













June 2018 Governance & Finance Committee

Schedule	Wednesday, June 06, 2018, 09:45 AM — 10:45 AM CDT
Venue	University Center Fountain View Suite (UC 350)
Organizer	Melanie Murry

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1. Call to Order

Presented by Alan Graf

2. Roll Call

Presented by Melanie Murry

3. Approval of March 7, 2018 Minutes

For Approval

Presented by Alan Graf

University of Memphis Governance and Finance Committee Meeting

March 7, 2018

Memphis, Tennessee

Meeting Minutes

The University of Memphis Governance and Finance Committee Meeting was held at 11:02 a.m. CDT, on Wednesday March 7, 2018, on the campus of the University of Memphis in Memphis, Tennessee.

I. CALL TO ORDER/ROLL CALL/DECLARATION OF QUORUM

Chair Graf called the meeting to order and welcomed the attendees. University Counsel and Board Secretary Melanie Murry called the roll. The following Governance and Finance Committee members were present: Trustee Graf, Trustee Johnson, Trustee Martin, Trustee Mayberry, Trustee North, Trustee Schaffzin, and Trustee Springfield. Trustee Edwards and Trustee Roberts were also present.

A quorum was present. Members of the administrative staff, students, and guest speakers were present.

II. Approval of Minutes

It was moved by Chair Graf and properly seconded to approve the minutes from the December 7, 2017 Governance and Finance Committee meeting. A voice vote was taken and the motion passed.

III. State of Athletic Department

Chair Graf recognized Tom Bowen, Athletic Director, to provide a report on the state of the athletic department. Athletic Director Bowen reported on expenses, revenues and provided an overview of the American Athletic Conference (AAC). As FY16 revenues were \$50M and expenses were \$50M, the Athletic department generated \$31M of its budget. Athletic Director Bowen indicated the AAC distribution is a key item. The University receives 8% of revenue from the conference which is low in comparison to schools in Power 5 conferences. Further, he indicated that revenues from novelties sponsorships and licenses are 6%, 50% of the budget is made up of salary, expenses and scholarships, 2% is dedicated to recruiting, and 36% of revenue is from student fees and University support. The 2017-2018 athletic staff is comprised of 110 employees, which is down from 158 when he joined the department in 2012.

Currently, the AAC media rights are \$24M with a distribution in our division of \$2M per school. Athletic Director Bowen indicated that a recalibration of media rights is needed, and they are working diligently to change the media packet. A 10-year review of expenses indicates that increased expenses are driven by coaches' salaries and benefits; revenues are driven by contributions (e.g., men's football sales have increased, men's basketball ticket sales have not changed). Student-athletes are achieving academic success with graduation rates at 87% and trending towards 92% in 2018. The average GPA for student-athletes is over 3.2.

Trustee Martin inquired if out of state athletes are charged a premium to attend the University and the response was "yes." It was also mentioned that international students are considered out of state students and they are required to pay insurance. Provost Weddle-West emphasized many of the student-athletes are Pell students and their academic results are greater than non-athlete Pell students. Trustee Johnson asked Provost Weddle-West to give a brief overview of Pell and she complied.

Athletic Director Bowen concluded his report by reviewing the four-point strategic vision for athletics to increase ticket sales, donations, conference television rights, and community engagement. President Rudd expounded on the importance of ticket sales indicating that over the next 10-12 months he expects resolution of media rights issues but does not expect it to be dramatically different than today. President Rudd also indicated that the largest student growth is online (13% increase over last year) and those students do not pay athletic fees. He shared that the fee structure of the University is antiquated and will need to be revamped. In the future, a proposal on fee structures will be presented to the Board including the impact on athletics.

Athletic Director Bowen shared an athletic promotional video.

Trustee Johnson inquired about community engagement and athletics. Athletic Director Bowen indicated that community outreach is now volunteer-based, yet University of Memphis athletes continue to volunteer at high rates and are active at St. Jude, LeBonheur, etc. Emmanuel Cooper, a University football player, shared his experiences working with the Student Activities Committee, providing community service, assisting with the food pantry, and involvement with schools, such as the Campus School.

Chair Graf congratulated the Athletic Department on the no-findings results from the Audit Committee.

IV. Network Upgrade

Chair Graf recognized Robert Jackson, Chief Information Officer (CIO) to discuss the network upgrade project. CIO Jackson introduced Mike Heppner, Director of Network Services and Data Operations Center, who will be leading the upgrade project. CIO Jackson explained how the project will improve the network services and infrastructure needed at all campuses by increasing wired and wireless speeds, improving reliability and security, enhancing manageability for emerging technology needs and challenges, and building capacity for future growth. While this type of upgrade is done every 7 years, the results of external study revealed 29% of our equipment has reached the end of life and 71% of the equipment is scheduled for expiration this year. The aging equipment is due in part to receiving the Lambuth Campus with older equipment. The project will be deploying standard equipment at all campuses. Benefits of the project include improving performance at lower costs, increasing wireless access points across campus, and decreasing maintenance costs for software and licensing by \$100,000 per year. An implementer from Texas will assist with upgrades. The vendor chosen for the project is Aruba and the project costs \$6.5M. The timeline for deployment is August with follow-up planned in September. A challenge will be coordination across campus for access to equipment rooms and closets.

V. Residence Life Housing Rate Increase

Chair Graf recognized Darrell C. Ray, Vice President for Student Affairs to discuss a 5% increase in housing rates. VP Ray proposed the following: 5% increase in housing rates at the Memphis Campus to keep pace with debt service on \$92.5M; reduction in rates at Lambuth to be competitive with UT Martin; reduction in rates at Park Avenue Campus due to high vacancy, and plans to work with MLGW to include utility costs in rent at that location. Further, VP Ray also discussed the use of short term housing for visitors to campus.

Chair Graf asked if the demand for on campus housing was increasing. President Rudd confirmed the increase in demand.

Trustee Johnson moved and it was properly seconded to approve the 5% increase in housing rates. A vote was taken and the motion passed.

VI. UM Global Rate Increase

Chair Graf recognized Richard Irwin, Dean, UofM Global and Vice Provost, Academic Innovation and Support Services to discuss the proposed UM Global tuition rate for a reduced and streamlined fee structure. The proposal is to set the global rate at \$420 per credit hour for undergraduate and \$603 per credit hour for graduate and to eliminate the UofM Global pilot rate. President Rudd clarified the proposed rates are a rate reduction, not a rate increase as indicated by the title of the agenda item, due to a restructure of rates and fees. The growth trajectory for online is 137% by 2022 at a level of 6200 fully online students. The greatest impact is on out of state “attractability.” The University has experienced a 19% increase in online credit hours attempted. FY19 projected online enrollment growth is 10% (260 students) but we only need 100 students to cover the revenue impact of rate change.

Trustee Edwards indicated the challenge is to expand global offerings for graduate students. Additionally, online courses may be a key to higher education and supports the Drive to 55 initiative. For example, students get close to graduation but they do not finish and UofM Global is a way to help them finish. Vice Provost Irwin mentioned plans for 14 new program offerings.

The motion to approve the changes to the UofM Global rates was properly moved and seconded. A vote was taken and the motion passed.

VII. Strategic Planning Update and Administrative Efficiency

Chair Graf recognized President Rudd. President Rudd provided an update on the status of the strategic planning process. President Rudd indicated that a workgroup will be established to review administrative efficiency and to track index over time. He mentioned we have done a lot and we will lead the initiative. He also shared that over the past five years, administration costs have been cut 12.5%.

IX. Affordability

Chair Graf recognized President Rudd to discuss affordability. President Rudd indicated that the goal is to have no tuition increase this year. President Rudd shared that the largest challenge to students is financial. He advised the most significant thing we can do for students is to control costs. This will be the second year within the past five years with no tuition increase. As a result, the institution has made nice gains on affordability. The average time to completion was 4.42 years in 2012 which was down from 5.14 years in 2007. President Rudd also indicated that the University will give the 2.5% raise that is in governor’s budget. He will bring formal a recommendation to the Board once the governor has formalized the legislation.

Trustee Martin discussed the need to contemplate another out of state tuition layer; currently those students within a 250-mile radius receive a tuition discount; however, he asked if we could we offer those within 100 miles another incremental layer of discounts. He suggested that this would have a marginal revenue impact and not a lot of costs, yet would yield more students. President Rudd indicated a discussion of the 250-mile radius rate and the potential to implement it nationally (i.e., just one out of

state rate) will occur at the June meeting, This idea will need to be examined next year due to no tuition increase proposed for this year.

X. Folds of Honor Scholarship

Chair Graf recognized President Rudd who asked Trustee North to provide an overview of the Folds of Honor Foundation. Trustee North explained the Folds of Honor Foundation awards scholarships up to \$5,000 to spouses and children of America's fallen and disabled service-members. Trustee North proposed that UofM be the first university in the country to accept funds from Folds of Honor Foundation as payment in full for Tennessee students. The proposal further requested that the University perform financial modeling in support of the proposal. Discussion ensued regarding payment in full for Tennessee students without concern over capping the number of students eligible and the Trustees decided that financial modelling was not needed and other funds would be made available to make up the difference between the scholarship and tuition rates.

Trustee Martin moved and it was properly seconded to approve the Folds of Honor Scholarship for acceptance of funds based on criteria established by the Folds of Honor Foundation as scholarships for family members as payment in full for Tennessee students. A voice vote was taken and all Trustees approved with Trustee North abstaining. The motion passed.

XI. Additional Committee Business

None

ADJOURNMENT

A motion was made to adjourn the meeting by Trustee Johnson which was properly seconded. Chair Graf adjourned the meeting at 12:00.

4. Report on Trustee Conference

For Discussion

Presented by Katharine Schaffzin

Report to the Governance and Finance Committee of the Board of Trustees

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2018
Committee: Board of Trustees
Presentation Title: National Conference on Trusteeship Recap
Presented By: Kate Schaffzin

MEMORANDUM

TO: University of Memphis Board of Trustees Governance & Finance Committee

FROM: Kate Schaffzin

DATE: May 3, 2018

RE: Summary of AGB's National Conference on Trusteeship

This memorandum describes my experience attending the Association of Governing Boards' National Conference on Trusteeship from April 22-24, 2018. The experience overall was extremely positive and I strongly encourage attendance by the University of Memphis Board of Trustees at next year's conference in Orlando, Florida, from April 14-16, 2019.

The conference began with a keynote address by Jaime Casap, Global Education Evangelist at Google. I found it quite notable that, in addition to his work at Google, Mr. Casap advises Arizona State University, a public university offering a successful national online platform. He addressed the very important topic: *The Cloud Generation is Going to College. Are You Ready?* He explained how different Generation Z is from what we've seen before in terms of how they learn. This is the first generation to reach college age that has known nothing other than a digital world. He noted that computer science is "the language of the future," noting that all students in this digital generation should have basic fluency in coding. He highlighted how these students focus more on experiences than possessions. He explained that this generation worries about finding work (they watched the formula of education plus hard work fail their parents), global stability (they were born post-9/11), and the environment (they overwhelmingly believe in global warming).

To address these concerns, Mr. Casap suggested that the coming generation of college students will approach higher education asking “What problem do I want to solve?” and “What do I need to learn to solve it?” They may decide that they do not need a four-year degree to answer these questions. They may, instead, approach education as a lifelong learning experience, in which focused certificates or educational subscriptions may be more attractive to them.

These students learn differently and we must be prepared to teach them differently and to adapt to the changes that are sure to come. Mr. Casap suggested focusing on teaching students adaptable skills, rather than information, noting that information is a free commodity instantly accessible by all. He advised that we should aim to teach students to convert information into intelligence. We should provide students with skills such as critical thinking and collaboration, as demanded in today’s workplaces.

Additionally, Mr. Casap noted that the future of higher education demographically is Latino. He explained how that will require a culture shift on the part of higher education and discussed some cultural differences that may affect what colleges offer. Fortunately, many of the characteristics he described are those shared by first generation college students, a segment of our population that the University of Memphis has studied extensively thanks to the Provost’s hard work and generous grants from The Suder Foundation.

In conclusion, Mr. Casap challenged the audience to think about what our campus looked like eighteen years ago compared to today. To make his point, he displayed pictures of the Google servers when it began (six clunky desktops rigged together in a closet) compared to today. Then, we were asked to imagine what it will look like eighteen years from now. That exercise both terrified and thrilled me and I hope we can all be inspired by it.

The second day of the conference offered two breakout sessions for a variety of Master Classes. I attended interesting Master Classes on fundraising by demographics and a *Forecast for the Future of Higher Education*. Following the Master Classes, I attended a plenary panel on *Navigating Challenges of Freedom of Expression*, including among others, Janet Napolitano (President of the University of California system), Teresa Sullivan (President of the University of Virginia), and Shauna Ryder Diggs (a member of the University of Michigan Board of Regents). This panel was fascinating, but continually returned to the consensus of all panelists: free speech must be encouraged and supported in all its forms on campus and efforts to regulate speech based on content must be rejected.

