

University of Memphis Governance and Finance Committee Meeting
June 6, 2017
Memphis, Tennessee
Meeting Minutes

The University of Memphis Governance and Finance Committee Meeting was held at 11:00 a.m. CDT, on Tuesday, June 6, 2017, on the campus of the University of Memphis in Memphis, Tennessee.

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

Trustee Graf called the meeting to order and welcomed the attendees. University Counsel and Acting Board Secretary Melanie Murry called the roll. The following Governance and Finance Committee members were present: Trustee Alan B. Graf, Jr., Trustee Cato Johnson, Trustee R. Brad Martin, Trustee David A. North, Trustee Katharine Traylor Schaffzin and Trustee Susan L. Springfield.

A quorum was present. Members of the University of Memphis Board of Trustees, University of Memphis faculty and administrative staff, guests, guest speakers, and members of the press were present.

II. COMMITTEE CHAIR AND VICE CHAIR

It was moved by Trustee Johnson and properly seconded that Trustee Graf be elected Chair of the Governance and Finance Committee. A vote was taken and the motion passed. It was moved by Trustee Schaffzin and properly seconded that Trustee Martin be elected Vice-Chair of the Governance and Finance Committee. A vote was taken and the motion passed.

III. GOVERNANCE AND FINANCE COMMITTEE CHARTER

Chair Graf recognized Counsel Murry to discuss the Governance and Finance Committee Charter. Counsel Murry explained that the Charter needed to be modified to acknowledge the Executive Committee, its membership and its selection. It was moved by Trustee Johnson and properly seconded that the Governance and Finance Committee approve the Governance and Finance Committee Charter. A vote was taken and the motion passed.

IV. REVIEW AND APPROVAL OF POLICIES

Chair Graf recognized Counsel Murry to review five policies. Counsel Murry discussed the following five policies: (1) Code of Ethics Policy, (2) Consent Agenda Policy, (3) Presidential Review and Evaluation Policy, (4) Delegation of Authority Policy, and (5) President Emeritus Policy.

Counsel Murry discussed the Ethics Policy which is required by the Southern Association of Colleges and Schools (SACS) and indicating that it provides for removal of a Trustee per a TUAPA Hearing. She further discussed that the Consent Agenda Policy was necessary so that all things did not have to go through the full process of the Board.

Counsel Murry further explained that the Presidential Review and Evaluation Policy provided for options of how the president could be evaluated. She explained that SACS requires the president to receive a comprehensive evaluation at least every three years. Discussion ensued

regarding the Presidential Review and Evaluation Policy and the three evaluation options presented in the policy. Trustee Martin inquired as to whether the options proposed in the policy were required by SACS, noting that there are many ways to do the comprehensive evaluation and questioned whether the committee should impose limitations on its ability to choose how to do the evaluation with the approval of the policy. Trustee North further commented that the committee charter already lays out the committee's responsibility for the President's evaluation and to approve the proposed policy would be duplicative. He further commented for those in attendance that the committee is committed to evaluating the President in a consistent matter but acknowledged that there needs to be flexibility in how it should be done. Counsel Murry recommended that the committee make a motion stating the President would be evaluated annually and comprehensively every three years with a policy to be developed at a later date.

Trustee North made a motion to adopt that recommendation which was properly seconded. A vote was taken and the motion passed.

Counsel Murry indicated that the Interim Delegation of Authority Policy was approved previously at the March Board of Trustees meeting however, she provided a more comprehensive policy in the meeting materials for review at the next Committee meeting.

It was moved by Trustee Johnson and properly seconded to recommend approval of three policies (Code of Ethics Policy, Consent Agenda Policy, and President Emeritus Policy) be approved. The motion was properly seconded. A vote was taken and the motion passed.

V. REVIEW AND APPROVAL OF DR. SHIRLEY C. RAINES AS PRESIDENT EMERITUS

Chair Graf recognized Counsel Murry. Counsel Murry discussed the recommendation of the continuation of Dr. Shirley C. Raines as President Emeritus without compensation. Counsel Murry explained that the proposal without compensation is similar to faculty emeriti and that TBR updated its policy so that any president hired after 2002 would not be eligible for compensation. It was moved by Trustee Schaffzin and properly seconded that the Committee recommend approval of continuation of Dr. Shirley C. Raines as President Emeritus without compensation. A vote was taken and the motion passed.

VI. REVIEW AND APPROVAL OF TUITION AND FEES FOR FISCAL YEAR 2018

Chair Graf recognized President M. David Rudd to discuss tuition and fees for Fiscal Year 2018. President Rudd discussed the proposed tuition increase of 2.6% and \$350 per credit hour fee for UM Global. President Rudd discussed the progress the University has made while also cutting the budget. President Rudd also commented that we are steadily closing the affordability gap as compared to others across the state. It was moved by Trustee Johnson and properly seconded that the Committee recommend approval of a 2.6% tuition increase and \$350 per credit hour fee for UM Global. A vote was taken and the motion passed.

