












# December 2022 Governance and Finance Committee Meeting

<b>Schedule</b>	Friday, December 9, 2022 9:00 AM — 9:30 AM CST
<b>Venue</b>	Schiedt Family Performing Arts Center - Concert Hall (Room 1123)
<b>Organizer</b>	Sparkle Burns

## Agenda

1. Call to Order and Opening Remarks Presented by Doug Edwards	1
2. Roll Call and Declaration of Quorum Presented by Melanie Murry	2
3. Approval of Meeting Minutes for September 7, 2022 For Approval - Presented by Doug Edwards	3
 G F September 7 2022 Meeting Minutes_.docx	4
4. Housing Rate Adjustment For Approval - Presented by Raajkumar Kurapati	7
 Agenda Item - Housing Rate Increase.docx	8
 Housing Rate Increase.pptx	9
5. Bookstore - Tigers SmartStart Update Presentation - Presented by Raajkumar Kurapati	16
 Agenda Item - Tigers SmartStart.docx	17
 Tigers SmartStart Update.pptx	18
6. FY23 Revised Operating Budget For Approval - Presented by Raajkumar Kurapati	23
 Agenda Item - FY23 Revised Budget - Approval.docx	24
 Revised Operating Budget FY23.pptx	25
 Revised Operating Budget-FY23.docx	37

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7. Foundation Update	41
Presentation - Presented by Raajkumar Kurapati	
 Agenda Item - Foundations Update.docx	42
 Foundations Update.pptx	43
 FY24 Proposed Endowment Scholarship Budget.pdf	47

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8. Additional Business	49
Presented by Doug Edwards	

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9. Adjournment	50
Presented by Doug Edwards	

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# 1. Call to Order and Opening Remarks

Presented by Doug Edwards



## 2. Roll Call and Declaration of Quorum

Presented by Melanie Murry



### 3. Approval of Meeting Minutes for September 7, 2022

For Approval

Presented by Doug Edwards

**University of Memphis Board of Trustees  
Governance and Finance Committee Meeting  
September 7, 2022 | 9:29 a.m.**

The Governance and Finance Committee of the University of Memphis Board of Trustees met at 9:29 a.m. CDT on Wednesday, September 7, 2022, in-person at the University Center Ballroom.

**I. Call to Order/Roll Call/Declaration of Quorum/Introduction**

Chairman Doug Edwards presided over the meeting.

University Counsel and Board Secretary Melanie Murry called the roll and confirmed the following Governance and Finance Committee members were present:

Trustee Alan Graf  
Trustee Cato Johnson  
Trustee David Kemme  
Trustee David North  
Chairman Doug Edwards  
Trustee Susan Springfield

Secretary Murry acknowledged two additional trustees who were in attendance: Trustee Carol Roberts and Trustee David McKinney

Secretary Murry announced the presence of a quorum.

Members of the University of Memphis Board Trustees, faculty and administrative staff were present during the meeting.

**II. Approval of Meeting Minutes for June 1, 2022**

Chairman Edwards requested a motion for the approval of the June 1, 2022, Governance and Finance Committee minutes. The motion was made by Trustee Graf and properly seconded. Chairman Edwards asked if there was any discussion, none was provided.

**III. Agenda Item 1: Board Self-Assessment**

Chairman Edwards acknowledged Secretary Murry to address the annual board self-assessment required by The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). Secretary Murry explained 7 of the 10 Board of Trustees (Board) members participated in the required annual self-assessment survey, and the feedback was detailed in the meeting materials. She mentioned the need to provide training and review the future strategic plan to incorporate areas of opportunity to add to the Board.

**IV. Agenda Item 2: FY22 Preliminary Financial Report**

Chairman Edwards recognized Raaj Kurapati, Executive Vice President and Chief Operating and Financial Officer (EVP-COO/CFO), to present the financial performance for fiscal year FY22. EVP-COO/CFO Kurapati advised this was a preliminary report, and the financial statements were subject to audit. The final audited report will be presented at the March 2023 Governance & Finance Committee meeting.

EVP-COO/CFO Kurapati expressed the concerted effort to improve the overall financial position of the University. He mentioned one of the first actions approved by the Board allowed the University to become more strategic in managing the cash pool by investing, which has resulted in the significant appreciation in the overall cash & investment position over time. These one-time monies have allowed for growth in necessary and important strategic reserves. EVP-COO/CFO Kurapati advised the FY22 cash and investment position ended at \$270 million, which is the highest in the university's history.

EVP-COO/CFO Kurapati shared an overview of the University's financial operations and acknowledged a return to better operations since pre-COVID levels. He also shared the FY22 net assets are \$30 million and total assets will exceed \$1 billion, also for the first time in the university's history. He provided an update on overall revenue appreciation and advised the biggest change was related to the increase in state appropriations; the upward trend for tuition & fees predominately driven by out of state and international enrollment; and detailed the appreciation in total grants with the expected decrease related to Higher Education Emergency Relief Fund (HEERF) monies. EVP-COO/CFO Kurapati also provided an update on expenses and explained the increases in salaries and wages related to the many new hires; the slight increase in scholarships as a function of monies from feds; and the significant spike in operating expenses as a function of overall operations returning to some level of pre-Covid levels.

EVP-COO/CFO Kurapati explained the overall HEERF summary reflected the \$83.1 million received through various COVID relief packages. He emphasized \$.69 of each dollar received directly supported students; in comparison, the national average is \$.50 of each dollar. Currently available is almost \$11 million, which is being held strategically, to provide one final disbursement of support to students in the fall. It is important to think about how the University positions itself to continue to be financially thoughtful moving forward. He mentioned during COVID, expenditure, revenue and auxiliary operation levels were down but the university is now beginning to normalize overall.



Trustee Johnson asked EVP-COO/CFO Kurapati to confirm the amount received in Covid funding (\$83 million). He also asked if EVP-COO/CFO Kurapati felt a greater amount of receptivity from the state constitution offices understanding the University's current and future initiatives. EVP-COO/CFO Kurapati replied that yes, and for the first time in history they approved a commercial loan of \$12 million, which helped athletics through the pandemic. The state is recognizing that in order for the institution to be successful, the university needs to have greater flexibility in order to be more innovative in approaching finances and projects. EVP-COO/CFO Kurapati concluded by giving thanks to the Government Relations team.

Chairman Edwards expressed that a big part of being recognized as the state's second flagship is showing that the University is fiscally responsible.

Trustee McKinney added the operating expense number is a material increase year-to-year. He asked that the University not have false constraints as it returns to the pre-pandemic level and ensure learnings through the pandemic are kept in place to control expenses, while continuing to grow revenue for the University.

#### **V. Agenda Item 3: Foundations Website Update**

EVP-COO/CFO Kurapati mentioned the Board's previous request for greater transparency in functions of the foundations, University of Memphis Foundation; Auxiliary Services Foundation; University of Memphis Research Foundation and Herff Trust. He provided a brief overview of the new website, noting the goal is balancing transparency while also protecting confidential information required for donors. EVP-COO/CFO Kurapati advised a future in-depth review of the website will be provided once the endeavor is complete.

Trustee Springfield thanked EVP-CFO/COO Kurapati and team for working on the endeavor. Chairman Edwards offered that while the first step is transparency, the new strategic plan will produce more discussion about the foundations in terms of governance and funding certain activities.

#### **VI. Agenda Item 4: Affordability Course Materials**

Chairman Edwards began by expressing course material affordability was the most important topic of the day as the university seeks alternatives to support students. EVP-COO/CFO Kurapati acknowledged student success is heavily tied to the ability to access the resources needed, specifically books. Research reflects students who have all class materials by day one of class tend to be more successful in their academic goals. The national average suggests books cost roughly \$800 per semester.

Barnes & Noble College (B&N) was announced by EVP-CFOO/CFO Kurapati as the new campus bookstore manager. He explained they were able to negotiate a program whereby paying \$24 per credit hour, or \$360 per semester, every student could have full course materials in hand on day one of class. This is an almost 54% decrease in the cost of textbooks. Socialization has been ongoing in order to ensure students understand the cost savings. A significant factor in moving forward with the course material program is the increase in both HOPE scholarship and Pell support; 53% of this institution's students rely on Pell.