I attended a concurrent session on *Advancing Institutional Equity Through Gender Equity in the Presidency: Selection, Orientation & Support*. In that session, a few concepts were discussed. First, the panel addressed the idea of building a leadership pipeline to build diversity in university administration, including the possibility of collaborating with other local colleges to do so. Next, the panel stressed the importance of explaining to new leaders areas for professional growth and also providing those individuals with relevant coaching to maximize success. The panel also explained the importance of educating board members on implicit bias, especially how that can manifest in job descriptions for high-level administrators. We were warned that not all search consultants are equal when seeking a diverse pool of applicants. Finally, the panel stressed that current presidents should actively nominate female and diverse leaders in their own institutions for leadership roles locally or at other institutions.

Later that day, I attended a breakout session on *The Academic Affairs Committee*. In that session, I learned that it is the board's responsibility to highlight discussion items for committee meetings and that time should be spent on discussion, rather than reports that can be provided in

materials reviewed in advance of the meeting. I also learned how comparatively short and infrequent our committee meetings are; all the more reason to maximize discussion time for a few discrete issues.

On the final morning of the conference, I attended a plenary session on *Intercollegiate Athletics: Challenges Confronting Governing Boards*. Notably, one of the panelists was Carol Cartwright, who led our AGB Orientation in March 2017. In addition to being president emerita at two universities and a board member herself, Ms. Cartwright also co-chairs the Knight Commission on Intercollegiate Athletics and the NCAA Division I Committee on Infractions. The repeated consensus of all panelists was that it is the board's fiduciary duty to provide governance on university athletics. There was no consensus on exactly what that looks like, however. While some college boards have a distinct committee on athletics, others assign responsibilities to one or several board committees. For example, the Audit Committee may consider risks associated with the athletic program and consider protective policies. The Academic, Research, & Student Success Committee might be charged with overseeing the success of student athletes. The Governance & Finance Committee may be considering the athletics budget. Other highlights that some schools have tried include athletic culture audits, athletic strategic plans, and setting boundaries and guidelines for athletic contracts. In summary, the Board should provide governance related to athletics without attempting to manage the athletics department.

Overall, this was a very worthwhile conference that I hope others may attend in the future. Aside from the excellent speakers assembled to address timely topics of great importance, the conference provided a venue for comparing notes with other boards and administrators, inspiring ideas for our own.

5. Capital Budget Requests

For Approval

Presented by Tony Poteet

The University of Memphis Board of Trustees
Recommendation

Date: June 6, 2018

Committee: Governance and Finance Committee

Topic: Capital Budget Request for Fiscal Year 2020

Presented by: Tony Poteet, Assistant Vice President for Campus Planning and Design

Background:

Per Tennessee Higher Education Commission (THEC) Policy F4.0 Capital Projects: As the coordinating body for higher education in Tennessee, THEC engages with institutions and governing boards on capital investment through its role to develop and approve recommendations for capital outlay and maintenance funding. THEC identifies capital investment needs and determines priorities for those investments for consideration by the Governor and the General Assembly as part of the annual appropriations act. Categories of projects submitted to THEC in the annual Capital Budget Request are as follows:

Capital Outlay: In accordance with funding request guidelines annually disseminated by THEC staff, the Commission receives a prioritized list of capital outlay projects from each governing board for evaluation and scoring into a single prioritized list for the state. These projects either provide new space or major renovations (or a combination of both), and respond to: state goals for education, strategic plans, space guidelines, facility assessments, program plans, business plans, and/or external funding.

Capital Maintenance: THEC shall receive a prioritized list of capital maintenance projects from each governing board. THEC staff makes project recommendations to the Commission's Board in accordance with a capital maintenance formula. The formula may include, but not be limited to, the age, gross Education & General (E&G) square footage, usage, and conditions of institutions facilities. Individual projects should reduce deferred maintenance and protect the assets of the state.

Disclosed Projects: The reporting of disclosed capital projects to THEC should be performed at least quarterly and shall include all projects to be initiated in the following quarter that will have total expenditures on capital improvements exceeding \$100,000 or capital maintenance exceeding \$500,000. Disclosed projects are those funded by campus funds, bonds, gifts or other non-appropriated sources.

Out-year & Other Projects (Informational Only): These projects are listed for informational purposes only. They are included in the request to THEC to make them aware of what the University intends to request once our current needs are funded.

Committee Recommendation:

The Governance and Finance Committee met June 6, 2018, and recommended approval of the Capital Budget Request for Fiscal Year 2020 as submitted by staff and detailed in the meeting materials.

The University of Memphis
Capital Request Summary for FY 19-20 and out -years

Capital Outlay	Match	State Request	Total	Local Source
Engineering STEM Facility	\$ 4,000,000	\$ 36,000,000	\$ 40,000,000	
Capital Maintenance				
Lambuth Sprague Hall		\$ 6,000,000	\$ 6,000,000	
Roof Replacements		\$ 3,000,000	\$ 3,000,000	
Building Code and Safety Upgrades		\$ 3,000,000	\$ 3,000,000	
Building Envelope Repairs		\$ 2,830,000	\$ 2,830,000	
Total (THEC allowance for UM per instructions)			\$ 14,830,000	
Disclosure				
Ellipse Plaza Development		\$ 1,000,000	\$ 1,000,000	plant funds
McWherter Library Learning Commons		\$ 1,200,000	\$ 1,200,000	plant funds
FEC Upgrades		\$ 1,500,000	\$ 1,500,000	plant funds
Child Development Center		\$ 9,000,000	\$ 9,000,000	gift
Campus School Expansion		\$ 750,000	\$ 750,000	gift
Mynders Hall Roof		\$ 750,000	\$ 750,000	plant funds
Defense Audit Completion		\$ 1,000,000	\$ 1,000,000	plant funds
Wilder 10th floor fitout for Ground Water		\$ 650,000	\$ 650,000	plant funds
Campus Police Renovation (Honors Hall)		\$ 700,000	\$ 700,000	plant funds
Park Avenue Physical Plant and Equipment Storage		\$ 600,000	\$ 600,000	plant funds
INFORMATIONAL ITEMS ONLY				
Capital Outlay - Out year				
Research Modernizations	\$ 2,700,000	\$ 24,300,000	\$ 27,000,000	
Capital Maintenance - Out year				
HVAC Several Buildings		\$ 5,000,000	\$ 5,000,000	
Wilder Tower		\$ 5,000,000	\$ 5,000,000	
Deferred Maintenance		\$ 15,000,000	\$ 15,000,000	
Other				
ADA		\$ 200,000	\$ 200,000	

Capital Budget Request FY 19-20

Governance and Finance Committee

Tony Poteet
AVP Campus Planning and Design

June 6, 2018
University Center



JUNE 2018

Capital Outlay

- New facilities and major renovation. Match funds required.
- Projects scored based on state goals, Drive to 55, strategic plan, master plan, space needs, external funding

Capital Maintenance

- Non recurring rehabilitation to keep facility in good working order
- UM = 12.4% of appropriations pool = \$14,830,000

Disclosure

- Other than state appropriations
- Over \$100,000

Note: all projects must be in conformance with the master plan

Outlay – STEM Facility

Concept

- Undergraduate and Graduate research / instruction
- Research integrated into course delivery
- Interdisciplinary learning / flexible labs
- Career pathways into market needs
- Increase STEM degrees
- Enhanced student collaboration / projects
- Accommodate enrollment growth in focused areas



June 2018 Governance & Finance Committee

5. Capital Budget Requests



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Outlay – STEM Facility

Program:

- Active Learning Classrooms
- Student Collaboration Lab
- Student Project Workshop
- Student Organizations Area
- Cybersecurity Lab
- Big Data Lab – MD2K (Mobile Health)
- Hydrology Lab
- Earthquake Engineering Lab
- STEM Workforce Development Lab
- Advanced Manufacturing Lab
- RFID / Automation Lab
- Faculty Offices / Workspace
- Artificial Intelligence
- Bio Materials



Size: 65,000 Gross S.F. - 39,000 Net S.F.

BUDGET:

• Site	\$ 900,000
• Equipment (built-In)	2,500,000
• Construction (includes renovations)	29,750,000
• Contingency	1,850,000
• Design	1,915,838
• Equipment (moveable)	2,750,000
• Commissioning	120,000
• Miscellaneous	<u>214,162</u>
Total	\$40,000,000