VII. REVIEW AND APPROVAL OF HOUSING FEES FOR FISCAL YEAR 2018

Chair Graf recognized Interim Vice President Jeannie Smith to discuss the recommendation of a 5% housing rate increase and a \$300 contract cancellation fee increase for Fiscal Year 2018. Interim Vice President Smith discussed the 5% housing rate increase and \$300 contract cancellation fee. Trustee North asked about the breakeven rate for housing. Student Affairs Vice President Darrell C. Ray provided an update on changes to the housing application process. Trustee North discussed the 50+ year average age of the facilities, how students currently

socialize and whether the current physical state and the age of the properties will work for us in the future. President Rudd discussed partnerships, debt service and the change(s) that will be needed over the next few years related to housing partnerships. Vice President Ray discussed how students and parents include the residential component as a factor in their admission decision. Trustee Johnson asked Vice President Ray about his previous experiences and Vice President Ray discussed nature of housing at his prior institution. It was moved by Trustee Schaffzin and properly seconded that the Committee recommend approval of a 5% housing rate increase and a \$300 contract cancellation fee increase for Fiscal Year 2018. A vote was taken and the motion passed.

VIII. REVIEW AND APPROVAL OF SALARY INCREASE

Chair Graf recognized Interim Vice President Smith to discuss the salary increase strategy. Interim Vice President Smith reviewed the salary increase proposal which provides for a 3% across the board salary increase for staff, non-tenure track faculty and adjunct faculty and a 2% across the board salary increase for tenure track and tenured faculty with a 1% salary pool for merit, equity and compression for tenure track and tenured faculty. She provided the five year salary history. Trustee Schaffzin presented prepared remarks on this subject and suggested a modification of the salary increase proposal. She commented that, because the University has not consistently provided merit or salary increases, compression and inversion have affected many faculty across campus. She indicated that she had met with over twenty departments to discuss these issue. Trustee Schaffzin proposed what she described as an imperfect compromise where tenure track and tenured faculty receive a 2% across the board increase which would be capped at \$3,000 per faculty member and a 1% pool for equity, merit and compression. For non-tenure track faculty, adjunct faculty and staff (excluding temporary staff), Trustee Schaffzin proposes a 3% across the board increase which shall be capped at \$4500 per employee. This proposal essentially caps the Cost of Living Adjustment (COLA) for those employees making over \$150,000 annually. Any monies recovered from the cap should be reallocated to the 1% pool to be used for equity, merit and compression for tenure track and tenured faculty.

Trustee Schaffzin provided clarification of who would be affected by the cap on the COLA by faculty and staff.

President Rudd acknowledged that moving forward that we come up with a long term strategy to address COLA. Trustee North commented that a compensation strategy is not addressed by COLA but instead that we should be looking at how we compare with others as it relates to salaries. Trustee North indicates that he supports the need for the University to develop a compensation strategy. President Rudd echoed that the University needs to address this critical need.

Discussion ensued regarding Trustee Schaffzin's alternative proposal versus the original proposal. Provost Karen Weddle-West indicated the faculty, faculty senate and deans had already vetted a 2% across the board salary increase and 1% salary pool for equity, merit and compression. She indicated that the cap was never approved and there was never any discussion on this issue for this upcoming increase. Further she indicated that the deans were compiling the salary increases based on the agreed upon template and the 1% pools of money have been determined by each college.

Trustees discussed the need for an overall compensation plan, development of performance metrics, and concerns over implementing the cap since the faculty have already vetted the original salary distribution proposal at each level. President Rudd commented that the new budget model allows for the University to drill down within each department to determine effectiveness. He further commented that the University needs to also think about other strategies such as bonus structures and bring those back to the board for consideration.

Trustee Martin asked for clarification on what process was used to survey the staff and faculty on how they wanted to distribute the salary increase. Trustee Martin expressed reservations on approving the change proposed by Trustee Schaffzin. Trustee North commented that if the University community has received feedback on how to distribute the increase, it would not be in the Board's best interest to implement something that has not been vetted. President Rudd offered to provide up to \$100,000 towards the 1% salary pool for tenure track and tenured faculty for merit, equity and compression to cover the intent of Trustee Schaffzin's alternative salary cap proposal.

Trustee North moved that the Committee recommend approval of a 2% across the board salary increase for tenure track and tenured faculty and 1% salary pool for merit, equity and compression for tenure track and tenured faculty that includes up to an additional \$100,000; and a 3% across the board salary increase for non-tenure track and adjunct faculty and staff excluding temporary staff. The motion was properly seconded. A vote was taken and the motion passed.

IX. PRESIDENT SALARY SUPPLEMENT AND RETENTION PLAN

Chair Graf asked President Rudd to leave the room for this portion of the meeting. Chair Graf recognized Trustee Martin to discuss the recommendation for approval of a Presidential salary supplement and retention plan. Trustee Martin discussed the University of Memphis' Presidential salary package and indicated that it was insufficient as compared to the University's competitors. He provided background on a proposal that was created in 2016 which was halted with the announcement of the creation of the University's governing board. The plan provided for the President to receive an annual performance bonus of up to \$100,000 and an annual contribution of up to \$100,000 to a retirement account which would only be available after the President has completed five years of service to the University of Memphis. A University of Memphis Foundation account has been established for this purpose. No public funds are will be used as these funds will come from private donations. Additionally, Trustee Martin proposed approval of a salary supplement of \$50,000.

