activity areas.
- Residential Living Coordinator apartment, 8 R.A. rooms.
- Central office, workroom.
- Maintenance service area.
- 2 main elevators, 1 freight elevator.
- Construction will be bid to local subcontractors.
- 235,267 square feet for \$ 58,000,000.











UofM Student Housing  
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**South Entry Approach: Southeast Corner**



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**South Entry**



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South Entry Approach:  
Southwest Street View



LRK

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North Entry



# Lease Terms

- Contract is by a ground lease, residence life, asset management, and operations agreements. Ground lease document is state approved.
- The University has in-house and outside counsel and consultants involved in document preparation along with the AG and the State Architect.
- Funded with tax-free bonds for 30 years.
- Bonds are sold through the Health, Education, and Housing Facility Board of Memphis.
- Insurance by developer for all terms of the lease.
- Payment and performance bond in place during construction.

# Lease Terms

- Project revenues cover all expenses with residual reverting to the University annually. Parking revenue stays with University.
- No property taxes.
- The developer is liable for the completion of the project to house students with requirements to house students if late delivery.
- University pays Utilities first, bills project, and gets reimbursed after senior bonds are paid.
- Asset becomes University property after 30 years.
- Project includes a one year reserve fund for bond payments.

# Rentals and Demand

- Demand study indicates a desire for 800 beds.
- University currently has 100% occupancy, a waitlist, and 300 beds leased.
- Year one Rental rates are as follows:

Studio Unit	72	\$ 5,765 / Semester
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Two Bedroom Unit	214	\$ 4,878 / Semester
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Four Bedroom Unit	256	\$ 4,671 / Semester
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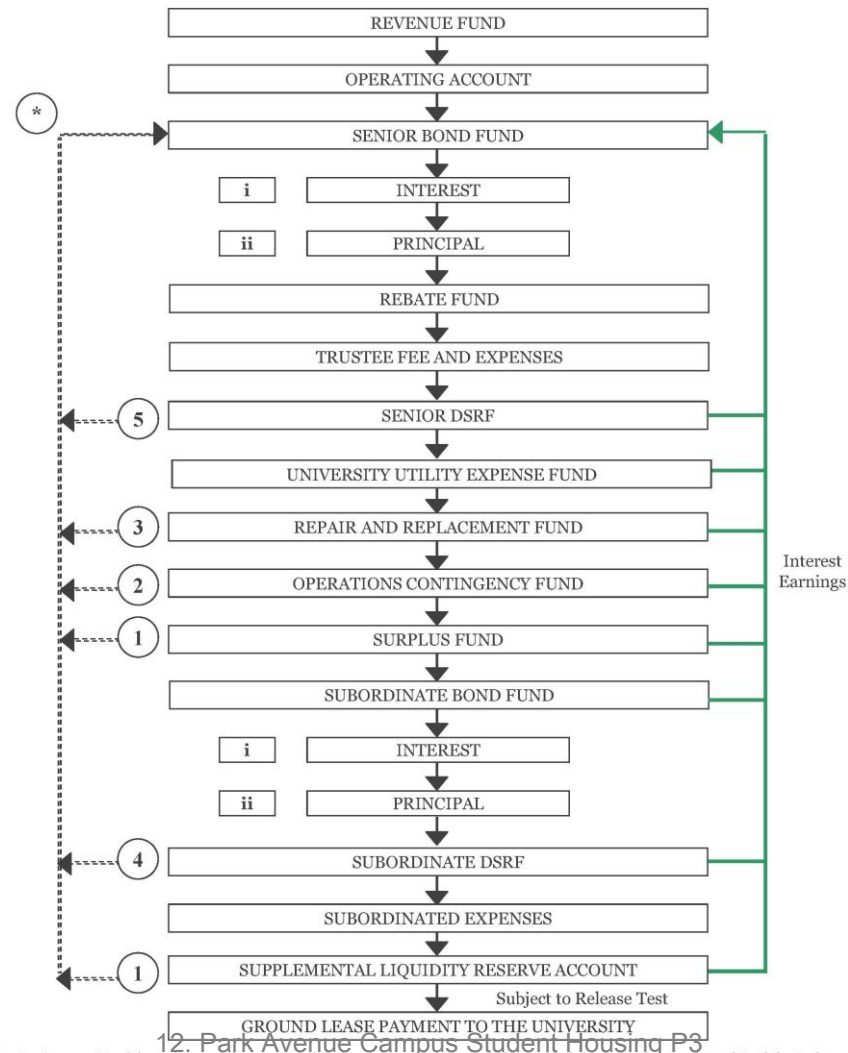
- UM apartment rate for 2026-2027 \$ 4,247 / Semester

- Project proforma is based on a 3% per year annual rate increase

# Operations

- Treat housing the same as all residence halls using the same student lease.
- University provides and administers residence life services.
- Coordinate with marketing.
- Project operations committee sets annual operating budget.
- 5-year detailed facility assessment required.
- All facility maintenance, custodial, trash, and grounds by the developer.
- IT service, equipment administered by U of M with cost by project.
- Capital replacement and reserve fund funded annually.

## Indenture Flow of Funds (4/4/24)



# Related Opportunities

- UM annual residence life fees (\$ 290,000) are paid after bond payment.
- The University may purchase the project by paying off bonds at 10 - 20 years.
- Any future housing facilities built or bought during the term must meet a market demand study and housing must be 90% occupied.
- A future freshman live on requirement would only require a demand study to be met for future housing.
- Project cannot affect current state bonds.
- Cash flow pro forma indicates approximately \$ 500,000 per year for the project's life.

# Conclusion

- Meets the goals of the master plan.
- Meets the demonstrated need for student housing.
- Constitutes no debt to the University.
- Continues realization of the University's strategic plan.
- Provides a productive partnership that enhances the University's goals and position for student success.
- Gives students an affordable living and learning environment.



# 13. President's Review and Evaluation

For Approval

Presented by Cato Johnson

# **The University of Memphis Board of Trustees**

## **Recommendation**

### **For Approval**

**Date:** June 5, 2024

**Committee:** Finance and Audit Committee

**Presentation:** Presidential Review and Evaluation

**Presented by:** Chairman Johnson

#### **Background:**

The Board of Trustees is responsible for the supervision of the President and pursuant to the Presidential Review and Evaluation (PRE) policy, the President is to be evaluated on an annual basis for an evaluative period of June through July. As part of the evaluative process, the "Finance and Audit Committee shall . . . take appropriate action on any recommendations regarding compensation or other terms of employment. The Committee's action will then be submitted to the full Board of Trustees for approval or modification."

## 14. Additional Business

Presented by David McKinney



# 15. Adjournment

Presented by David McKinney