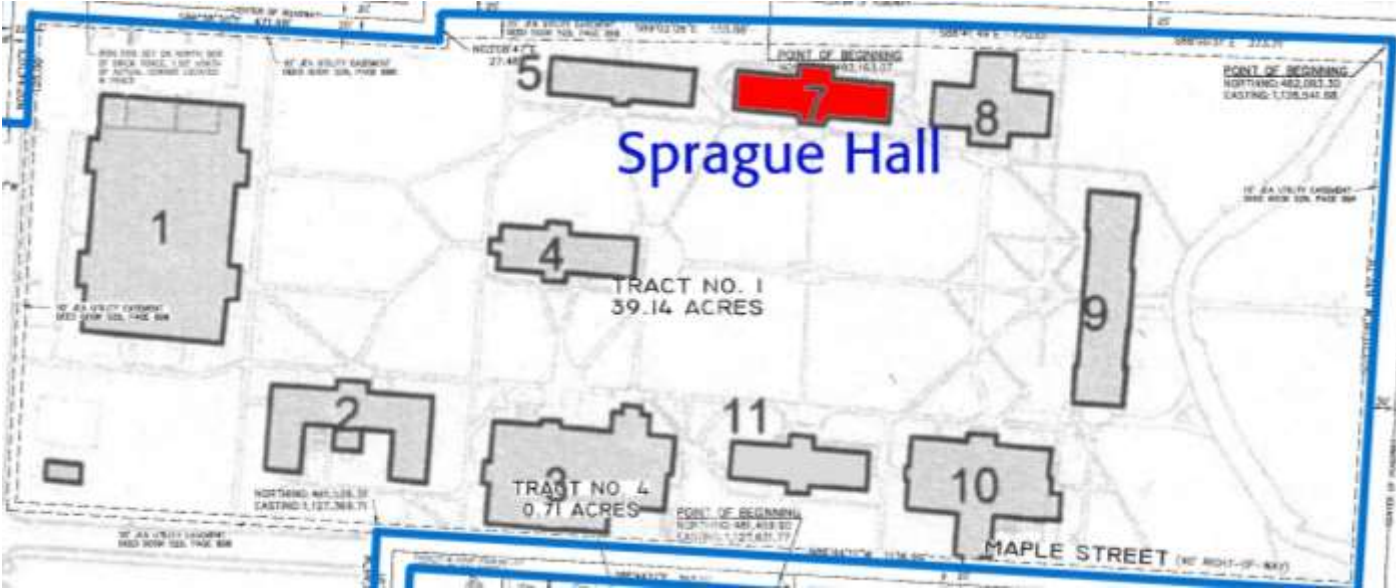
State Funds

5. Capital Budget Requests

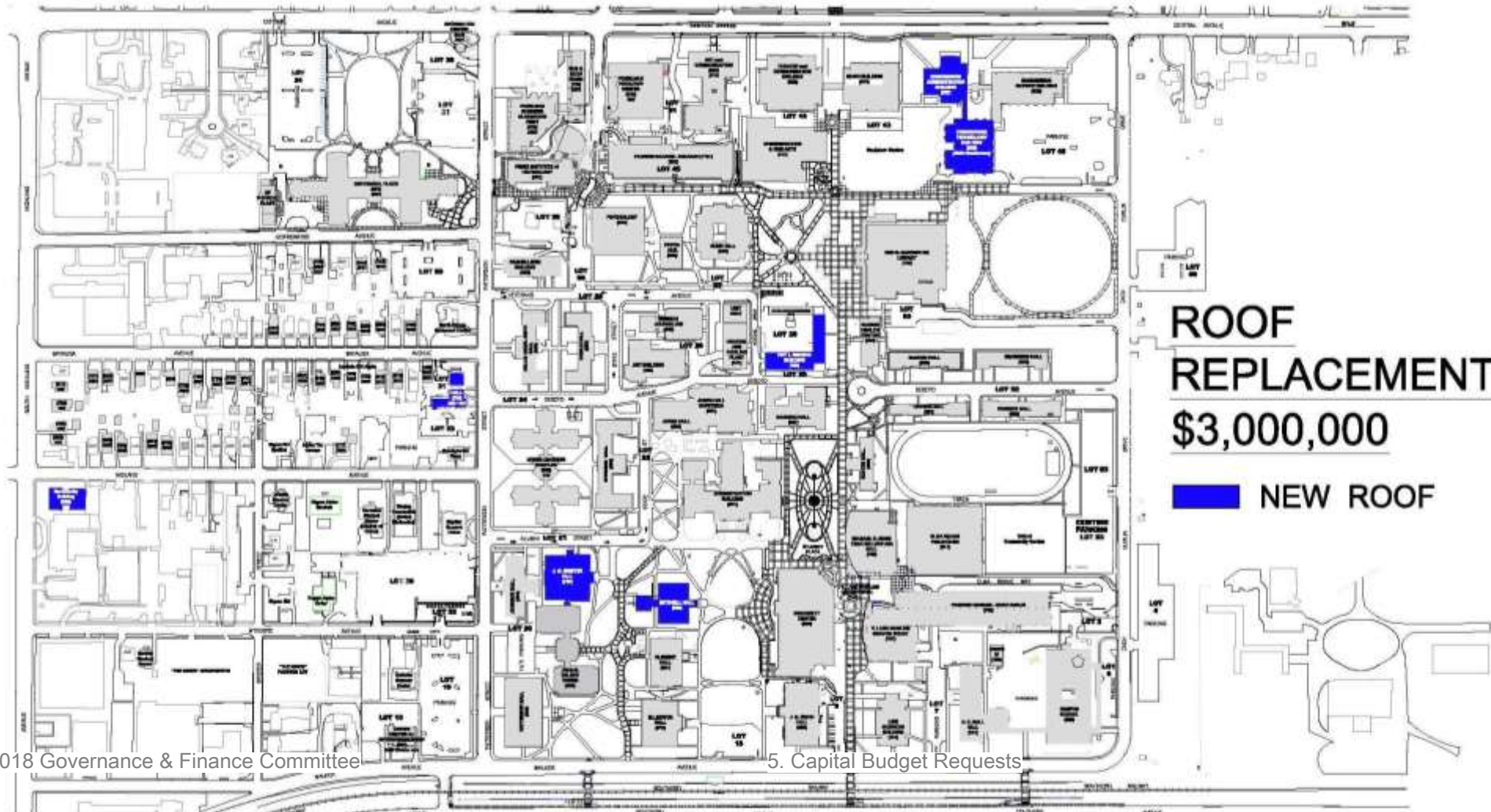
\$ 4,000,000
\$36,000,000

Capital Maintenance

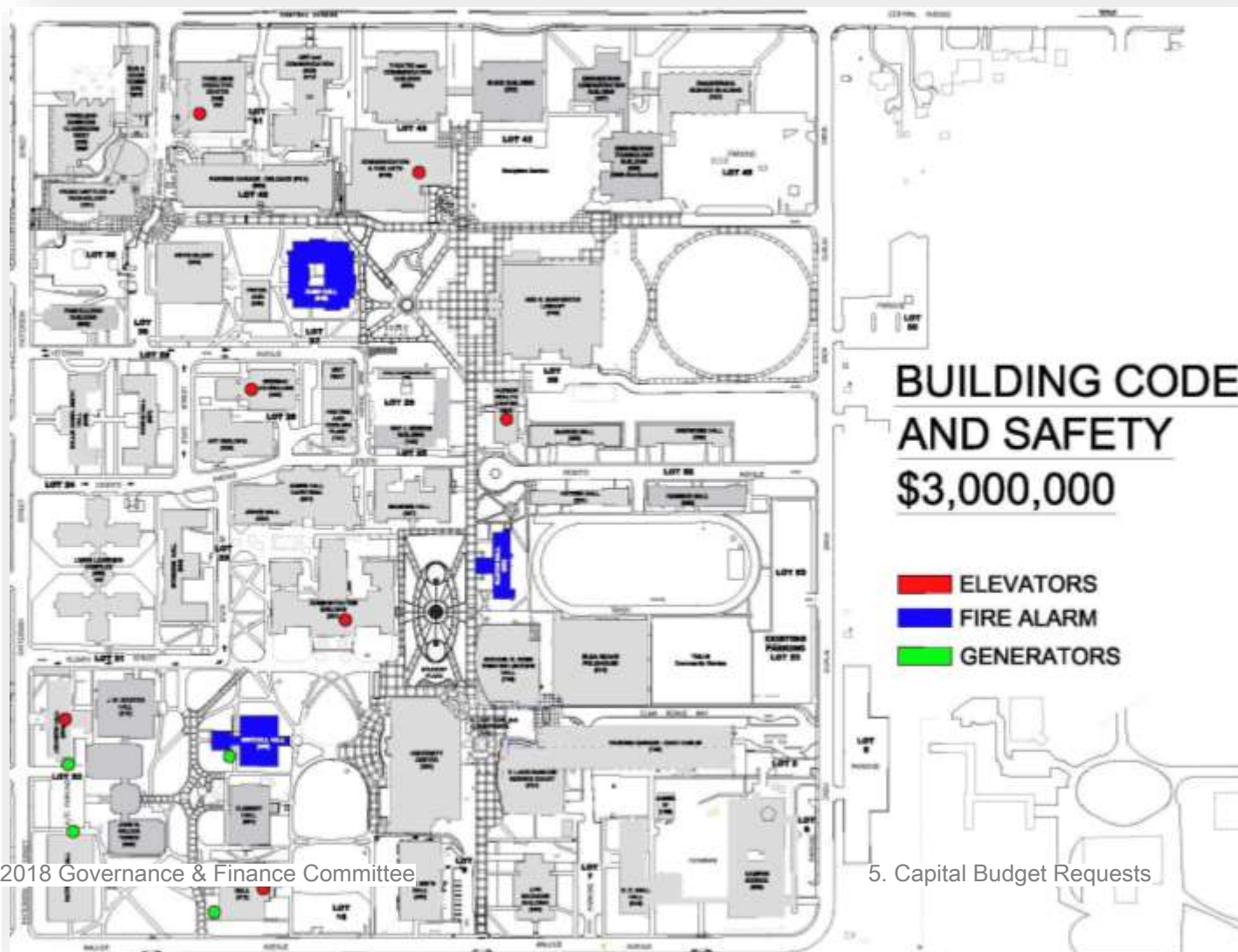
Lambuth Sprague Hall \$6,000,000



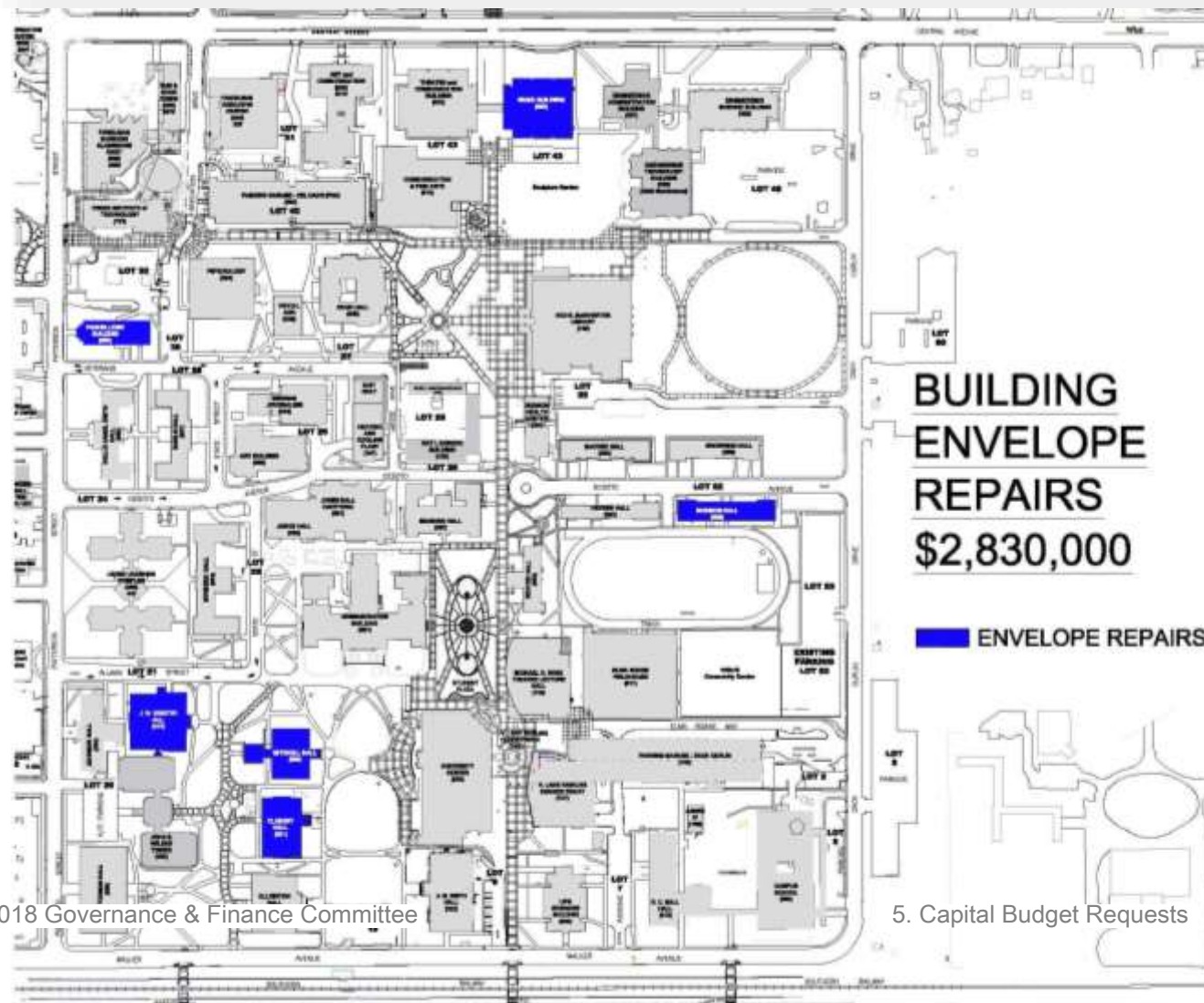
Capital Maintenance



Capital Maintenance



Capital Maintenance



Disclosure Projects

	<u>Estimate</u>	<u>Source</u>
• Ellipse Plaza Development	\$1,000,000	plant funds
• McWherter Library Learning Commons	\$1,200,000	plant funds
• FEC Upgrades	\$1,500,000	plant funds
• Child Development Center	\$9,000,000	gifts
• Campus School Expansion	\$2,000,000	gifts
• Mynders Hall Roof	\$ 700,000	plant funds
• Defense Audit Completion	\$1,000,000	plant funds
• Wilder 10 th floor fitout for Ground Water	\$ 650,000	plant funds
• Campus Police Renovation (Honors Hall)	\$ 700,000	plant funds
• Fair Avenue Physical Plant and Equipment Storage	\$ 600,000	plant funds

Capital Outlay – Out Years

- | | |
|-----------------------------------|------------------|
| • Research Modernizations | 25 to 30 million |
| • Art Museum and CFA Improvements | 30 to 35 million |

Capital Maintenance – Out Years

- | | |
|-----------------------------|--------------|
| • HVAC Several Buildings | \$ 5,000,000 |
| • Wilder Tower Improvements | \$ 5,000,000 |
| • Deferred Maintenance | \$15,000,000 |

Other

- | | |
|---------------|------------|
| • ADA request | \$ 200,000 |
|---------------|------------|

6. Natatorium Project Funding

For Approval

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees
Recommendation

Date: June 6, 2018

Committee: Governance and Finance Committee

Topic: Natatorium Project Funding

Presented by: Raaj Kurapati, Chief Financial Officer

Background:

Through a partnership between the University of Memphis, Memphis Tiger Swimming, Splash Mid-South, and the Rose Foundation, a one-of-a-kind natatorium, named for Memphis businessman and philanthropist Mike Rose, will be developed that draws upon a robust aquatics program in the heart of Memphis to promote water safety and enrich community health and provide instructional and recreational swimming access among diverse populations. This project was disclosed to the legislature in the FY 2018-2019 budget.

Two state funded capital maintenance projects (pool repairs \$3.5M and roof replacement \$3.5M – state appropriations) will be combined with \$6 million in gift funds for the Student Recreation and Fitness Building improvements and will be presented to the State Building Commission for approval on July 12, 2018.

The cash-flow source for the gift funded portion of the construction is requested to be short-term, five-year, low-interest financing from Tennessee State School Bond Authority repaid from the gift proceeds.

Recommendation:

The Governance and Finance Committee recommends approval for the use of \$6 million dollars of Tennessee State School Bond Authority low interest short term debt (commercial paper) during the construction phase of the Natatorium project to be repaid by gifts within a maximum of five (5) years.

7. Operating Budget

For Approval

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees
Recommendation

Date: June 6, 2018

Committee: Governance and Finance Committee

Topic: FY2018-19 Proposed Budget and FY2017-18 Estimated Budget Recommendation

Presented by: Raaj Kurapati, Chief Financial Officer

Background:

The General Appropriations Act requires that the operating budget of all higher education institutions be submitted by the respective governing boards to the Tennessee Higher Education Commission. At this time, both the FY2018-19 Proposed budget and FY2017-18 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 tuition increases and research activities. The *Proposed Budget* is submitted to the Board for approval prior to the start of the subsequent fiscal year.

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.

Recommendation:

The Governance and Finance Committee met June 6, 2018, and recommended approval of the FY2017-18 Estimated Budget and the FY2018-19 Proposed Budget and assumptions as presented in the meeting materials.

FY2018-19 Proposed Budget and FY2017-18 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 FY19 Proposed Budget was prepared with the following assumptions:

- State Appropriations as recommended in the Governor's Budget
- 0% tuition increase
- Flat enrollment based on FY2018 enrollment levels
- 2.5% salary pool & associated benefit increases
- 5% Residence Life rate increase
- Reclassification of Bad Debt expenses now being reflected as a contra-revenue
- Incorporated anticipated increases in Athletic ticket sales and donations for FY19

The University of Memphis FY2019 proposed budget revenues total \$516.1M. This total reflects revenue increases of \$17M from the FY2018 proposed budget.

