







June 2023 Governance and Finance Committee Meeting

Schedule	Wednesday, June 14, 2023 9:55 AM — 10:25 AM CDT
Venue	Maxine A. Smith University Center - Bluff Room (304)
Organizer	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 from December 9, 2022 For Approval - Presented by Doug Edwards	3
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8. Adjournment

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Presented by Doug Edwards

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 from December 9, 2022

For Approval

Presented by Doug Edwards

**University of Memphis Board of Trustees
Governance and Finance Committee Meeting
December 9, 2022**

The Governance and Finance Committee of the University of Memphis Board of Trustees met at 8:48 a.m. CDT on Friday, December 9, 2022, in-person at the Scheidt Family Performing Arts Center and virtually using the Zoom video conferencing system.

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 (and alone if remote):

Trustee Alan Graf (attended virtually; at 9:40 a.m. confirmed he was alone and could hear)

Trustee Cato Johnson

Trustee Marissa Clark

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 September 7, 2022

Chairman Edwards requested a motion for the approval of the September 7, 2022, Governance and Finance Committee minutes. The motion was made by Trustee Johnson and properly seconded. No discussion. A roll call vote was taken, and the motion carried.

III. Agenda Item 4: Housing Rate Adjustment

Chairman Edwards recognized Executive Vice President and Chief Operating & Financial Officer (EVP-COO/CFO), Raaj Kurapati, who presented a request to the board to adjust housing rates. EVP-COO/CFO Kurapati began with an overview of the benefits of on-campus housing and addressed actions taken over the previous five years related to finances and housing occupancy. He shared the 3.5% proposed rate increase would keep the University competitive with peers, allow an opportunity to maintain reserves while also providing resources for product support and student services. He reminded the Board there had been

no rate increase since Fall 2017 and mentioned the proposed increase would result in \$530,000 in net revenue.

Trustee North inquired about the percentage of students residing in on-campus housing. EVP-COO/CFO Kurapati responded roughly 15% of undergraduates live on campus. Trustee North implored the board and committee to think objectively for the strategic plan and asked President Hardgrave & EVP-COO/CFO Kurapati to determine the targeted goal for the future. Additional discussion ensued.

Chairman Edwards noted statistically those who live on campus are more likely to graduate.

Trustee Johnson asked if EVP-COO/CFO Kurapati is confident that the University is utilizing best practices to take the University to the next level as it relates to housing. EVP-COO/CFO Kurapati responded that as facilities are aging, Park Avenue campus is critical to the immediate and growing needs and it is also important to reinvest in properties currently offered.

Trustee McKinney requested the committee to review the impact of the 2017 rate increase. EVP-COO/CFO Kurapati said he would obtain that information.

Trustee Springfield commented that off-campus housing can be considered competition yet is equally needed and asked for a follow-up on how the university thinks about this. With President Hardgrave's approval, EVP COO/CFO Kurapati stated he will provide a more comprehensive look at the housing stock as well as what is complemented in off-campus housing.

Trustee Kemme mentioned the increase was modest and he would entertain a greater increase in order to generate funds to build high quality on-campus housing. He asked about housing for the growing international student population. EVP-COO/CFO Kurapati stated of the 200 beds leased in off-campus housing, 90% are occupied by international students.

Chairman Edwards called for a motion to approve the 3.5% increase in the student housing rate for Fall 2023. The motion was made by Trustee Johnson and seconded by Trustee North. A roll call vote was taken by Secretary Murry and the motion carried.

IV. Agenda Item 5: Bookstore – Tigers SmartStart Update

Chairman Edwards acknowledged EVP-COO/CFO Kurapati to provide an update on the Tigers SmartStart program. EVP-COO/CFO Kurapati reminded the Board of Barnes & Noble (B&N) selection as the new partner, shared progress of the transition from Follett to Barnes and Noble and commended colleagues across campus who assisted in the implementation of the program for Spring 2023.

EVP-COO/CFO Kurapati noted the Tigers Smart Start opt-in program was recently made available to students and 500 opt-in confirmations were received within 24 hrs. Students have the option to opt out of the program. EVP-COO/CFO Kurapati also noted the book adoption platform had the highest rate (94%) of book adoptions of any year which is important for the success of the program.

Trustee Springfield asked for the reason(s) why some faculty may not have adopted the material. Interim Provost, Dr. Abby Parrill-Baker answered that new sections were still being added by professors, which results in an expected lag.

Trustee Kemme added that from a faculty perspective, Tigers SmartStart is a clear, easy adoption program.

Chairman Edwards inquired if there was anything B&N cannot do in terms of course material. Interim Provost Parrill-Baker answered that they are discovering things they can work on. Both Interim Provost Parrill-Baker and EVP COO/CFO Kurapati stated B&N is a great partner.

Trustee Kemme posed the question of store location as it is not exposed to the public. EVP-COO/CFO Kurapati stated that while not ideally located, there is a need to provide information to the community as well as offer merchandise to attract people to campus.

EVP-COO/CFO Kurapati addressed textbook scholarships opportunities to encourage enrollment.

Trustee Clark asked if they've accounted for the many online options students can use for textbooks, i.e., Amazon, ThriftBooks etc. EVP-COO/CFO Kurapati reported a lot of sites break copyright laws, so this program legally balances low costs.

Acknowledgements were given by Trustee North to faculty and to EVP-COO/CFO Kurapati and his team.

Vice President, Student Academic Success, Dr. Karen Weddle-West, reported the highest rate of freshmen registrations is tied to the 75 textbook scholarships initiative.

V. Agenda Item 6: Revised Annual Budget

Chairman Edwards yielded to EVP-COO/CFO Kurapati to present the revised budget. EVP-COO/CFO Kurapati provided a brief overview of the budget process and mentioned the revised budget summarizes the adjustments which reflect the enrollment experience and adjusts for any changes in state support which were unaccounted in the original budget.