Trustee Roberts asked if all students must participate to which EVP-COO/CFO Kurapati stated students will have the choice to opt-out, although the preference is for all to take part.

Trustee North asked if there were any major areas this program does not address. EVO-CFOO/CFO Kurapati said faculty is committed, but one challenge would be students opting-out. He said it will be necessary to carve out need-based scholarships and described the agreement with B&N to provide scholarship dollars to immediately support students who opt-out due to financial reasons.

Trustee North asked if the issue of e-books versus hard books had been worked out. EVP COO/CFO Kurapati answered that B&N cannot dictate the professor's book preference.

Trustee Kemme felt it was an important program because the University is now able to exert some pricing power on their side of the market. He said while this is mainly for undergraduates, the program is essential and welcomed by faculty and students.

Trustee Johnson acknowledged Trustee North for highlighting this topic years ago. He applauded EVP-COO/CFO Kurapati for his work.

Chairman Edwards offered the challenge is to determine ways to help those students with the most need find available resources.

Trustee McKinney asked if there had been consideration in extending this to graduate and professional programs. EVP-COO/CFO deferred to Melinda Carlson, Assistant Vice President, Auxiliary Services & Operations, who was in the audience, who said the program will begin with undergraduates with hopes of extending it to every student. EVP-COO/CFO Kurapati confirmed they will report back to the Board at the next meeting.

Trustee North acknowledged the many pressing needs that require funds but requested Joanna Curtis, Vice President for Advancement, ensure funds are available for those students who opt out of the program due to economic reasons.

**VII.     Agenda Item 5: General Athletics Update**

Chairman Edwards introduced Vice President and Director of Intercollegiate Athletics (AD), Laird Veatch to present the annual athletics update. AD Veatch reminded the Board of the athletic department vision and focus, #MemphisRISING.

AD Veatch spoke to the accomplishments of the past year, which included conference and conference tournament championships; completion of \$40M in capital construction projects; and the academic success related to graduation rates. As the graduation rates are first in the American Athletic Conference and 5% above the national average, he shared academic success reflects the culture and support system in place through the University’s Center for Academic Excellence. Trustee North commended the coaching staffs for making academics a priority for their student-athletes.

AD Veatch presented the organizational chart and acknowledged the diverse selection of recent hires. He highlighted several strategic initiatives including, University of Memphis Athletics for Diversity and Equality (UMADE) and 901 Women’s initiative, newly launched to help generate additional revenue and assistance for women’s sports.

Other highlights included a record fundraising year; establishment of a zero-based transparent budget model; updated logo and uniform standards; continued discussions regarding Simmons Bank Liberty Stadium renovations; new digital ticketing efforts, and establishment of the Student-Athlete Welfare department.

AD Veatch discussed future priorities; fundraising focus; and capital facility investments. He provided an in-depth overview of Name Image and Likeness (NIL) and concluded by explaining the three avenues, QR code, Opendorse, and the 901 Fund, the athletic department created in efforts for individuals to hire or support student-athletes.

Chairman Edwards commented on the org chart and gave recognition to Lauren Ashman, Executive Associate Athletic Director/Senior Woman Administrator.

Trustee Kemme asked if NIL transactions are typically one time, yearlong, or exclusive contracts? AD Veatch answered they can be all of the above.

Trustee North commented he originally had misunderstandings of NIL but since meeting with AD Veatch and coaches, he is now a big supporter. He said two things that made him a big supporter are the focus on all teams and that diversity is a large component of the 901 Fund. Additional discussion ensued.

**VIII.    Agenda Item 6: Additional Business**

There was no additional committee business.

**IX.     Agenda Item 7: Adjournment**

Chairman Edwards called for a motion to adjourn. The motion was approved by Trustee Johnson and properly seconded by Trustee Kemme. Chairman Edwards moved that the meeting be adjourned at 10:32 a.m.

## 4. Housing Rate Adjustment

For Approval

Presented by Raajkumar Kurapati

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

Housing Rate Increase

For Approval

**Date:** December 9, 2022

**Committee:** Governance and Finance Committee

**Presentation:** Proposed Housing Rate Increase

**Presented by:** Raaj Kurapati, Executive Vice President of Business and Finance, CFO/COO

## **Background:**

The last, full system housing increase was in 2017. With Housing and Residence Life being an auxiliary operation, the proposed increase of 3.5% is needed to keep up with increased costs while remaining competitive with the off-campus housing market, and continuing with levels of service that support our student's ability to belong, connect, and thrive at the UofM.

## **Committee Recommendation:**

The Governance and Finance Committee recommends approval of a 3.5% housing rate increase effective Fall 2023 as presented in the meeting materials.

# *Approval of Housing Rates*

## *Governance and Finance Committee*

Raaj Kurapati  
Executive Vice President Business and Finance,  
CFO, COO

December 9, 2022  
Schiedt Family Performing Arts Center



DECEMBER 2022

What we offer that off-campus housing does not:

- Professional, full-time staff members that live on campus
- 55 undergraduate student Resident Advisors
- Front desks in most buildings to aid with safety & security as well as customer service. Carpenter and Graduate Student Family Housing have gated access. (Over 120 undergraduate student desk assistants are employed.)
- Programming opportunities to aid in personal, academic, and community development
- Structured faculty interactions through Living Learning Community collaborations & Resident Advisor programming
- Evening & weekend opportunities for engagement and resources




***All of the above contributes to generally higher retention rates and higher 6-year graduation rates for students that live on campus.***

## Housing is a stand alone Auxiliary

- \$17M Annual Budget
- Revenues fund:
  - 100% of operating costs
  - All debt service: approx. \$5M Annual
  - All facilities maintenance and repairs
  - \$3M annual allocation for University services, e.g. IT, Physical Plant, etc. (FY22)
  - 5% Renewal and Replacement annual contribution
  - Working Capital and Contingency reserves



The last, full system, rate increase was in Fall 2017

-  Cost of utilities
-  Cost of general maintenance materials and any outsourced labor
-  Cost of contracted services (ex: laundry contract, data management system)

Housing operations are performing well  
98% Fall 2022 Occupancy at Census (Fall 2021 = 92%)

 Beginning this winter all residential facilities will remain open over break periods to better support our out-of-state, international, and housing-insecure residents.