Total Revenues by Fund Type

Proposed Budget Revenues (Millions)	2018	2019	Change	%
Educational & General (E&G)	\$362.2	\$375.3	\$13.1	3.6%
Auxiliary Units	\$26.5	\$26.5	\$0.0	0.0%
Total FY18 Proposed Unrestricted Budget	\$388.7	\$401.8	\$13.1	3.4%
Restricted (Gifts, Grants & Contracts)	\$110.4	\$114.3	\$3.9	3.5%
Total Proposed Unrestricted & Restricted Budget	\$499.1	\$516.1	\$17.0	3.4%

* E&G revenues include Athletics

Restricted Budget includes \$71M in Financial Aid (primarily Hope & Pell)

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 and contracts, sales and services, and other miscellaneous revenues.

The E&G revenue increase is a result of:

- \$5.9M FY19 State appropriation increase
- \$1.7M FY18 State appropriation increase for TCRS rate change
- \$4.5M Anticipated increases in Athletic tickets & donations
- \$1.1M Increase in Academic fees revenue

Following is a detail of the FY2019 state appropriation allocation for the University of Memphis:

FY2019 State Appropriations

<u>FY2019 Recurring State Appropriations</u>	
State Appropriation - Operating Increase	3,095,500
State share - 2.5% Salary Pool	3,055,300
Funding for Health Insurance Increases	530,800
Outcomes Formula Adjustment	(768,900)
FY19 Net Recurring State Appropriation amount	\$ 5,912,700
<u>Capital Maintenance - One Time State Appropriations</u>	
Campus-Wide Building Envelope Repairs	3,500,000
Campus-Wide Boilers and Hot Water Pipes Repair	4,510,000
Student Recreation Center Re-Roof and Repairs	3,500,000
Student Recreation Center HVAC and Pool Repairs	3,500,000
Total One Time State Appropriations	\$ 15,010,000

The proposed expenditure budget reflects E&G revenue growth as follows:

- \$ 4.6M 2.5% Salary Pool prorated across functions based on salary distribution
- \$.5M Health Insurance increase
- \$ 1.7M Increase in benefits due to TCRS rate increase
- \$ 4.5M Increase in Athletics recurring operations
- \$ 1.1M Increases in Academic instructional support
- \$.7M Strategic Investment funds

Regarding strategic investment funds, the University community participated in a robust budget development process in the spring to identify critical needs and investment opportunities to further the University's mission. The governance structure of the new Strategic Resource Investment (SRI) budget model ensured university wide collaboration, transparency and alignment of resources with strategic initiatives and priorities. At this point, no allocation decisions have been made regarding the investment of these funds.

Auxiliaries & Restricted

Auxiliaries are self-supporting enterprises, which furnish services to students, faculty, and staff such as housing, bookstore, parking and food services. The auxiliary budget reflects an anticipated 5% housing rate increase and the reclassification of bad debt expenses to a contra-revenue.

Restricted funds must be used in accordance with purposes established by an external party, primarily grants, contracts, gift funds and endowments. The restricted budget increase is related to an increase in Pell award amounts, new summer Pell awards and anticipated grant & contract 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 at the same time as the **Proposed Budget** for the upcoming fiscal year.

The FY2018 estimated operating budget reflects changes that have occurred since the revised budget in the fall. Estimated total revenues are \$510.9M, a .5% increase over the revised budget

Total Revenues by Fund Type

FY2018 Revenues (Millions)	Revised Budget	Estimated Budget	Change	%
Educational & General (E&G)	\$370.3	\$372.3	\$2.0	0.5%
Auxiliary Units	\$26.0	\$25.6	(\$0.4)	(1.5%)
Total FY18 Proposed Unrestricted Budget	\$396.3	\$397.9	\$1.6	0.4%
Restricted (Gifts, Grants & Contracts)	\$112.0	\$112.97	\$1.0	0.9%
Total Proposed Unrestricted & Restricted Budget	\$508.3	\$510.9	\$2.6	0.5%

*E&G Budget includes revenue activities such as Athletics

Restricted Budget includes approximately \$69M in Financial Aid (Hope & Pell)

Educational and General (E&G) revenue increase is primarily a result of one-time activities in Conference & Institutes, Campus Internship Programs, UofM Foundation support to campus departments, as well as a change in employee awards no longer being processed at Foundation but through the University system. Auxiliary revenue decline is due to the reclassification of bad debt expenses to be reflected as a contra-revenue and housing revenues adjusted based on actuals. The increase to restricted revenues was due to new Summer Pell awards and increased Grants/Restricted activity based on year to date actuals.

Proposed 2018-19 Operating Budget

University of Memphis
FY18 & FY19 Revenue and Expenditures
Proposed Budget

	Proposed FY2018	Proposed FY2019	Change	
			Amount	%
Revenues				
Educational & General				
Tuition and Fees	\$ 200,285,800	\$ 201,369,700	\$ 1,083,900	0.5%
State Appropriations	109,037,700	116,674,900	7,637,200	7.0%
Unrestricted Gifts, Grants & Contracts	22,978,600	23,348,600	370,000	1.6%
Sales and Services/Other	29,905,600	33,933,900	4,028,300	13.5%
Total Educational & General	<u>\$ 362,207,700</u>	<u>\$ 375,327,100</u>	<u>\$ 13,119,400</u>	<u>3.6%</u>
Auxiliary	\$ 26,496,500	\$ 26,476,300	\$ (20,200)	-0.1%
Restricted	110,423,200	114,344,300	3,921,100	3.6%
Total Revenues	<u><u>\$ 499,127,400</u></u>	<u><u>\$ 516,147,700</u></u>	<u><u>\$ 17,020,300</u></u>	<u><u>3.4%</u></u>
Expenditures and Transfers				
Educational & General				
Instruction	\$ 161,434,400	\$ 165,334,700	\$ 3,900,300	2.4%
Research	13,787,000	13,819,400	32,400	0.2%
Public Service	6,051,600	5,114,400	(937,200)	-15.5%
Academic Support	30,972,800	32,002,300	1,029,500	3.3%
Student Services	57,136,200	53,953,000	(3,183,200)	-5.6%
Institutional Support	29,041,500	29,744,600	703,100	2.4%
Operation & Maintenance	35,937,300	36,909,300	972,000	2.7%
Scholarships and Fellowships	17,873,400	27,592,400	9,719,000	54.4%
Transfers	9,973,500	10,857,000	883,500	8.9%
Total Educational & General	<u>\$ 362,207,700</u>	<u>\$ 375,327,100</u>	<u>\$ 13,119,400</u>	<u>3.6%</u>
Auxiliary*	\$ 26,496,500	\$ 26,476,300	\$ (20,200)	-0.1%
Restricted	110,423,200	114,344,300	3,921,100	3.6%
Total Expenditures and Transfers	<u><u>\$ 499,127,400</u></u>	<u><u>\$ 516,147,700</u></u>	<u><u>\$ 17,020,300</u></u>	<u><u>3.4%</u></u>

University of Memphis
Recap of Proposed Revenue & Expenditure Changes

Revenue Change from FY18 Proposed to FY19 Proposed Budget

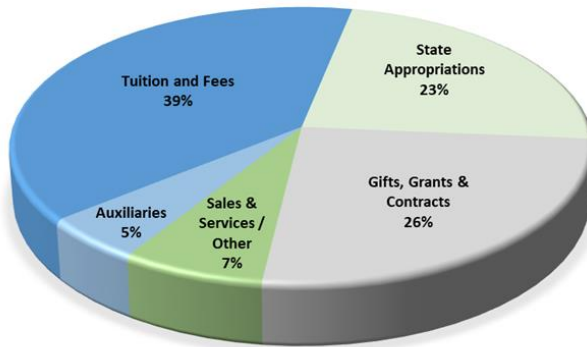
Tuition and Fees	1,083,900	Increase is net of declines in TN eCampus online revenue, Summer School enrollment growth, increases in Academic Online and course fee revenues, and the reclassification of bad debt expenses to a contra-revenue
State Appropriations	7,637,200	FY19 State Appropriation Increase for operations, 2.5% salary pool & health insurance increases and FY18 adjustment for TCRS retirement rate increase
Unrestricted Gifts, Grants & Contracts	370,000	Net of Athletic gifts/donations and changes in the Center Research Educational Policy (CREP) funding model
Sales and Services/Other	4,028,300	Anticipated FY19 increases in Athletic ticket sales and FY18 increases in Football ticket sales and Athletic conference revenues
Auxiliary	(20,200)	Net change of a 5% Housing rate increase for FY19 and FY18 Housing revenues adjusted based on actual occupancy, decreases in parking and copier vending revenues, and the reclassification of bad debt expenses to a contra-revenue
Restricted Grants and Contracts	3,921,100	Grant revenue increased due to 2.5% salary pool & associated benefits, Summer Pell grant awards, increase in FY19 Pell award amounts and anticipated increases in Grants/Restricted activities
Total Revenue Change	\$ 17,020,300	

Expenditure Change from FY18 Proposed to FY19 Proposed Budget

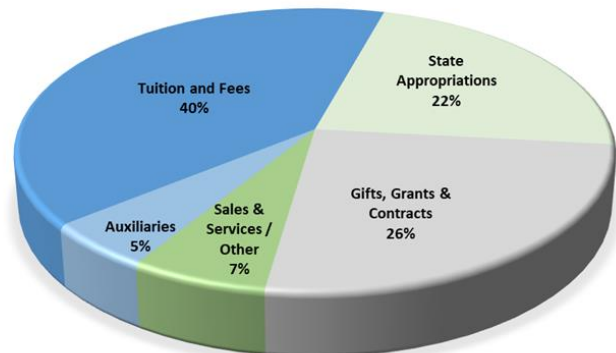
Instruction	3,900,300	Distribution of the 2.5% Salary Pool & benefit increases, FY18 allocations for new faculty positions and instructional support as well as unallocated strategic investment funds
Research	32,400	Distribution of the 2.5% Salary Pool & benefit increases
Public Service	(937,200)	Net of distribution of 2.5% Salary Pool/benefit increases and funding model change for CREP operations
Academic Support	1,029,500	Distribution of the 2.5% Salary Pool & benefit increases, budget allocations for UM Global Support Services and Advising services
Student Services	(3,183,200)	Net decrease is due to reclassification of Athletic Scholarships previously reported in Student Services based on guidelines from the State, distribution of the 2.5% Salary Pool & benefit increases, budget allocations for Career Services Redesign and increases in Athletic operations based on associated revenues increases
Institutional Support	703,100	Distribution of the 2.5% Salary Pool & benefit increases, budget allocation for ITS Network campus upgrade, allocations for positions relating to governance independence, and the reclassification of bad debt expenses to a contra-revenue
Operation & Maintenance	972,000	Distribution of the 2.5% Salary Pool & benefit increases, facility operations and utility increases, budget allocations for Police Services and allocations for Campus Planning Design due to governance independence
Scholarships and Fellowships	9,719,000	Reclassification of Athletic Scholarships previously reported in Student Services based on guidelines from the State and budget allocations for new scholarship programs.
Transfers	883,500	Increase is the net impact of establishing the Football Practice Facility Debt transfer and slight decreases in Facility fee and Debt Service fee revenues
Auxiliary	(20,200)	Net change of anticipated 5% housing rate increase, the reclassification of bad debt expenses to a contra-revenue and decreases in parking and copier vending operations
Restricted Grants and Contracts	3,921,100	2.5% salary pool and benefit increases, increase in FY19 Pell awards, new Summer Pell awards and anticipated increase in grants/restricted activities
Total Expenditure Change	\$ 17,020,300	

The FY19 Proposed Budget is balanced and within available resources. The primary revenue change for FY19 is the increase in state appropriations. All other revenues remain fairly consistent.

FY 2019 Proposed Unrestricted and Restricted Revenue
Total \$516.1 M

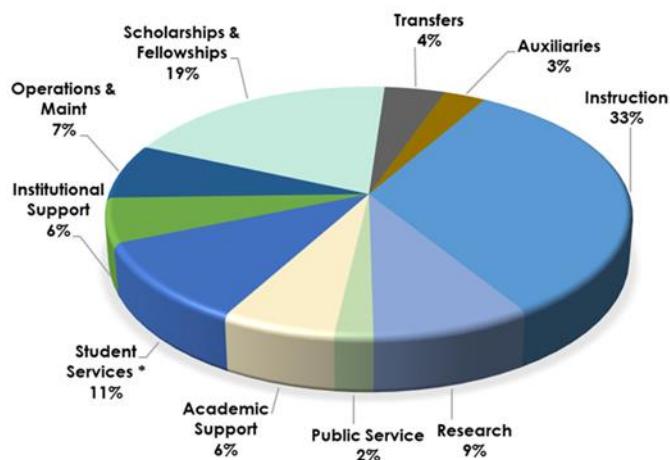


FY 2018 Proposed Unrestricted and Restricted Revenue
Total \$499.1 M

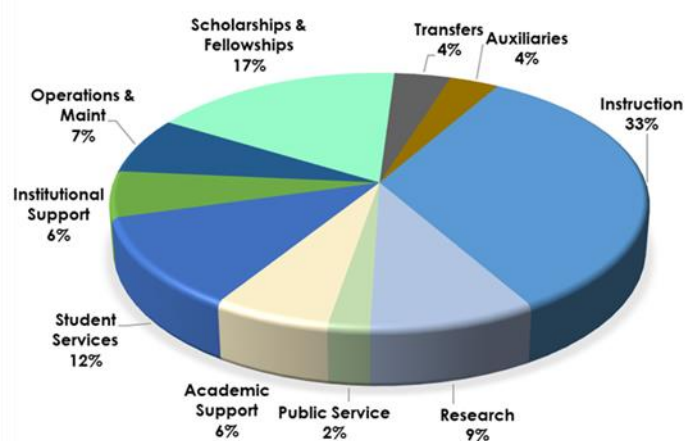


Expenditures are budgeted across the eight functional areas shown in the two charts below. Spending by function remains consistent with the main differences being in Student Services and Scholarships. This is due to a reclassification of Athletic Scholarships previously reported in Student Services and now will be reported in the Scholarship function based on guidelines from the State, budget allocations for new scholarship programs, new Summer Pell awards and increases in Pell award amounts.