Trustee Martin moved and it was properly seconded that the Committee recommend approval of the President's salary supplement and retention plan. Trustee Schaffzin indicated support for privately funded salary supplement for the President in light of earlier discussion and the Committee's commitment to perform a similar study of faculty salaries at peer institutions.

A vote was taken and the motion passed. Trustee Martin clarified that the account within the Foundation is for key employees within the University.

After the vote, President Rudd returned to the meeting.

X. REVIEW AND APPROVAL OF THE FINAL ESTIMATED OPERATING BUDGET FOR FISCAL YEAR 2017 AND PROPOSED OPERATING BUDGET FOR FISCAL YEAR 2018

Chair Graf recognized Interim Vice President Smith to discuss the recommendation for approval of the FY2016-17 Final Estimated Operating Budget and FY2017-18 Proposed Budget. Interim Vice President Smith discussed the two budgets. Trustee Springfield inquired about the original budget as compared to revised budget discussed during the meeting. Trustee Johnson moved that the Committee recommend approval of the FY2016-17 Final Budget and FY2017-18 Proposed Budget. The motion was properly seconded. A vote was taken and the motion passed.

XI. REVIEW AND APPROVAL OF CAPITAL BUDGET REQUESTS FOR FY2019 AND FACILITIES MASTER PLAN OVERVIEW

Chair Graf recognized Assistant Vice President Tony Poteet to discuss the recommendation for approval of the Capital Budget requests for state appropriations for Fiscal Year 2019. Assistant Vice President Poteet reviewed the capital and maintenance requests. President Rudd clarified that, at the Lambuth campus, the Nursing Program has doubled in the last few years and the proposed Lambuth campus improvements would allow the University to double the program again, which is critical to the growth of the Lambuth campus. Trustee Martin requested that the requests for new strategic investments tie to a strategic plan. Trustee Johnson moved and it was properly seconded that the Committee recommend approval of the Capital Budget requests for Fiscal Year 2019. A vote was taken and the motion passed.

XII. PAID PARENTAL LEAVE

Chair Graf recognized President Rudd to present an overview of the recommendations of the Faculty Senate Ad Hoc Committee for a Paid Parental Leave policy. President Rudd discussed paid parental leave in reference to compensation globally. He indicated the University did not have a paid parental leave policy and this issue was brought to him by faculty members. President Rudd asked Dr. Micah Trapp to present her findings regarding a study conducted with faculty in May, 2017. Dr. Trapp indicated the lack of a paid parental leave policy was a problem and caused financial and health concerns and that it impacted retention and equity. She indicated that 90% of peer universities have paid leave. Dr. Trapp recommended the University provide 16 weeks paid leave for faculty and staff birth mothers, fathers, domestic partners, and for adoptions. Costs to implement were estimated at \$280,000. President Rudd recommended endorsement of a Paid Parental Leave policy to be finalized at the fall meeting when the financial model will be presented. Implementation will commence thereafter. Trustee Martin made a motion to approve as recommended by President Rudd. It was properly seconded. A vote was taken and the motion passed.

XIII. SPLIT LIFE INSURANCE

Chair Graf recognized Counsel Murry to present an overview of the split life insurance plan. Counsel Murry presented the split life insurance plan. She indicated that the plan is intended to retain coaches, the program would utilize funds from the University of Memphis Foundation and that no additional costs will be incurred by the University of Memphis. Trustee Martin made a motion to approve as presented. It was properly seconded. A vote was taken and the motion passed.

XIV. UNIVERSITY DISTRICT TAX INCREMENT FINANCING OVERVIEW

Chair Graf recognized Chief Operations Officer Bruce Harber to present for informational purposes an overview of the University District Tax Incremental Financing (TIF). Chief Operations Officer Harber presented an overview of the TIF. Trustee Edwards provided additional input regarding the TIF and UNDC use of proceeds. Trustee Edwards indicated that currently only five properties currently contribute to the TIF but he expects there will be more in the future.

XV. STRATEGIC PLANNING PROCESS FOR ACADEMIC YEAR 2017-2018

Chair Graf recognized President Rudd to present for informational purposes the strategic planning process for Academic Year 2017-2018. President Rudd discussed the process and requested approval to move forward with the strategic planning group and the planning process. He indicated that no additional funds are needed since funds have been set aside for the strategic planning process. Trustee Schaffzin moved to approve President Rudd moving forward with the strategic planning group and planning process. It was properly seconded. A vote was taken and the motion passed.

XVI. 2017 LEGISLATIVE UPDATE

Chair Graf recognized President Rudd to present for informational purposes the 2017 Legislative update. President Rudd reviewed the funds received by the State of Tennessee. At a future Committee meeting, President Rudd will request the outside legislative team come to the meeting to provide an update.

OTHER BUSINESS

There was no further business to come before the Committee.

ADJOURNMENT

Chair Graf adjourned the meeting at 12:39p.m.