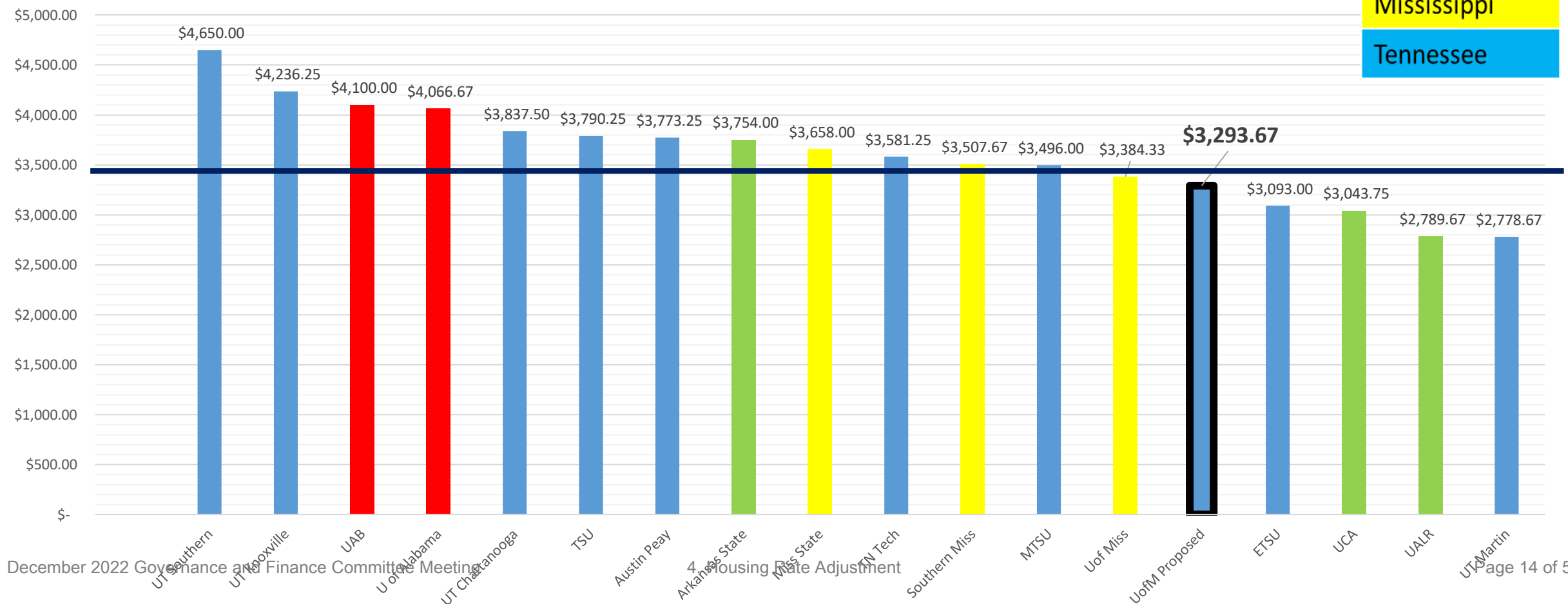
# Proposed Rate Changes

## 3.5% Increase in Room Rates Across all Facilities

	Current Rate (per semester)	New Rate (per semester)	Increase (per semester)
Residence Hall Double	\$2330 - \$3010	\$2411.50 - 3115.50	\$81.50-105.50
Residence Hall Single	\$3330 - \$3350	\$3446.50-\$3467.25	\$116.50-\$117.25
Apartments by bed (10 Month)	\$2690 - \$3700	\$2784.25-\$3829.50	\$94.25-\$129.5
Apartments by unit (12 month)	\$5390 - \$6220 (6-month term)	\$5578.75-\$6437.75 (6-month term)	\$188.75-\$217.75 (6-month term)
Summer Sessions	\$500 - \$1270	\$517.50-\$1314.50	\$17.50-\$44.50
December 2022 Governance and Finance Committee Meeting		<b><i>Estimated Increase in Annual Revenue</i></b>	<b><i>\$530,000.00</i></b>

# Semester Average Room Rate Across all Room Types

## UofM Proposed vs Comparator Current Actual





A 3.5% increase will allow us, at least in the short term, to:

- Keep pace with rising costs
- Remain competitive with off-campus housing
- Continue to provide services to support student success, belonging, and connection



## 5. Bookstore - Tigers SmartStart Update

Presentation

Presented by Raajkumar Kurapati

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

Presentation

For Discussion

**Date:** December 9, 2022

**Committee:** Governance and Finance Committee

**Presentation:** Tigers SmartStart Progress

**Presented by:** Raaj Kurapati, Executive Vice President Business and Finance, CFO and COO

## **Background:**

Tigers SmartStart, the new, UofM, First Day Complete textbook program in partnership with Barnes and Noble College (BNC) is well underway. This has been a true University Endeavor requiring ownership and collaboration across the University to include many areas of Business and Finance, Academic Affairs, Information and Technology, Athletics, Student Academic Success, and Student Government Association. The transition is on track and hitting all metrics identified for success.



# *Tigers SmartStart & Bookstore Transition Update*

## *Governance and Finance Committee*

Raaj Kurapati  
Executive Vice President Business and Finance,  
CFO/COO

December 9, 2022

Schiedt Family Performing Arts Center



DECEMBER 2022



## General Transition Updates

- Refreshed and Updated Bookstore
- Beginning Plans for Summer '23 Renovation
- Expanded Hours
- Larger Selection and Higher Quality Products
- Expanded, Branded Gift Options
- Addition of Best-Seller Book Titles
- Hired New & Retained Exceptional Staff (including students)
- Better Customer Service
- Increased training for all staff including Starbucks
- Line mitigation strategies implemented
- Higher Sales as compared to October of 2021
- Increased Reporting to UofM Across All Areas



# Tigers SmartStart Progress

As of November 8, 2022

University of Memphis



68.1% Done

● Done ● Not Applicable ● In-Progress ● Not Started

## > Program Implementation

14 Tasks / 21 Subitems

Status



Timeline

Sep 12, '22 - Jan 17, '23

## > IT Implementation

7 Tasks / 5 Subitems

Status



Timeline

Jun 25 - Nov 1

## > Space and Computer Hardware Needs

5 Tasks / 3 Subitems

Status



Timeline

Sep 20 - Nov 30

## > Program Execution

11 Tasks / 16 Subitems

Status



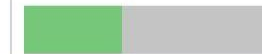
Timeline

Sep 19 - Dec 31

## > Digital Implementation

5 Tasks

Status



Timeline

Oct 3, '22 - Jan 16, '23

## > Campus Implementation

7 Tasks

Status



Timeline

Sep 20, '22 - Jan 16, '23

## Adoption Insights

Dashboard Last Updated: 11/08/2022 11:00AM

Filter: ALL CAMPUSES ALL DEPARTMENTS SPRING TERM 2023 Reset Filters

5168

Total Courses

499

Courses Not Submitted

90%

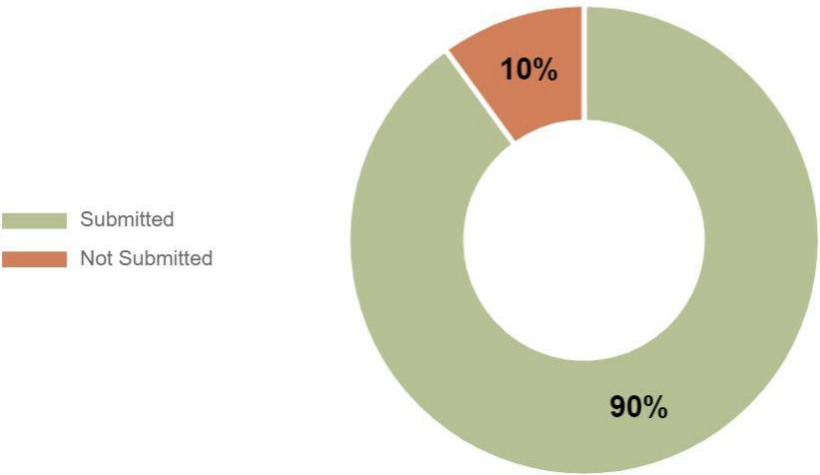
Courses Submitted

0%

Compared To NONE

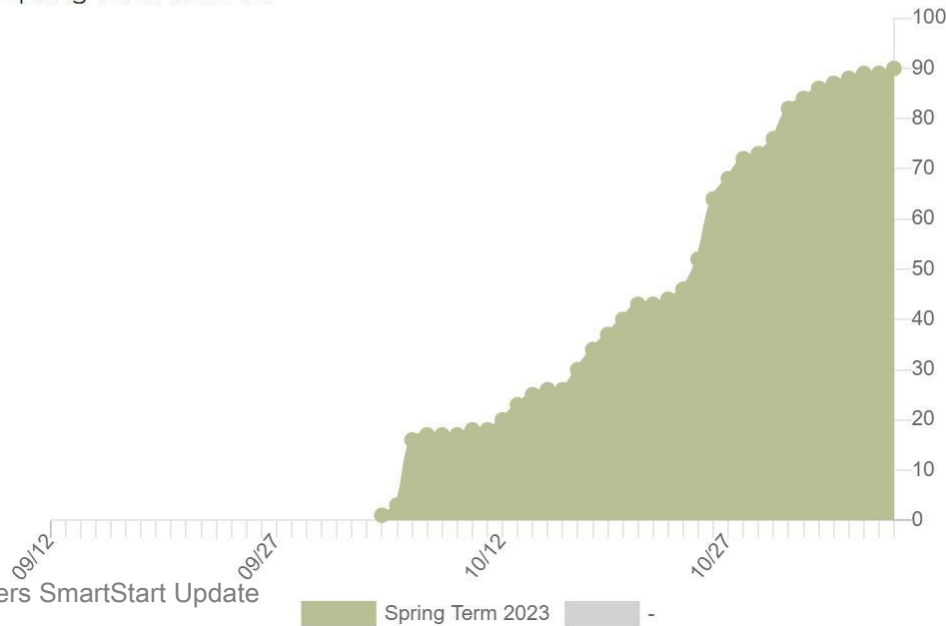
### Course Submission Status

5168 Total Courses



### Submission Rate Trend

Spring Term 2023 Vs. -



## Important Considerations

- Textbook Scholarships
- Data Collection to Determine Success
  - Evaluation of op-out
  - Retention of Tigers SmartStart students compared to those that opt-out
  - Grade attainment of Tigers SmartStart compared to those that opt-out
  - Student satisfaction with the program