FY 2019 Proposed Unrestricted and Restricted Expenses
Total \$516.1 M



FY 2018 Proposed Unrestricted and Restricted Expenses
Total \$499.1 M



* Athletics is included in Student Services function

Estimated (Final) 2017-18 Operating Budget

University of Memphis
Revenue and Expenditures **Revised FY18** to **Estimated FY18 Budget**

	Revised FY2018	Estimated FY2018	Variance	
			Amount	%
Revenues				
Educational & General				
Tuition and Fees	\$ 203,267,800	\$ 201,209,600	\$ (2,058,200)	-1.0%
State Appropriations	110,762,200	110,762,200	-	0.0%
Unrestricted Gifts, Grants & Contracts	22,845,000	26,595,300	3,750,300	16.4%
Sales and Services	33,407,600	33,737,000	329,400	1.0%
Total Educational & General	<u>\$ 370,282,600</u>	<u>\$ 372,304,100</u>	<u>\$ 2,021,500</u>	<u>0.5%</u>
Auxiliary	\$ 26,016,700	\$ 25,586,500	\$ (430,200)	-1.7%
Restricted	112,016,200	112,978,800	962,600	0.9%
Total Revenues	<u>\$ 508,315,500</u>	<u>\$ 510,869,400</u>	<u>\$ 2,553,900</u>	<u>0.5%</u>
Expenditures and Transfers				
Educational & General				
Instruction	\$ 178,199,600	\$ 160,942,000	\$ (17,257,600)	-9.7%
Research	29,266,600	34,063,100	4,796,500	16.4%
Public Service	7,124,500	8,051,800	927,300	13.0%
Academic Support	34,288,700	33,451,900	(836,800)	-2.4%
Student Services	61,760,300	65,184,700	3,424,400	5.5%
Institutional Support	32,327,100	31,197,200	(1,129,900)	-3.5%
Operation & Maintenance	37,887,600	37,127,500	(760,100)	-2.0%
Scholarships and Fellowships	27,413,300	26,915,100	(498,200)	-1.8%
Transfers	(15,819,100)	(4,073,800)	11,745,300	-74.2%
Total Educational & General	<u>\$ 392,448,600</u>	<u>\$ 392,859,500</u>	<u>\$ 410,900</u>	<u>0.1%</u>
Auxiliary	\$ 26,016,700	\$ 27,138,400	\$ 1,121,700	4.3%
Restricted	112,016,200	112,978,800	962,600	0.9%
Total Expenditures and Transfers	<u>\$ 530,481,500</u>	<u>\$ 532,976,700</u>	<u>\$ 2,495,200</u>	<u>0.5%</u>

Note: The Revised and Estimated budget includes prior year carry forward balances

University of Memphis
Recap of Revised to Estimated Budget Revenue & Expenditure Changes

Revenue Change from FY18 Revised to FY18 Estimated Budget

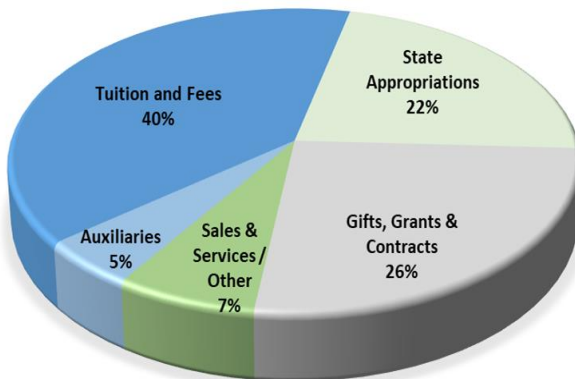
Tuition and Fees	(2,058,200)	Declines in TN eCampus online revenue & Spring tuition revenues, UM Global pilot tuition rate reduction, and the reclassification of bad debt expenses to a contra-revenue
Unrestricted Gifts, Grants & Contracts	3,750,300	Net change of UMFoundation support to campus departments, Center Research Educational Policy (CREP) funding model change, as well as a change in employee awards previously processed at University of Memphis Foundation
Sales and Services	329,400	Net change from activities in Conference & Institutes, Campus Internship Programs and International Exchange Programs budgeted in the later half of the year, and reclassification of bad debt as a contra-revenue
Auxiliary	(430,200)	Housing revenue adjusted based on FY18 actuals and the reclassification of bad debt expenses to a contra-revenue
Restricted Grants and Contracts	962,600	Increase is due to Summer Pell awards and estimated increase in grants/restricted activity based on year to date actuals
Total Revenue Change	2,553,900	

Expenditure Change from FY18 Revised to FY18 Estimated Budget

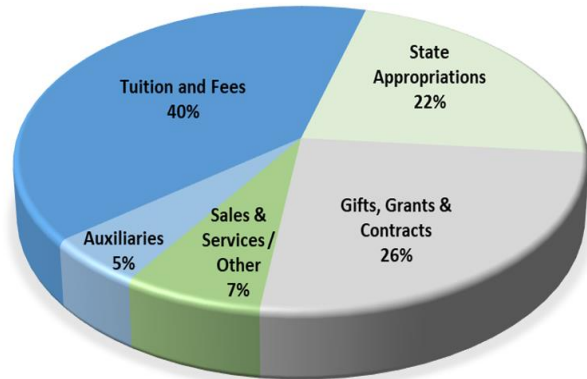
Instruction	(17,257,600)	Net of budget allocations distributed after the Revised budget, benefit shifts based on staffing levels and transfer of anticipated available year-end central funds to non-current Plant funds for future year strategic investments
Research	4,796,500	Budget allocations for research initiatives, GA stipend and waiver allocations from Instruction, faculty grant salary splits, one-time cost shares and startup commitments
Public Service	927,300	Budget redistributions after Revised Budget for Center of Excellence MD2k activities, Confucius Institute Grant Residual Balances, and Cost Shares set up for Grant Awards
Academic Support	(836,800)	Nursing TN eCampus online fees reallocated to Instruction for adjunct Faculty in Spring and Summer, benefit shifts based on staffing level and Academic Affairs central funds transferred to non current Plant funds for future year strategic investments
Student Services	3,424,400	Primarily contingency funds for Student Services function and benefit shifts based on staffing levels
Institutional Support	(1,129,900)	Decrease is primarily the reclassification of bad debt expenses to a contra-revenue and benefit shifts based on staffing levels
Operation & Maintenance	(760,100)	Transfer of utility savings to plant funds for Performance Contract Debt and Utility Fluctuation / Energy Conservation reserve
Scholarships and Fellowships	(498,200)	Adjusted Scholarships to projected award levels
Transfers	11,745,300	Transfer of anticipated available year end central funds to non current plant funds for future year strategic investments
Auxiliary	1,121,700	Net of the University Service Court funding for ITS Network Project and the reclassification of bad debt to a contra-revenue
Restricted Grants and Contracts	962,600	Estimated increase in grants/restricted activity based on year to date actuals and new summer Pell awards
Total Expenditure Change	2,495,200	

The FY2018 Estimated budgets are within available resources and comply with all applicable policies and guidelines. This budget includes all resources 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.

FY 2018 Estimated Unrestricted and Restricted Revenues
Total \$510.8 M

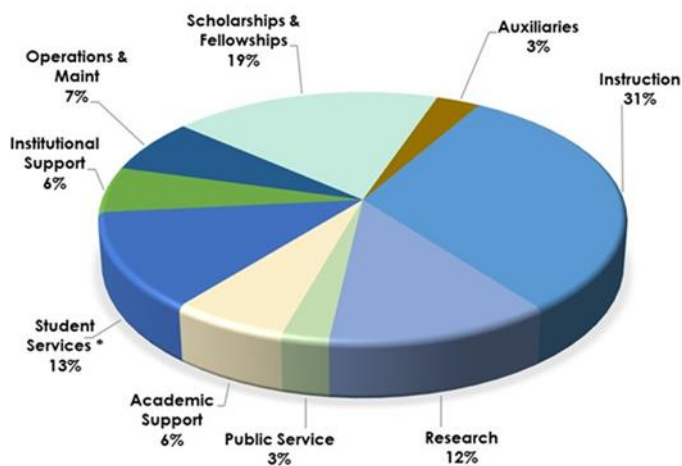


FY 2018 Revised Unrestricted and Restricted Revenues
Total \$508.3 M

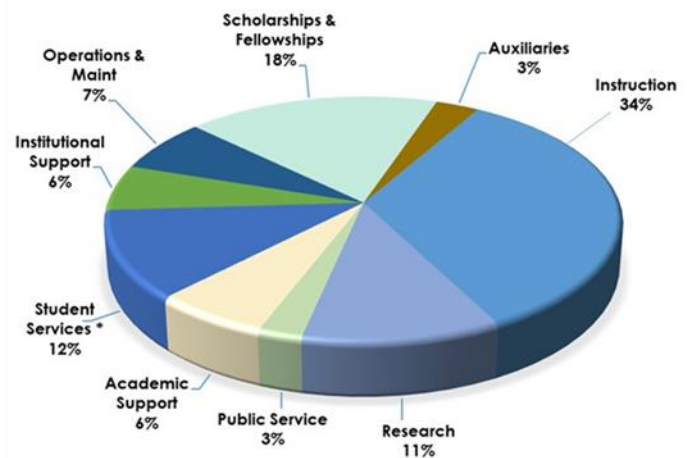


In the Estimated budget, spending by function remains consistent with the main differences being in Departmental allocation shifts between Instruction and Research, increases in Athletics operations due to post season activities and new summer Pell awards.

FY 2018 Estimated Unrestricted and Restricted Expenses
Total \$533.0 M



FY 2018 Revised Unrestricted and Restricted Expenses
Total \$530.5 M



* Athletics is included in Student Services function



FY19 Proposed Budget and FY18 Estimated Budget

Governance and Finance Committee

Raaj Kurapati, Chief Financial Officer

June 6, 2018
University Center



JUNE 2018

- 1) Proposed Budget – May/June**
- 2) Revised Budget – Nov/Dec
- 3) Final Estimated Budget – May/June**

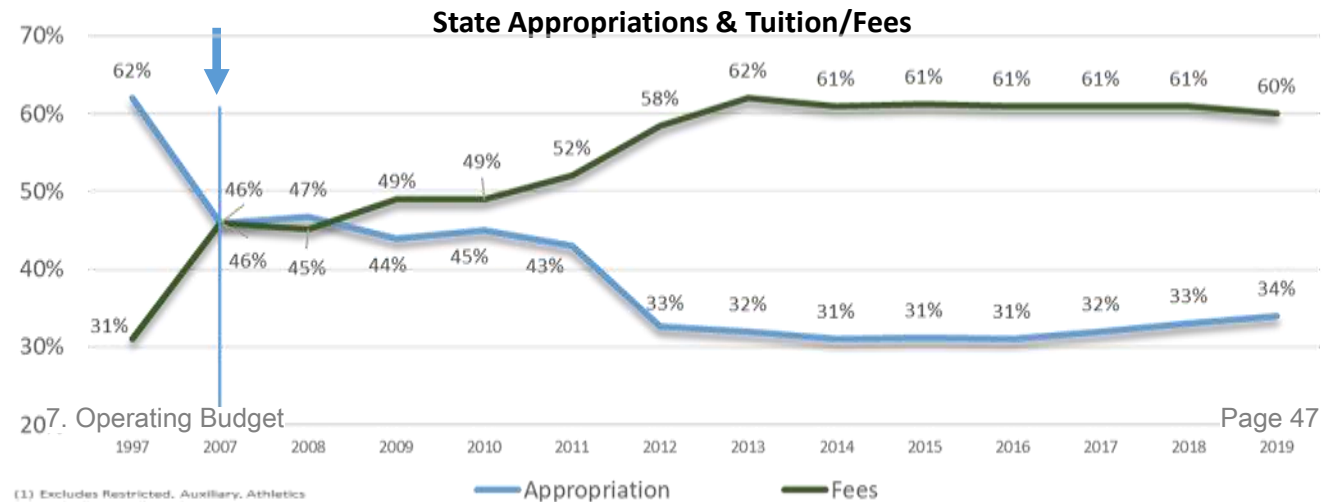
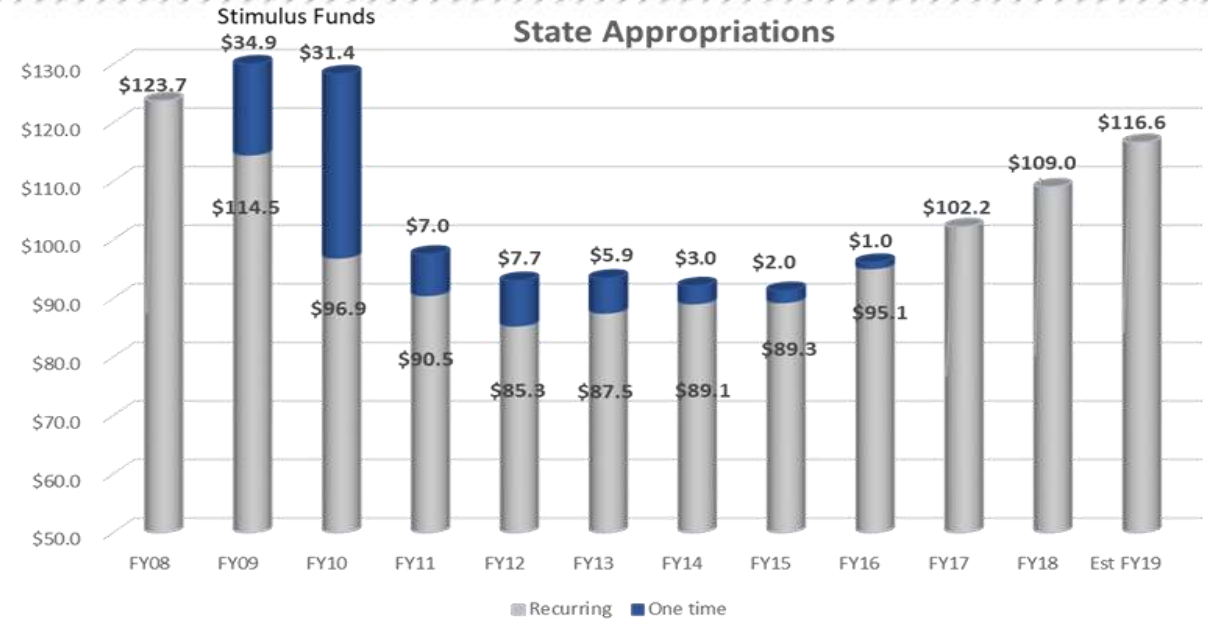
Primary Revenue Sources (State Appropriations & Tuition/Fees)

Revenue Reductions

- Loss of \$44M in State Appropriations over 6 years (FY10-15)
- Declines in Enrollment (FY12-16)

UofM's response to reductions in revenue

- University Wide reductions
- Process Improvements
- Organizational Restructuring
- Shared services
- Implementing new technology & leveraging existing technology
- Line by line budget reviews
- Designed and implemented new budget model
- Strategic reinvestments



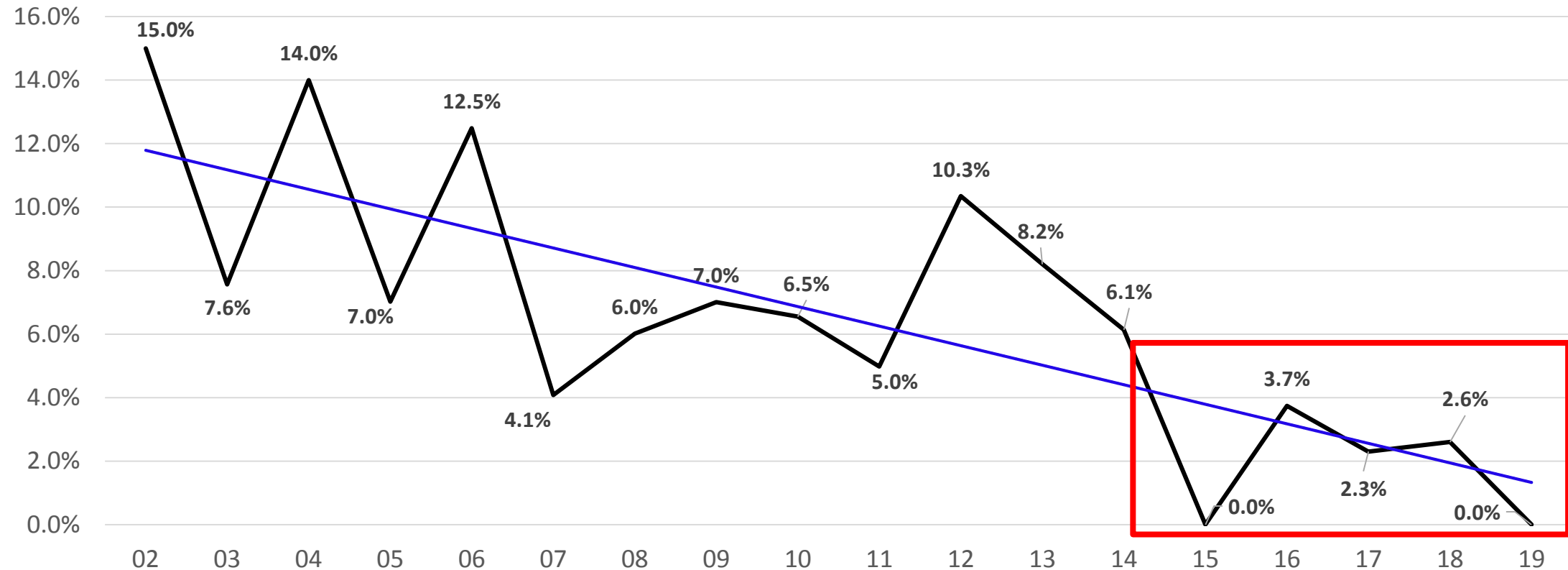
FY19 - Historical Tuition % Change



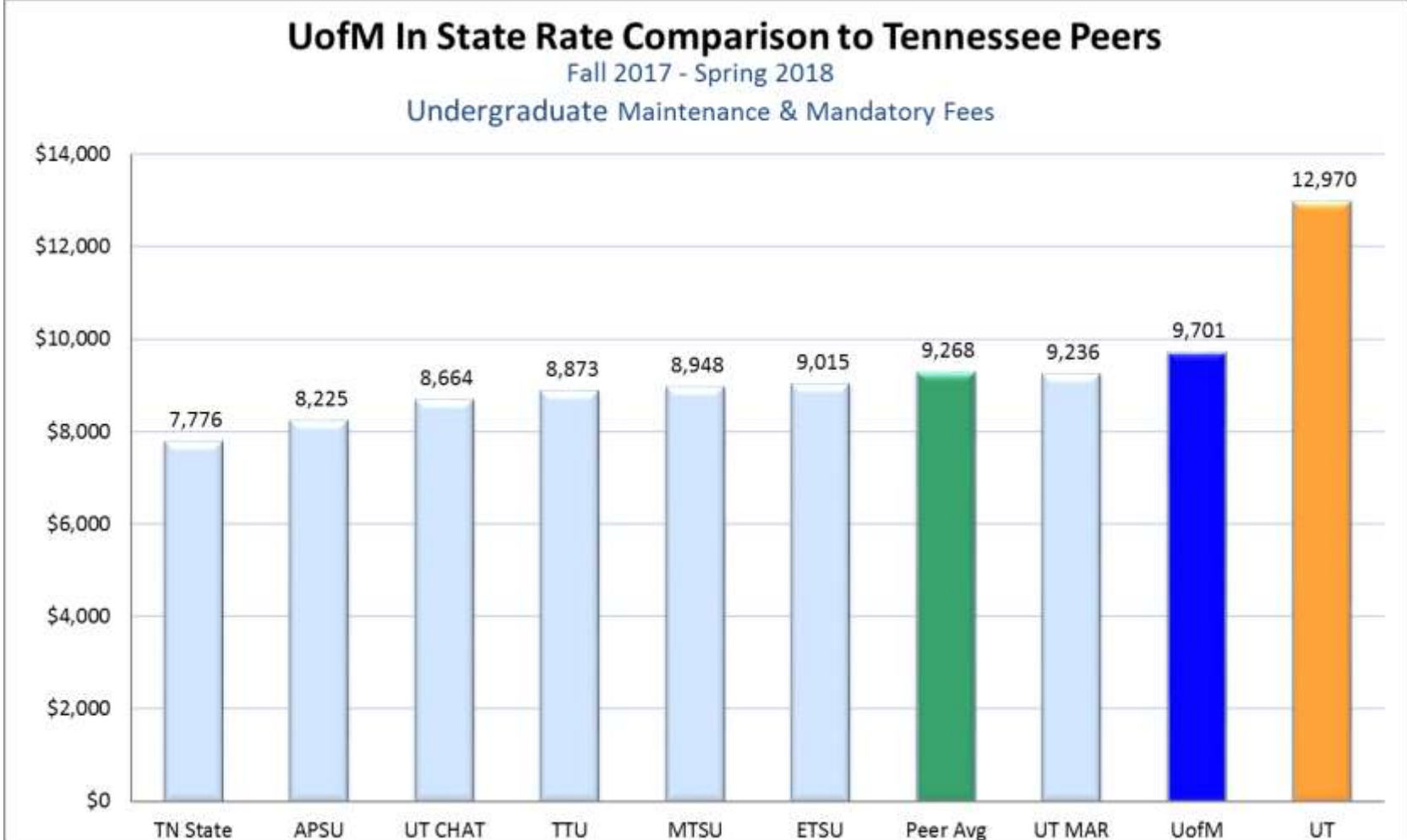
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Trustees

8.0% average increase previous 15 years
1.7% average increase over the last 5 years



FY18 TN Instate Tuition & Fees Comparisons



FY18 Funding Peers

University Funding Peers	Tuition & Fees
Florida International University	\$ 6,410
University of South Florida	\$ 8,065
University of Arkansas - Main Campus	\$ 9,062
University of Memphis	\$ 9,701
Texas Tech University	\$ 10,381
University of Houston – University Park	\$ 10,522
University of Alabama	\$ 10,780
Georgia State University	\$ 10,858
University of Louisville	\$ 11,068
University of Oklahoma – Norman Campus	\$ 11,285
George Mason University	\$ 11,924
University of South Carolina – Columbia	\$ 12,262
Virginia Commonwealth University	\$ 13,624

FY19 UofM Fixed Cost Increases Estimates

	Percent	Amount
University's share of 2.5% salary pool	1.3%	\$ 1,600,000
Scholarships Increases	1.1%	1,400,000
Other Fixed Costs & Academic Initiatives	0.6%	750,000
UofM's Indicated Tuition Increase	3.0%	\$ 3,750,000

In lieu of the indicated student revenue calculated, the UofM proposes to maximize organizational restructures, cost savings and cost avoidance initiatives, efficiency measures as well as anticipated marginal enrollment growth, to offset these costs rather than increase tuition.

UofM believes that holding tuition flat will contribute to enhancing access for students, encourage completion and demonstrate a commitment to student affordability.

FY19 - State Appropriations

<u>FY2019 Recurring State Appropriations</u>	
State Appropriation - Operating Increase	3,095,500
State share - 2.5% Salary Pool	3,055,300
Funding for Health Insurance Increases	530,800
Outcomes Formula Adjustment	(768,900)
FY19 Net Recurring State Appropriation amount	\$ 5,912,700
<u>FY19 Mandated Expenditure Changes</u>	
FY19 2.5% Salary Pool (University & State Share)	4,650,000
FY19 Health Insurance Increase	530,000
Total FY19 Mandated Expenditures	5,180,000
FY19 State Appropriations available to allocate	
	732,700

Note: Also received \$15M in one time Capital Maintenance Appropriations for Building envelope repairs, HVAC & roof repairs

Governor's Recommendation

- Amounts to be allocated for salary increases are included annually in the Governor's budget recommendation
- The Governor recommended and the Legislature approved the following:
 - FY19 – Two and a half percent (2.5%) salary pool
 - Total salary pool to be distributed at the discretion of each institution

FY19 Salary Increases Budgetary Impact



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Board of
Trustees

The budgetary impact of the 2.5% salary pool is as follows:

\$4,650,000 - Cost of 2.5% salary pool (includes associated benefit increases)
- \$3,050,000 - State Funding
\$1,600,000 - University's Share of the Cost

Part-time faculty will be included in the 2.5% salary increase.