# Questions?



## 6. FY23 Revised Operating Budget

For Approval

Presented by Raajkumar Kurapati

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

Recommendation

For Approval

**Date:** December 9, 2022

**Committee:** Governance and Finance Committee

**Recommendation:** Approval of FY2023 Revised Budget

**Presented by:** Raaj Kurapati, Executive Vice President & CFO/COO

## **Background:**

The University of Memphis revises the Proposed (Initial) Budget each fall to update revenue and expenditure projections. The FY2023 Revised Budget takes into consideration fall enrollments, tuition increases, the effect of any prior year's activities carried forward into the current year, and adjustments in state appropriations occurring since the FY2023 Proposed Budget was prepared and approved in June 2022.

The FY2023 Educational and General (E&G), Auxiliary Enterprises and Restricted revised budgets are within available resources. The Revised Budget complies with all applicable policies and guidelines.

## **Committee Recommendation:**

The Governance and Finance Committee recommends approval of the FY2023 Revised Budget.

# *FY2023 Revised Operating Budget*

*Governance and Finance committee*

Raaj Kurapati  
Executive Vice President & CFO/COO

December 9, 2022  
Schiedt Family Performing Arts Center



DECEMBER 2022

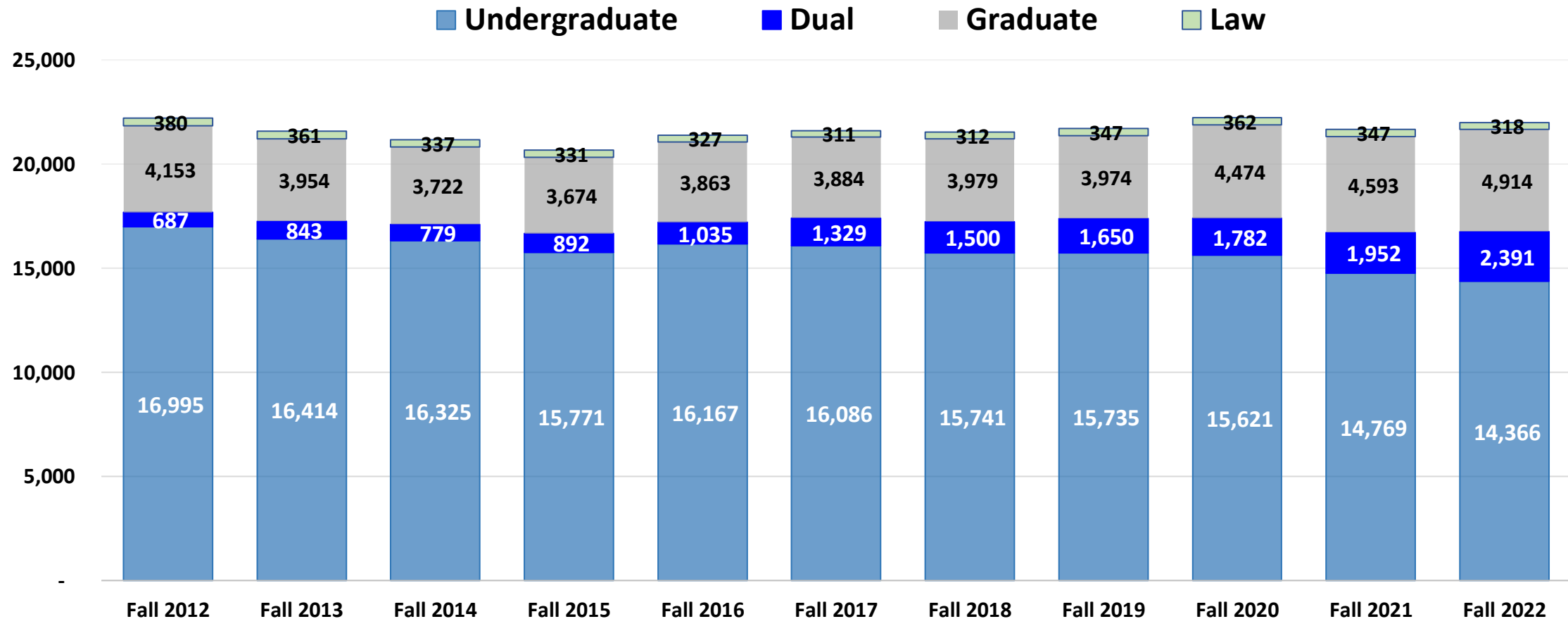


## The Revised Budget incorporates the following changes:

- Approved tuition increases from June 22 Board meeting
- Tuition and Fees adjusted based on actual Fall 22 enrollment
- Increased state appropriations
- Non-recurring expenditure budgets including one-time activities as well as resources available from prior year operations
- Other adjustments as needed for changes to operating plans, organizational structure, revenue projections, or fixed costs made after the submission of the Proposed Budget