FY19 Proposed Budget

The FY19 Proposed budget was developed with the following assumptions:

- State Appropriations as recommended in the Governor's Budget
- 0% tuition increase
- Flat enrollment based on FY18 enrollment levels
- 2.5% salary pool & associated benefit increases
- 5% Residence Life rate increase
- Reclassification of Bad Debt expenses now being reflected as a contra-revenue
- Incorporated anticipated increases in Athletic ticket sales and donations for FY19

Proposed (Recurring) Budget Comparison

FY18 & FY19 Revenue Proposed Budget

	FY2018	FY2019	Change	
			Amount	%
Revenues				
Educational & General				
Tuition and Fees	\$ 200,285,800	\$ 201,369,700	\$ 1,083,900	0.5%
State Appropriations	109,037,700	116,674,900	7,637,200	7.0%
Unrestricted Gifts, Grants & Contracts	22,978,600	23,348,600	370,000	1.6%
Sales and Services/Other	29,905,600	33,933,900	4,028,300	13.5%
Total Educational & General	<u>\$ 362,207,700</u>	<u>\$ 375,327,100</u>	<u>\$ 13,119,400</u>	<u>3.6%</u>
Auxiliary	\$ 26,496,500	\$ 26,476,300	\$ (20,200)	-0.1%
Restricted	<u>110,423,200</u>	<u>114,344,300</u>	<u>3,921,100</u>	<u>3.6%</u>
Total Revenues	<u><u>\$ 499,127,400</u></u>	<u><u>\$ 516,147,700</u></u>	<u><u>\$ 17,020,300</u></u>	<u><u>3.4%</u></u>

Proposed (Recurring) Budget Comparison

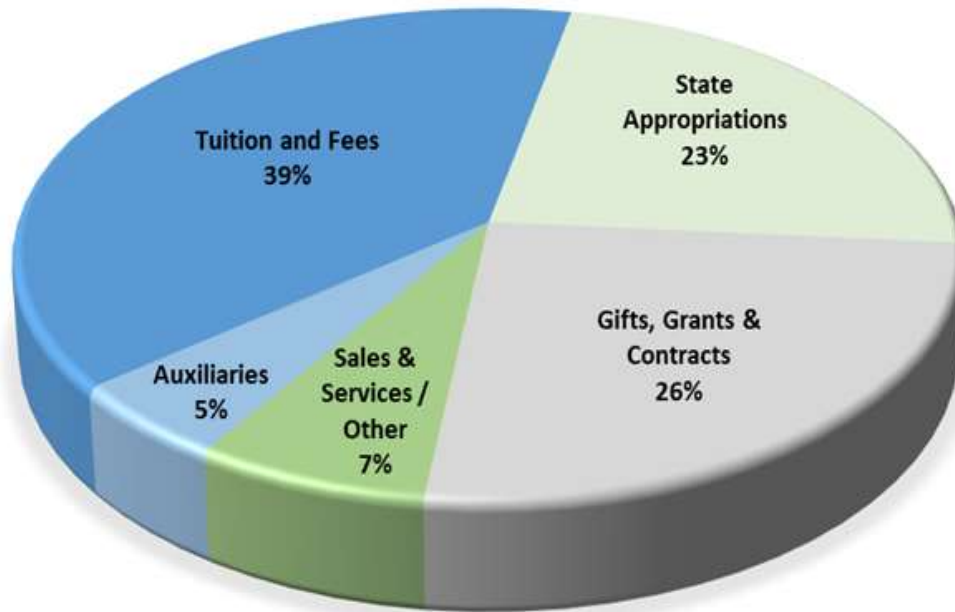
FY18 & FY19 Expenditure Proposed Budget

<u>Expenditures and Transfers</u>			Change	
			Amount	%
Educational & General	FY2018	FY2019		
Instruction	\$ 161,434,400	\$ 165,334,700	\$ 3,900,300	2.4%
Research	13,787,000	13,819,400	32,400	0.2%
Public Service	6,051,600	5,114,400	(937,200)	-15.5%
Academic Support	30,972,800	32,002,300	1,029,500	3.3%
Student Services	57,136,200	53,953,000	(3,183,200)	-5.6%
Institutional Support	29,041,500	29,744,600	703,100	2.4%
Operation & Maintenance	35,937,300	36,909,300	972,000	2.7%
Scholarships and Fellowships	17,873,400	27,592,400	9,719,000	54.4%
Transfers	9,973,500	10,857,000	883,500	8.9%
Total Educational & General	\$ 362,207,700	\$ 375,327,100	\$ 13,119,400	3.6%
Auxiliary	\$ 26,496,500	\$ 26,476,300	\$ (20,200)	-0.1%
Restricted	110,423,200	114,344,300	3,921,100	3.6%
Total Expenditures and Transfers	\$ 499,127,400	\$ 516,147,700	\$ 17,020,300	3.4%

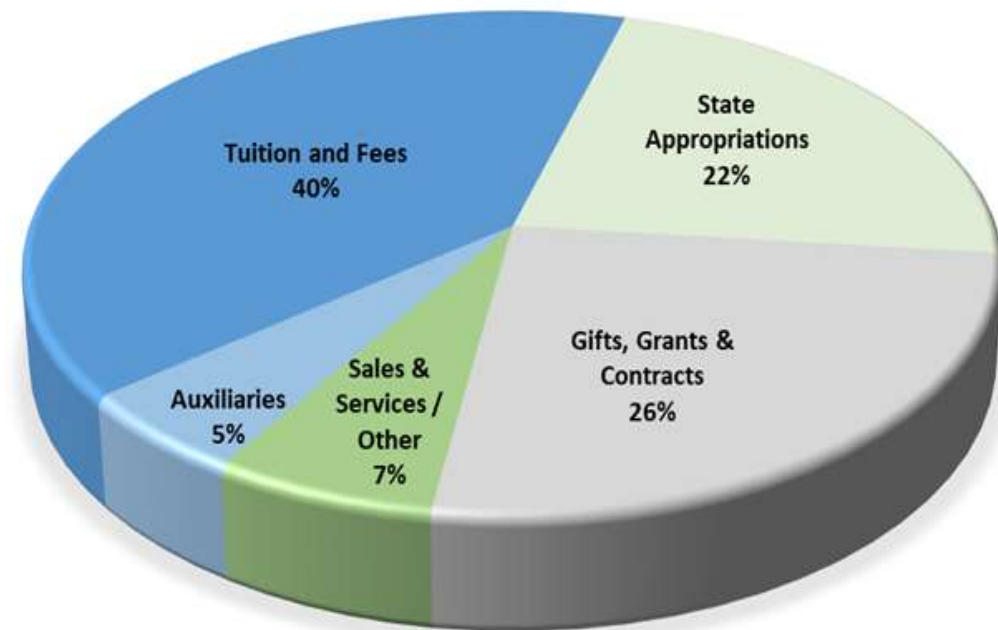
Revenue Comparison

FY19 Proposed to FY18 Proposed Budget

FY 2019 Proposed Unrestricted and Restricted Revenue
Total \$516.1 M



FY 2018 Proposed Unrestricted and Restricted Revenue
Total \$499.1 M

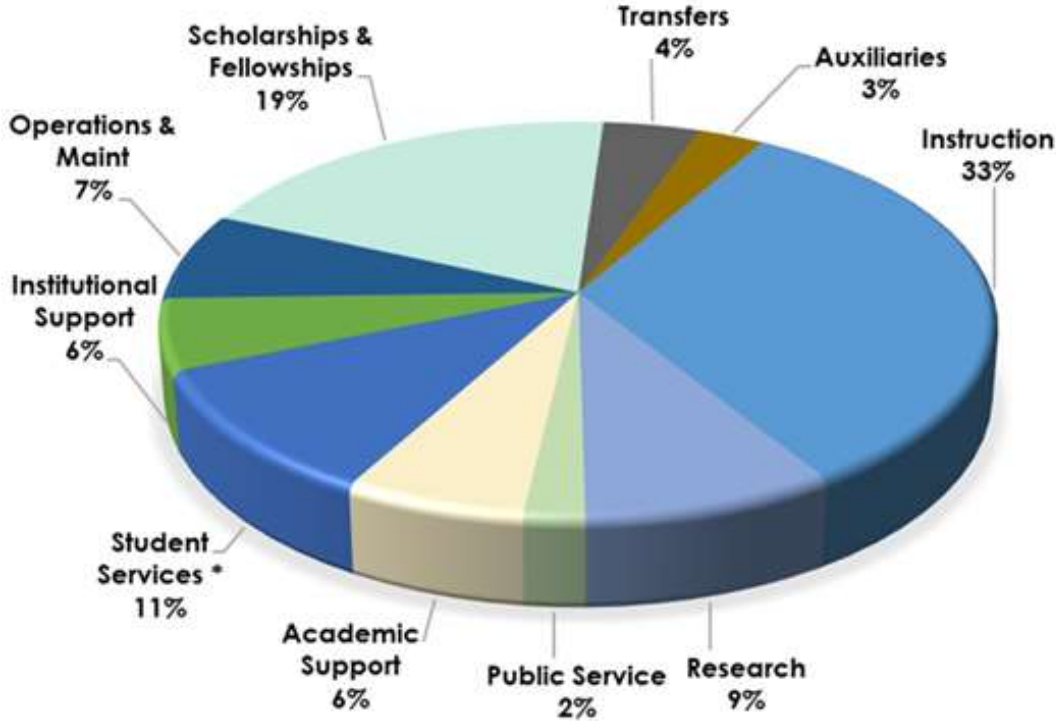


Primary Revenue Change is State Appropriations

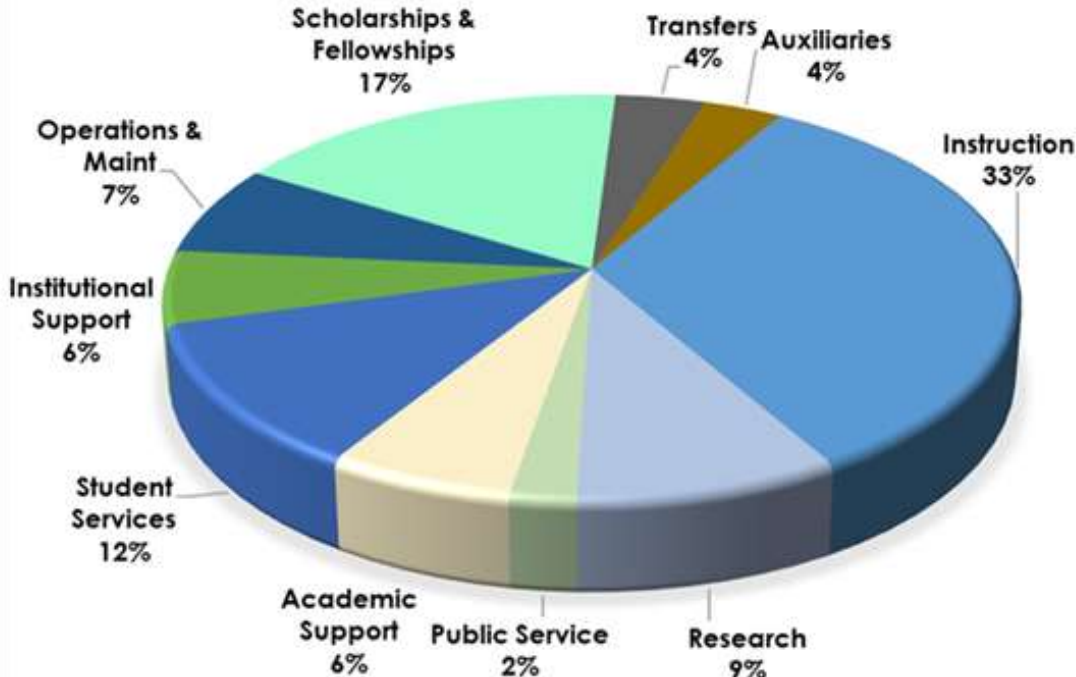
Expenditure Comparison

FY19 Proposed to FY18 Proposed Budget

FY 2019 Proposed Unrestricted and Restricted Expenses
Total \$516.1 M



FY 2018 Proposed Unrestricted and Restricted Expenses
Total \$499.1 M



FY18 Estimated Budget

Revised to Estimated Budget Comparison

Revised FY18 Budget to Estimated FY18 Budget

	Revised FY2018	Estimated FY2018	Variance	
			Amount	%
Revenues				
Educational & General				
Tuition and Fees	\$ 203,267,800	\$ 201,209,600	\$ (2,058,200)	-1.0%
State Appropriations	110,762,200	110,762,200	-	0.0%
Unrestricted Gifts, Grants & Contracts	22,845,000	26,595,300	3,750,300	16.4%
Sales and Services/Other	33,407,600	33,737,000	329,400	1.0%
Total Educational & General	<u>\$ 370,282,600</u>	<u>\$ 372,304,100</u>	<u>\$ 2,021,500</u>	<u>0.5%</u>
Auxiliary	\$ 26,016,700	\$ 25,586,500	\$ (430,200)	-1.7%
Restricted	112,016,200	112,978,800	962,600	0.9%
Total Revenues	<u><u>\$ 508,315,500</u></u>	<u><u>\$ 510,869,400</u></u>	<u><u>\$ 2,553,900</u></u>	<u><u>0.5%</u></u>