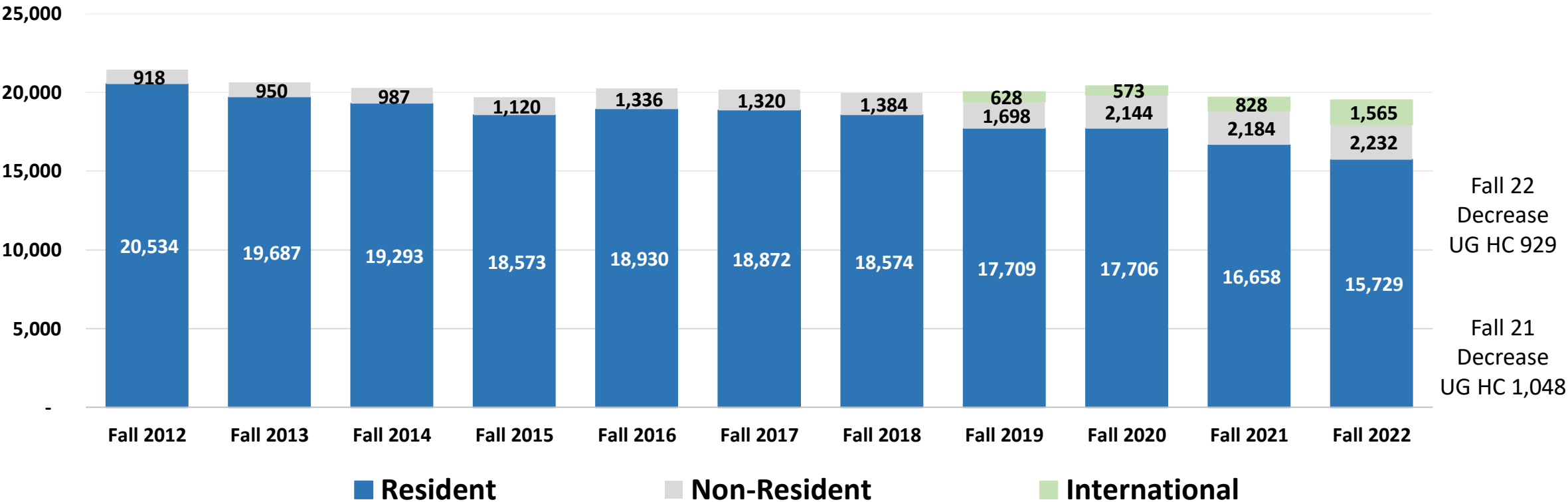
# Enrollment by Class



Fall 20 changed the Drop for Non-Payment process

# Enrollment by Residency

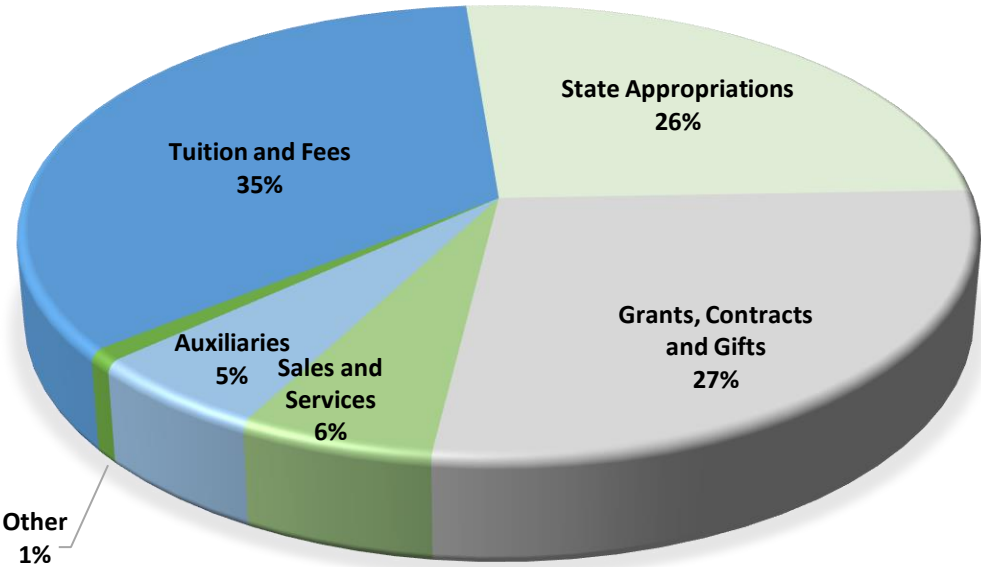
HEADCOUNT TREND BY RESIDENCY  
EXCLUDES DUAL ENROLLMENT



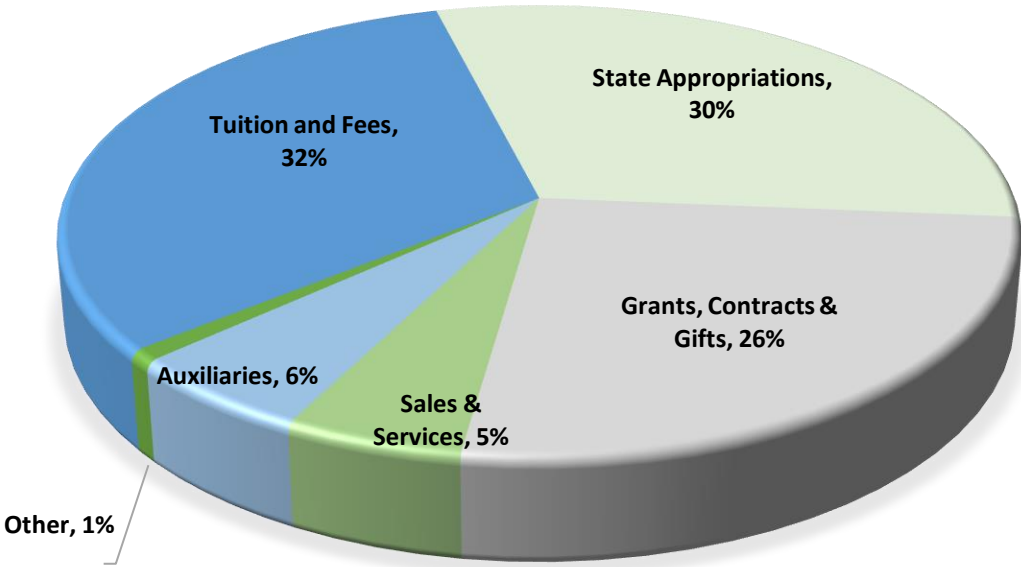
Fall 19 first year of new Non-Resident and International tuition structure

# Total University Revenues

FY2023 Proposed Unrestricted and Restricted  
Revenues Total \$599.7M



FY2023 Revised Unrestricted and Restricted  
Revenues Total \$680.1M



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

# Total Revenues by Fund

FY2023 Revised Budget total \$680.1 million. This total reflects revenue increases of \$80.4 million from the FY2023 Proposed Budget of \$599.7 million.

Revenues	FY2023 Proposed	FY2023 Revised	Change	
Tuition & Fees	\$ 207.3	\$ 216.5	\$ 9.2	4.4%
State Appropriations	150.9	203.1	52.2	34.6%
Grants, Contracts and Gifts	29.6	32.5	2.9	9.8%
Sales & Services	34.9	36.3	1.4	4.0%
Other Revenues	3.3	3.3	-	0%
<b>Total Unrestricted E&amp;G Revenues</b>	<b>\$ 426.0</b>	<b>\$ 491.7</b>	<b>\$ 65.7</b>	<b>15.4%</b>
Auxiliaries	33.1	39.0	5.9	17.8%
Restricted	140.6	149.4	8.8	6.3%
<b>Total Revenues</b>	<b>\$ 599.7</b>	<b>\$ 680.1</b>	<b>\$ 80.4</b>	<b>13.4%</b>

State Appropriation increase of \$52.2M includes non-recurring funds of \$50M Carnegie R1 Research Endowment

# Revenue Changes from FY23 Proposed to FY23 Revised Budget



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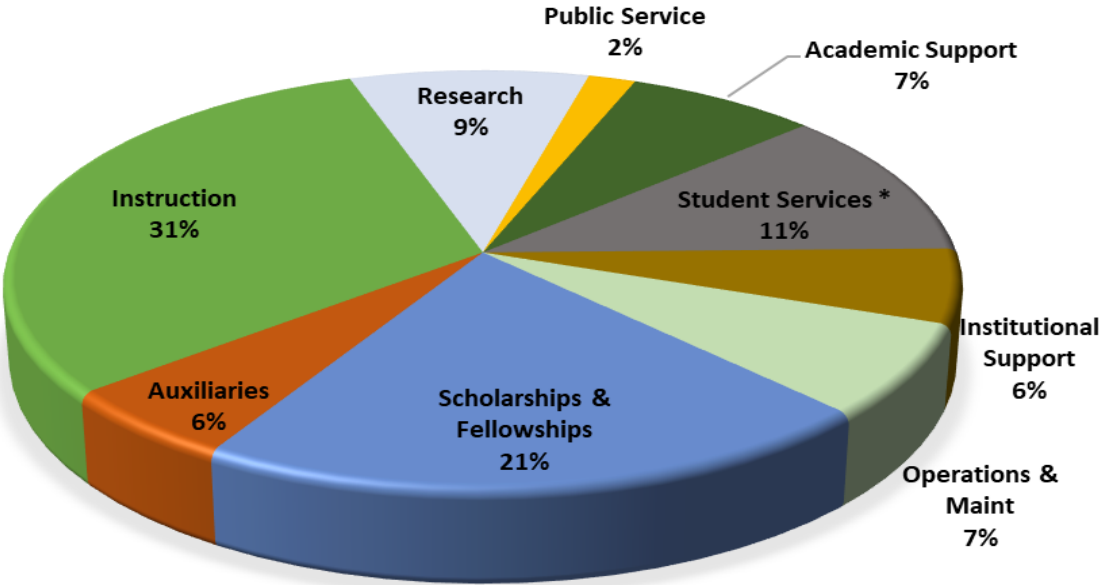
Tuition and Fees	\$ 9,264,600	Increase is net of enrollment increases to Graduate Non-Resident & International students, enrollment increases at Lambuth, increase in Summer tuition revenues and decreases in Law and TNeCampus enrollments
State Appropriations	52,200,100	Increase includes the one time \$50M Carnegie RI one time endowment, 401(k) Enhanced Match and adjustments for Benefits and Risk Mgmt Property
Unrestricted Grants & Contracts	2,812,500	Revenue increase is primarily due to increases in Campus Schools BEP funding, and UofM Foundation Gifts for Academic Support & General University uses
Sales and Services	1,378,200	Increase is primarily due to Conference & Institute events, Int'l Summer Program, Internship & Career Fair and Athletic conference distributions, ticket sales and licensing revenues
Auxiliary	5,889,400	Auxiliary revenue increase is primarily due to Food Services Signing Bonus and Housing Third Party agreements for increased enrollments of UoM students living on campus
Restricted Grants and Contracts	8,835,300	G&C increase represents an increase in the Hope scholarship awards and HEERF stimulus funds that will be recovered this fiscal year
<b>Total Revenue Change</b>	<b>\$ 80,380,100</b>	



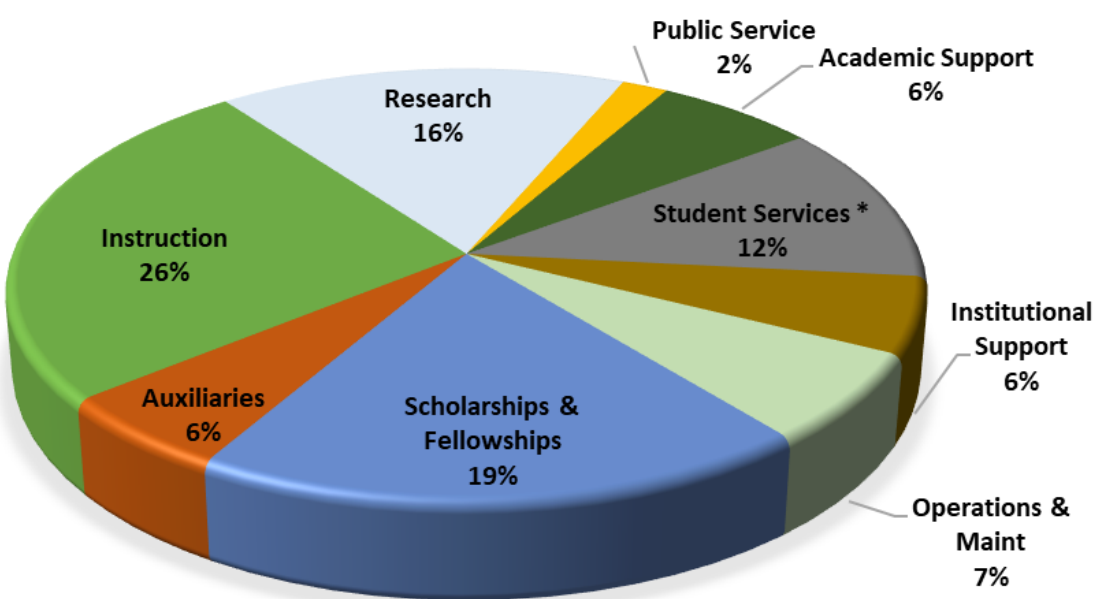
# Total University Expenditures

FY23 Expenditures are budgeted across the nine functional areas shown in the two charts below.  
Spending by function remains consistent and reflects new investments in Instruction and Research areas.

**FY2023 Proposed Unrestricted & Restricted Expenses  
Without Transfers**



**FY2023 Revised Unrestricted and Restricted Expenses  
Without Transfers**



# Expenditures by Function

<b>Expenditures</b>	<b>Proposed FY2023</b>	<b>Revised* FY2023</b>	<b>Variance</b>
Educational & General			
Instruction	\$ 178,373,200	\$ 172,624,000	\$ (5,749,200)
Research	24,118,600	75,477,100	51,358,500
Public Service	4,668,500	6,717,200	2,048,700
Academic Support	41,195,600	44,234,000	3,038,400
Student Services	57,095,100	73,395,400	16,300,300
Institutional Support	33,295,800	38,145,400	4,849,600
Operation & Maintenance	42,208,000	45,522,500	3,314,500
Scholarships and Fellowships	32,964,200	36,942,800	3,978,600
Transfers	12,102,600	28,694,700	16,592,100
<b>Total Educational &amp; General</b>	<b>\$ 426,021,600</b>	<b>\$ 521,753,100</b>	<b>\$ 95,731,500</b>
Auxiliary	33,063,100	38,952,500	5,889,400
Restricted	140,601,700	149,437,000	8,835,300
<b>Total Expenditures and Transfers</b>	<b>\$ 599,686,400</b>	<b>\$ 710,142,600</b>	<b>\$ 110,456,200</b>

# FY23 Revised Revenue & Expenditure Budget



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Trustees

Revenues	Revised FY 2023
Educational & General	
Tuition and Fees	\$ 216,540,500
State Appropriations	203,069,300
Unrestricted Grants, Contracts, & Gifts	32,474,900
Sales and Services	36,308,300
Other	3,284,000
<b>Total Unrestricted Educational &amp; General</b>	<b>\$ 491,677,000</b>
Auxiliary	38,952,500
Restricted	149,437,000
<b>Total Revenues</b>	<b>\$ 680,066,500</b>
Expenditures	
Educational & General	
Instruction	\$ 172,624,000
Research	75,477,100
Public Services	6,717,200
Academic Support	44,234,000
Student Services	73,395,400
Institutional Support	38,145,400
Operation & Maintenance	45,522,500
Scholarships & Fellowships	36,942,800
Transfers	28,694,700
<b>Total Unrestricted Educational &amp; General</b>	<b>\$ 521,753,100</b>
Auxiliary	38,952,500
Restricted	149,437,000
<b>Total Expenditures and Transfers</b>	<b>\$ 710,142,600</b>



## Compensation Adjustments for Faculty and Staff\*

### 1. One time lump-sum payment - November 2022

- 0.5% of the employees' annual base salary

### 2. Across-the-Board (ATB) Increase - January 2023

- 0.5% of the employees' annual base salary

### Eligibility Criteria:

- 12-month employees (faculty and staff) - Hired on or before July 1, 2022
- 9-month & 10-month faculty - hired on or before September 1, 2022

*\*Excludes Affiliate Faculty, Part-Time Faculty, Temporary Employees, Graduate Assistants, Student Workers, departing nine or ten-month employees in salary deferrals, employees receiving stipends, individuals on terminal leave status, employees on contracts with non-eligibility for state increases language.*

The FY23 Revised Budget is within available resources, complies with applicable policies and guidelines and is therefore recommended for approval.

## FY22-23 Revised Budget Summary

### Total University Revenues

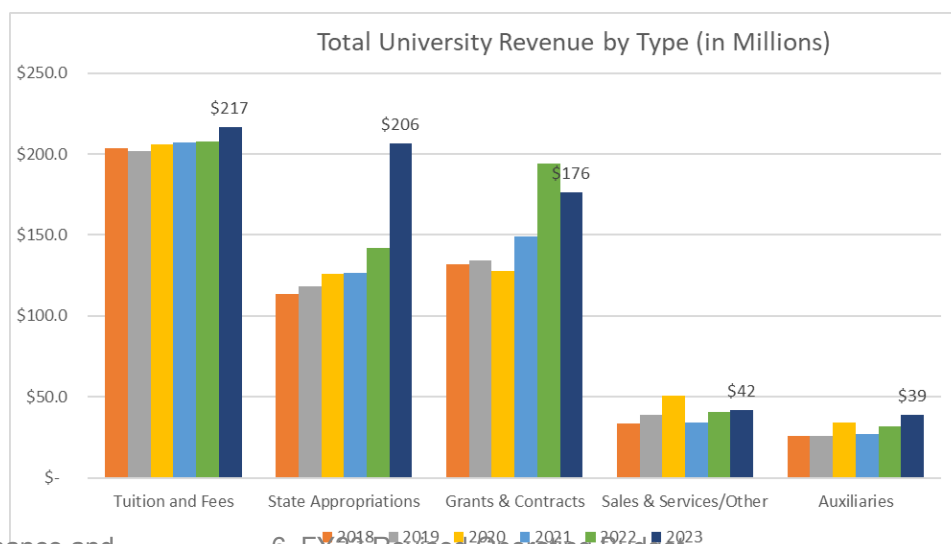
The FY 2023 **Revised Budget** reflects anticipated revenue projections as of early October 2022. The University's Proposed Budget was developed before the end of the previous fiscal year and the Revised Budget provides the opportunity to adjust for changes, such as the following, which occurred after the adoption of the Proposed Budget in June:

- Tuition & Fee increases/decreases approved at June 2022 Board meeting
- Tuition and Fees adjusted based on actual Fall 22 enrollment
- Changes to state appropriations that are typically made by the state in August or September
- Incorporates non-recurring expenditure budgets including one-time activities (such as Conference and Institute events & Internships) as well as resources available from prior year operations
- Other adjustments as needed for changes to operating plans, organizational structure, revenue projections, or fixed costs made after the submission of the Proposed Budget

The University of Memphis revenues in the FY2023 Revised Budget total \$680.1 million. This total reflects revenue increases of \$80.4 million from the FY2023 Proposed Budget of \$599.7 million.