Revised to Estimated Budget Comparison

Revised FY18 Budget to Estimated FY18 Budget

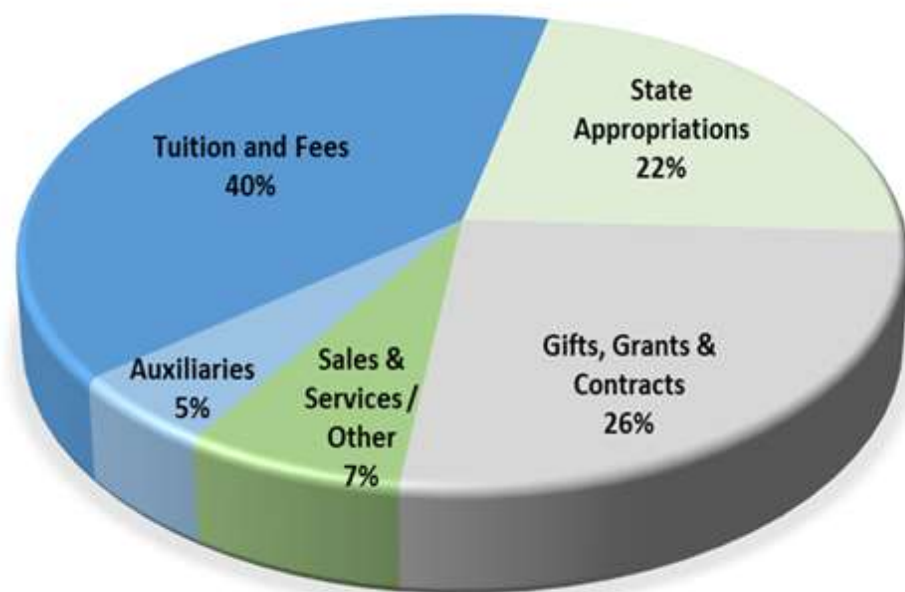
Expenditures and Transfers

	Revised FY2018	Estimated FY2018	Variance	
			Amount	%
Educational & General				
Instruction	\$ 178,199,600	\$ 160,942,000	\$ (17,257,600)	-9.7%
Research	29,266,600	34,063,100	4,796,500	16.4%
Public Service	7,124,500	8,051,800	927,300	13.0%
Academic Support	34,288,700	33,451,900	(836,800)	-2.4%
Student Services	61,760,300	65,184,700	3,424,400	5.5%
Institutional Support	32,327,100	31,197,200	(1,129,900)	-3.5%
Operation & Maintenance	37,887,600	37,127,500	(760,100)	-2.0%
Scholarships and Fellowships	27,413,300	26,915,100	(498,200)	-1.8%
Transfers	(15,819,100)	(4,073,800)	11,745,300	-74.2%
Total Educational & General	\$ 392,448,600	\$ 392,859,500	\$ 410,900	0.1%
Auxiliary	\$ 26,016,700	\$ 27,138,400	\$ 1,121,700	4.3%
Restricted	112,016,200	112,978,800	962,600	0.9%
Total Expenditures and Transfers	\$ 530,481,500	\$ 532,976,700	\$ 2,495,200	0.5%

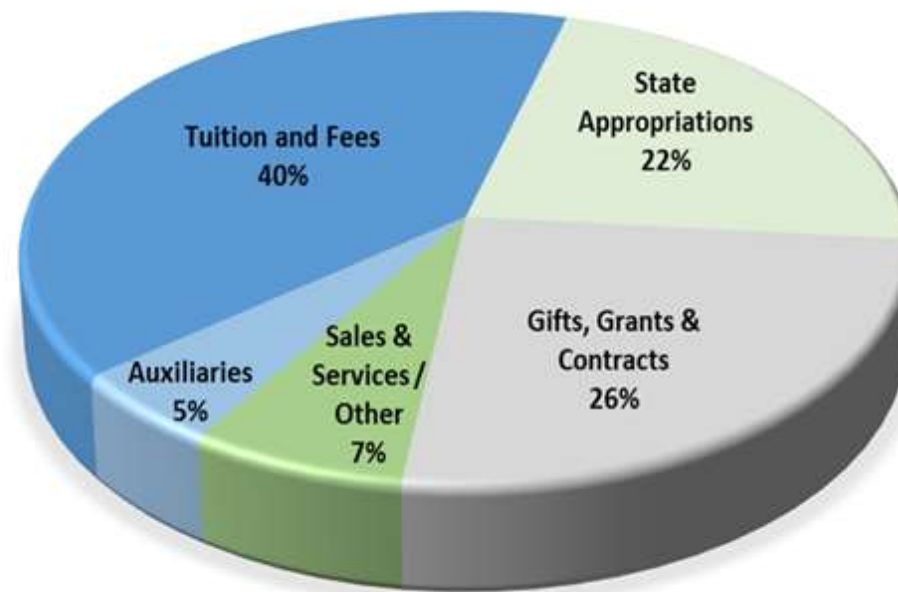
Revenue Comparison

FY18 Estimated Budget to FY18 Revised

FY 2018 Estimated Unrestricted and Restricted Revenues
Total \$510.8 M



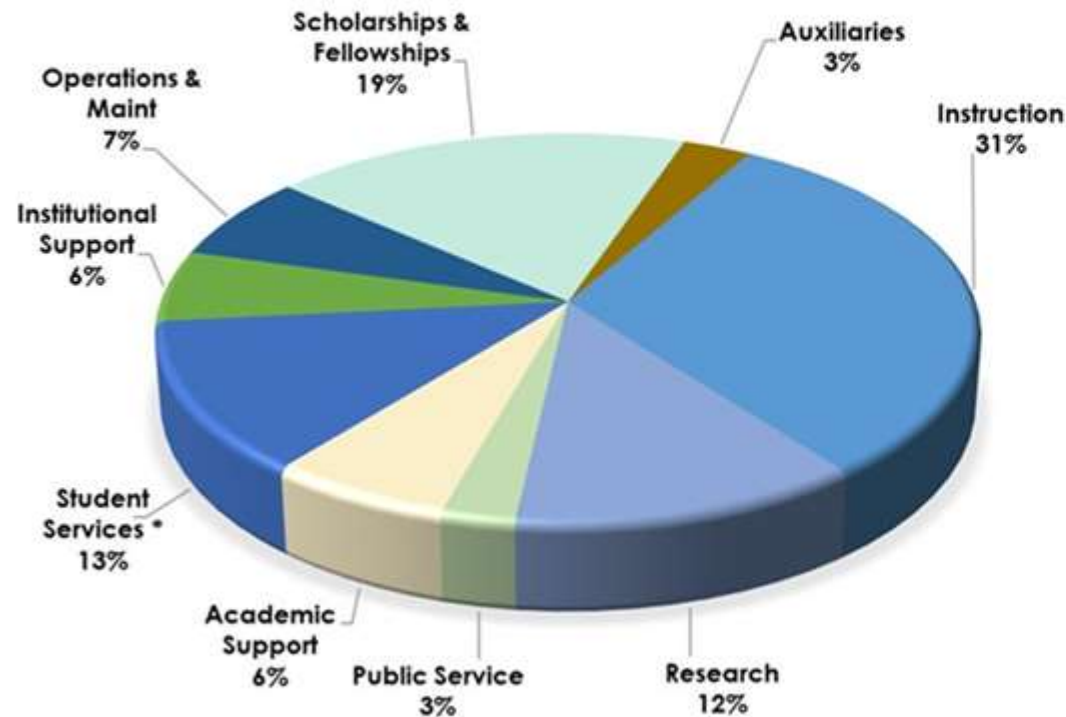
FY 2018 Revised Unrestricted and Restricted Revenues
Total \$508.3 M



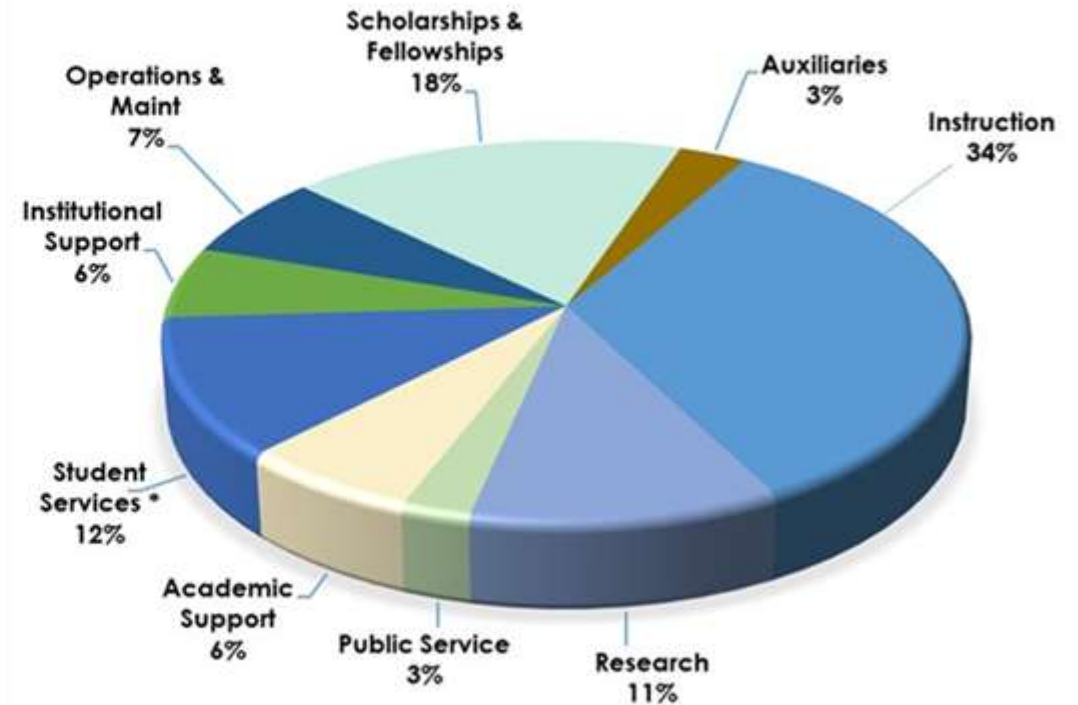
Expenditure Comparison

FY18 Estimated Budget to FY18 Revised

FY 2018 Estimated Unrestricted and Restricted Expenses
Total \$533.0 M



FY 2018 Revised Unrestricted and Restricted Expenses
Total \$530.5 M



FY19 Proposed Budget

FY18 Final Estimated Budget

Questions

8. President's Salary Supplement

For Approval

Presented by Brad Martin

The University of Memphis Board of Trustees
Recommendation

Date: June 6, 2018

Committee: Governance & Finance Committee

Topic: President's Salary Supplement

Presented by: Brad Martin, Vice-Chair

Background:

During FY2017, the President was awarded a salary supplement for the year in the amount of \$50,000 based on an evaluation conducted by the University which revealed that his compensation was significantly lower compared to other presidents of peer institutions.

To bring the president's salary in line with peers, it is proposed that the salary supplement of \$50,000 be added to his annual base salary and permanently continued for as long as private funds are available.

Recommendation:

The Governance and Finance Committee recommends approval that the president's salary supplement in the amount of \$50,000 be added to his annual base salary and permanently continued for as long as private funds are available.

9. Capital Projects Update

Presentation

Presented by Tony Poteet

10. Additional Business

Ad Hoc Public Policy Committee

Meeting Notes

Date: April 27, 2018

Members attending:

- Cato Johnson, Chair
- Ted Townsend
- Laurie Tucker
- M. David Rudd
- George Johnson
- David Purdue

Also in attendance: Mark Cate and Daniel Culbreath from Stones River Group and Melanie Murry (Staff)

Trustee Johnson- convened the meeting at 10:30 am and provided opening remarks and gave feedback on the legislative session and reminding the committee that the University is a creation of the legislature. President Rudd commented that the Board of Visitors and Trustees to develop relationships and start conversations this summer in preparation of the legislative session.

Mark Cate engaged in a detailed discussion surrounding four points: 2018 Legislative session, state of Tennessee legislator, gubernatorial and senate races.

Legislative session:

- The Legislative session was quick because of the upcoming elections. The legislation had a primary focus this year on the budget, opioids and k-12 education.
- The RISE funding failed through although it was originally in the Governor's budget. It was removed several days prior to final approval and the University wasn't able to recover the funding because of the timing of the removal.
- The Legislature can be quick to respond without giving entities an opportunity to provide feedback.
- The University needs to provide feedback and input on dual enrollment as Community Colleges per the funding formula receive credit whereas the Universities do not.

David Purdue asked if the members could be provided a list of those legislatures who have positions on the dual enrollment program.

President Rudd provided an overview of the University's 250R tuition program, its growth and the need to evaluate this program in the coming year.

Mark Cate further provided that the political landscape is ever changing with the various contested cases.

Legislator, Gubernatorial and National races:

- Provided an overview of the open legislative seats that are open throughout the state by county.
- There is the potential to lose a lot of institutional memory because of the changes that will take place.
- The Senate will be one to watch with the inclusion of former Governor Phil Bredeson. The inclusion of him in the race could also affect the out come of other local races because more democrats may be at the polls.
- Many of the outcomes of the statewide and national races are contingent on the national political climate. For example, the approval ratings of the President.

Questions were raised as to what is needed from members of the committee and ideas were given to increase the University's presence in Nashville.

- The University needs to start cultivating relationships over the summer as opposed to waiting until the legislative session.
- With the University hosting a debate, we should use that as an opportunity to meet candidates and provide information on the University.
- The Shelby County delegation needs to be cultivated.
- Need to create an elevator pitch or short list of who we are, where we are trying to go and what we are doing to be impactful for students. Develop a one pager with talking points and provide to University ambassadors so that there is a consistent message.
- Cultivating and informing the legislature is an annual thing which must be repeated year after year.
- The University's presence is necessary in Nashville. One idea is to hold an alumni event in Nashville as well as a legislative event, maybe orientation for new legislators.

Meeting adjourned at 11:28 am

11. Adjournment