### FY2023 Total Revenue (in \$millions)

Revenues	FY2023 Proposed	FY2023 Revised	Change	
Tuition & Fees	\$ 207.3	\$ 216.5	\$ 9.2	4.4%
State Appropriations	150.9	203.1	52.2	34.6%
Grants, Contracts and Gifts	29.6	32.5	2.9	9.8%
Sales & Services	34.9	36.3	1.4	4.0%
Other Revenues	3.3	3.3	-	0%
<b>Total Unrestricted E&amp;G Revenues</b>	<b>\$ 426.0</b>	<b>\$ 491.7</b>	<b>\$ 65.7</b>	<b>15.4%</b>
Auxiliaries	33.1	39.0	5.9	17.8%
Restricted	140.6	149.4	8.8	6.3%
<b>Total Revenues</b>	<b>\$ 599.7</b>	<b>\$ 680.1</b>	<b>\$ 80.4</b>	<b>13.4%</b>



### Revenue Changes from FY23 Proposed to FY23 Revised Budget

Tuition and Fees	\$ 9,264,600	Increase is net of enrollment increases to Graduate Non-Resident & International students, enrollment increases at Lambuth, increase in Summer tuition revenues and decreases in Law and TNeCampus enrollments
State Appropriations	52,200,100	Increase includes the one time \$50M Carnegie RI one time endowment, 401(k) Enhanced Match and adjustments for Benefits and Risk Mgmt Property
Unrestricted Grants & Contracts	2,812,500	Revenue increase is primarily due to increases in Campus Schools BEP funding, and UofM Foundation Gifts for Academic Support & General University uses
Sales and Services	1,378,200	Increase is primarily due to Conference & Institute events, Int'l Summer Program, Internship & Career Fair and Athletic conference distributions, ticket sales and licensing revenues
Auxiliary	5,889,400	Auxiliary revenue increase is primarily due to Food Services Signing Bonus and Housing Third Party agreements for increased enrollments of UoM students living on campus
Restricted Grants and Contracts	8,835,300	G&C increase represents an increase in the Hope scholarship awards and HEERF stimulus funds that will be recovered this fiscal year
<b>Total Revenue Change</b>	<b>\$ 80,380,100</b>	

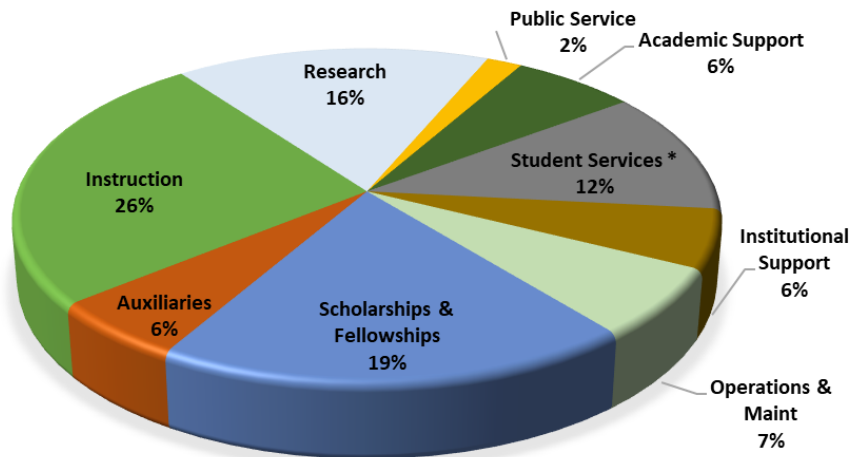
### Expenditure Changes from FY23 Proposed to FY23 Revised Budget

Instruction	\$ (5,749,200)	Decrease is net of prior year carryforward funds and shifts from Instruction to Research/Public Service for Faculty Salary Splits, GA stipends/waivers, travel, operating, Faculty promotions and budget allocations, as well as benefit shifts due to staffing levels
Research	51,358,500	Increase in Research is due to prior year carryforward funds, establishment of Internships and budget shifts from Instruction to Research for faculty salary splits, benefit shifts due to staffing levels, operating expenses, travel, and Graduate Assistant stipends & waivers. Implemented reclassification of Faculty Unrestricted salary splits based on effort
Public Service	2,048,700	Increase is due to prior year carryforward funds and establishing revenue supported activities such as Internships and Conference & Institute events which are usually one time activities
Academic Support	3,038,400	Increase is due to prior yr. carryforward funds, various budget allocations to include technology investments & increased operating funds for Campus Schoos contract adjustments
Student Services	16,300,300	Increase is due to prior yr. carryforward funds, Athletics one time support, Operating increases due to Athletic revenue increases, various budget allocations and benefit shifts due to staffing levels
Institutional Support	4,849,600	Increase is due to prior yr. carryforward funds, establishing FY23 Capital Campaign operating budget, various budget allocations and benefit shifts due to staffing levels
Operation & Maintenance	3,314,500	Increase is due to prior yr. carryforward funds, various budget allocations for new Music Building, and benefit shifts due to staffing levels
Scholarships & Fellowships	3,978,600	Increase is due to scholarship increases related to tuition increases & one time allocations (i.e. 3+3 Summer grants, Student Success grants & Tiger Impact grants)
Transfers	16,592,100	Net of Transfer of prior year end departmental carryforward & central funds set aside in non current plant funds for future year strategic investments
Auxiliary	5,889,400	Increase is primarily due to Food Services Signing Bonus and Housing Third Party agreements for increased enrollments of UoM students living on campus
Restricted Grants and Contracts	8,835,300	Increase represents an increase in the Hope scholarship awards and HEERF stimulus funds that will be recovered this fiscal year
<b>Total Expenditure Change</b>	<b>\$ 110,456,200</b>	

## Total University Expenditures

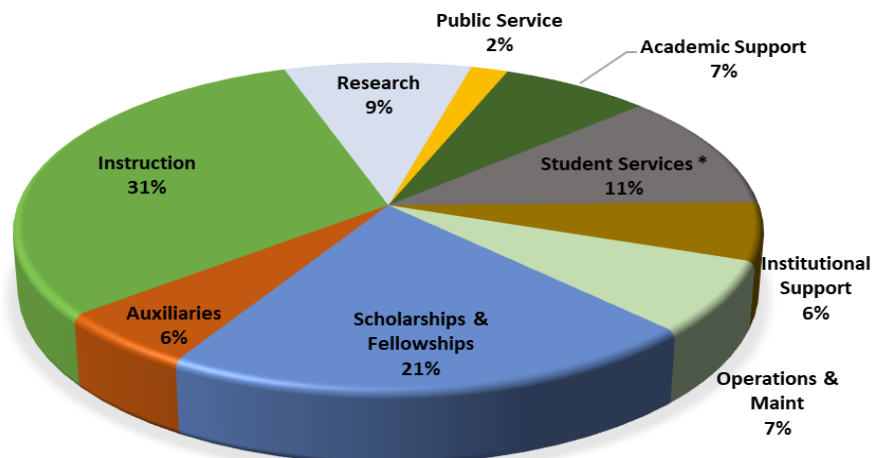
FY23 Expenditures are budgeted across the eight functional areas shown in the two charts below. Spending by function remains fairly consistent, with Research expenditures increasing due to Carnegie 1 research initiatives, and adjustments based on revenue changes and reallocations of budgets.

### FY2023 Revised Unrestricted and Restricted Expenses Without Transfers



\*Athletics is included in Student Services

### FY2023 Proposed Unrestricted & Restricted Expenses Without Transfers



### **Approval of the Revised Budget**

The FY2023 Revised Budget is within available resources and complies with all applicable policies and guidelines. Full spending authority has been budgeted but is not expected to be utilized in the current year. This budget includes all resources available including current year revenues as well as one-time activities and resources available from prior year operations.

The increased expenditure budget results primarily from non-recurring funds including resources available from prior year operations. Non-recurring funds were allocated in accordance with campus budgeting policy and guidelines to numerous projects and programs such as facility improvements, equipment replacements, faculty start-up packages, annual athletic support, bridge funding for research activities, student recruiting & retention, program improvements, and technology infrastructure and investments.

#### University of Memphis FY23 Revised Revenue & Expenditure Budget

Revenues	Revised FY 2023
Educational & General	
Tuition and Fees	\$ 216,540,500
State Appropriations	203,069,300
Unrestricted Grants, Contracts, & Gifts	32,474,900
Sales and Services	36,308,300
Other	3,284,000
<b>Total Unrestricted Educational &amp; General</b>	<b>\$ 491,677,000</b>
Auxiliary	38,952,500
Restricted	149,437,000
<b>Total Revenues</b>	<b>\$ 680,066,500</b>
Expenditures	
Educational & General	
Instruction	\$ 172,624,000
Research	75,477,100
Public Services	6,717,200
Academic Support	44,234,000
Student Services	73,395,400
Institutional Support	38,145,400
Operation & Maintenance	45,522,500
Scholarships & Fellowships	36,942,800
Transfers	28,694,700
<b>Total Unrestricted Educational &amp; General</b>	<b>\$ 521,753,100</b>
Auxiliary	38,952,500
Restricted	149,437,000
<b>Total Expenditures and Transfers</b>	<b>\$ 710,142,600</b>

## 7. Foundation Update

Presentation

Presented by Raajkumar Kurapati

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

Presentation

For Discussion

**Date:** December 9, 2022

**Committee:** Governance and Finance Committee

**Presentation:** Foundations Update

**Presented by:** Raaj Kurapati, Executive Vice President & CFO/COO

## **Background:**

This serves as the quarterly update on the Foundations and a status report on the status of the audits of the UofM Foundation, the Auxiliary Services Foundation and the HERFF Trust.

## **Academic Year '24 Scholarship Budget Slide:**

The Academic Year '24 Scholarship Budget has been reviewed and approved by the University of Memphis Foundation Finance Committee and Board of Directors.

The total FY2024 Endowment Budgets is \$4,616,896.06.

572 funds are available for Scholarships at the 4% spend rate approved last May by the UMF Board of Directors.

## **R1 Endowment Update**



# *Foundations Update*

## *Governance and Finance*

Raaj Kurapati  
Executive Vice President & CFO/COO

December 9, 2022  
Schiedt Family Performing Arts Center



DECEMBER 2022

Endowment Scholarship YOY	
FY24 Spend Rate:	4%
Current Year	\$4,616,896.06
PY	\$4,221,115.24
Variance	\$395,780.82
% Var.	9.38%

- University of Memphis Foundation
  - Draft Audited Financial Statements were presented to the Board on November 1, 2022
  - Unmodified Opinion
  - No Findings
  - Management Letter items discussed
- Auxiliary Services Foundation
  - Audit current 90% completed
  - Unmodified opinion expected
  - 1 audit finding reported
- HERFF Trust
  - Audit current 90% completed
  - Unmodified opinion expected
  - 1 audit finding reported

- State Funding being disbursed as part of the operations budget process i.e. monthly allocations
- Working with the State Audit to determine accounting structure
- Looking at using a passive management strategy and developing an IPS similar to the UofM Foundation's approach for such

Current structure under discussion with State Audit:

- State portion to be accounted for in the UofM Foundation
- Match portion to be held at UofM Foundation in a separate account

# Proposed Endowment Funds Eligible for Spending Criteria and Rates

Throughout the process of developing this proposal for appropriation (budgeting) of Foundation endowment funds for FY2024, the requirements of the Tennessee Uniform Prudent Management of Institutional Funds Act (TUPMIFA) were fully considered.

- The total FY2024 Endowment Budgets is \$4,616,896.06 (9.38% up from PY).
- Endowment fund budget was calculated based on the proposed 4.0% spend rate for most funds (this rate is the same rate as the prior year and was approved by the University of Memphis Foundation Board during the Board Meeting on May 26, 2022). A spend rate of 2.00% is proposed for funds considered “underwater” by 10% or more.
- The budget is first presented to the Finance Committee Chair and the University of Memphis Foundation Board President for review and then is presented to the Finance Committee. Upon approval by the Finance Committee the budget is then presented to the full University of Memphis Foundation Board of Directors for approval.
- Upon approval, the Foundation Staff will communicate the proposed budgets to each college Dean and department head and attend follow-up meetings.

## Proposed FY2024 Endowment Budgets

- All fully endowed funds eligible for appropriation under TUPMIFA are eligible for appropriation (budgeting) in FY2024.
- Most funds were budgeted using a spend rate of 4.00% (same as the prior year). Funds considered “underwater” by 10% or more will be budgeted using a spend rate of 2.00%.
- The total disbursements will be at 5.5% (4.0% spend rate plus 1.5% administrative fee), which is in compliance with the TUPMIFA. To note, the 1.5% administrative fee was reduced from 2% to 1.5% in starting in FY22).



## Endowment Scholarship

	Current Year	PY	Variance	% Var.
Proposed Budget	\$4,616,896.06	\$4,221,115.24	\$395,780.82	9.38%
Number of Funds Avail for Scholarships 4% Spend Rate	572	561	11	1.96%
Number of Funds Underwater (>10% underwater) 2% Spend Rate	5	2	3	150.00%
Endowment Net Assets at year end	\$130,775,832.05	\$136,668,225.00	-\$5,892,392.95	-4.31%
Endowment Average (12 Quarters)	\$115,236,563.34	\$104,081,158.00	\$11,155,405.34	10.72%

## Historical Data – Endowment Spend Rate

### Endowment Spend Rate

	FY23 (Academic '24)	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Administrative Fee	1.50%	1.50%	2%	2%	2%	2%	2%	2%	2%
Endowment Budget Rate	4%	4%	4%	4%	4%	3.75%	4%	4%	4%

### Definitions

**Administrative fee** is the rate charged to the overall Endowment Funds annually. In May of 2021, the University of Memphis Foundation Board of Directors voted to lower the Administrative Fee from 2% annually, starting in FY22 (University Support = 1.3%, Foundation Operations = 0.7%), to 1.5% (University Support = 1%, Foundation Operations = 0.5%). Until this recent change, the Administrative Fee had remained at 2% since 2006.

**Endowment Budget Rate** is the rate of which spending from Endowment funds for the annual budget is determined and covers Scholarships, Professorships, etc... In the past, the Endowment Budget process took place in December of each year. During review conversations with the various departments, feedback was provided requesting for scholarships to be prepared earlier, allowing the various colleges a competitive advantage by having the ability to award scholarship sooner. For FY24, the Foundation has developed the budget starting in September, to be preliminarily released in October, with final approval coming from the Board in November of 2022. The rate is recommended by the Foundation Staff and approved by the University of Memphis Foundation Finance Committee and the Board of Directors.

The Endowment Budget Rate is calculated based upon Uniform Prudent Management of Institutional Funds Act (UPMIFA). The state of Tennessee enacted UPMIFA in 2007. Key points of UPMIFA:

- Applies to all endowment funds in Tennessee
- 46 states have enacted UPMIFA in some form
- Total spend rate should not exceed 7%
- Spend rate is determined using a rolling 12 quarter average of the endowment balance (UPMIFA provision).

The current Foundation Investment Policy is based upon a return of 6% on average, throughout a long period (such as a 20-year horizon). The Foundation uses an Outsourced Chief Investment Officer (OCIO) model. The current OCIO is Vanguard.

## 8. Additional Business

Presented by Doug Edwards





## 9. Adjournment

Presented by Doug Edwards