EVP-COO/CFO Kurapati addressed enrollment challenges and provided an overview of enrollment by class, noting a steady decline in undergraduate, resident enrollment; an increase in dual enrollment; and growth in both out of state and international enrollment, specifically at the graduate level. He mentioned graduate enrollments have been critical in compensating for the decrease in undergraduate resident enrollment. He emphasized the revised budget reflects adjustments to categorize tuition and fees to where they are generated in the appropriate residency categories and reflects shifts in such to accurately reflect contraction and growth. The actual adjustments for growth are one-time adjustments related to out of state/international enrollment. Base budget adjustments will not occur until we are able to sustain the level of enrollment growth seen over the last couple of years.

Trustee Roberts asked if diversity is the silver lining. President Bill Hardgrave recognized that a lack of geographical diversity is a potential threat and strategic planning will take a deep dive in enrollment.

Chairman Edwards acknowledged the loss of 5,000 Tennessee-resident students is disappointing and while the growth of international students is great, it is not sustainable. He would like to focus on recruiting students in the state of Tennessee.

Trustee Johnson mentioned HBCUs are doing a tremendous job of recruiting students at this time and should not be underestimated.

EVP-COO/CFO Kurapati shared the revised revenues total were from \$599.7 million to \$680.1 million. The revised budget includes the \$50 million one-time state appropriation. Chairman Edwards gave recognition to University Advancement for their philanthropy efforts.

EVP-COO/CFO Kurapati provided an overview of the various revenue and expenditure adjustments and projected \$680 million in revenue, \$710 million in proposed expenditures, and \$42M in carryforward funds. He reminded the board of the compensation adjustment for faculty and staff. In addition to the 3% base increase, a 0.5% onetime lump-sum was provided in November and a 0.5% across-the-board increase to be implemented in January 2023. In closing, EVP-CFO Kurapati advised the FY23 Revised Budget is within available resources and complies with applicable policies and guidelines.

Trustee Kemme inquired about the public service line item. EVP-COO/CFO Kurapati offered to get him the actual breakdown and explained it refers to anything that does not fall under direct instruction, research or administration classification.

Trustee McKinney noted the most important asset of the university is its students.

Chairman Edwards called for a motion of the revised budget. The motion was made by Trustee Johnson and seconded by Trustee Springfield. Secretary Murry interjected to ask Trustee Graf, who participated virtually, if he was alone and could hear. Trustee Graf confirmed he was alone and could hear. A roll call vote was taken by Secretary Murry and the motion carries.

VI. Agenda Item 7: Foundation Update

Chairman Edwards acknowledged EVP-COO/CFO Kurapati to provide an update on the University's foundations. EVP-COO/CFO Kurapati explained the foundations' function is to receive & invest money, primarily through endowments that support faculty positions and scholarships. He also provided an overview of the budget approved for scholarships. For FY24 the spend rate applied to the endowment was 4% and mentioned underwater funds which has a lower spend rate per applicable policy. The prior year scholarship budget was \$4.2 M and budget for next year is \$4.6 million based on better market performance from last year. Approved for this fiscal year during June 2022, the Foundation provided \$2.4M to

the university for general operations. He confirmed there would be an update to the Board during the next budget cycle.

EVP-COO/CFO Kurapati shared all the foundations and the Herff Trust are audited annually and provided an update of the current status of each. Once the financial statements have been certified by the auditors, they are submitted to Vicki Deaton, Chief Audit Executive, Internal Audit, who presents to the Board as part of the Audit Committee.

EVP-COO/CFO Kurapati also gave an update on the \$50M R1 endowment, affirming installments from the state have been received on a monthly basis for the past four months; funds are being held in a cash pool until an accounting structure is determined by the state and with Dr. Hardgrave's approval. Additional information regarding the management of endowment funds was provided. EVP-COO/CFO Kurapati will continue to provide foundation updates as appropriate.

Trustee Kemme inquired about the bookkeeping of the \$50 million match from the state and the managers of those funds. EVP-COO/CFO Kurapati replied that the current thinking, subject to consultation with State Audit, is that state money will be held in the university's books and any match donations will be held in a separate foundation account at the UofM Foundation. An IPS will be developed to manage the \$100M (combined total endowment) which will apply to the State funds and fund-raised portions. He also confirmed the same managers will be used for efficiency in fees and an annual report of activities and performance will be provided in the future.

Chairman Edwards asked what constitutes "underwater" funds by 10%. EVP-COO/CFO Kurapati said a three-year rolling average determines what is considered "underwater" and that three years' worth of funding is set aside in an expendable pool.

VII. Agenda Item 8: Additional Business

Chairman Edwards asked for additional business and Trustee North addressed the committee, asking the President & Chair to consider a formal succession planning process for the board. Secondly, he acknowledged Trustee Roberts, Chairman Edwards, and other members for their effort in helping secure & orient President Hardgrave. Lastly, Trustee North offered a motion to extend the term of Chairman Edwards for one more term, allowing for good continuity of the continued orientation of President Hardgrave and execution of the strategic plan. Secretary Murry recommended the committee raise the motion in the full board meeting for voting.

Chairman Edwards encouraged all trustees, members of the committee, community, and state make known to the Governor the governance desires at the University. He stated he is willing to continue serving as Chairman as the strategic plan is being formed.

Trustee North withdrew the motion and declared he would bring it up at the full board meeting.

Trustee Kemme made the comment that no other university has a similar board and offered excitement for the strategic plan.

Trustee McKinney asked to leverage resources, talents, and skills to best serve the University as the trustees. He also shared the importance to reduce any friction and maintain continuity moving forward with the strategic plan and the trustee's fiduciary responsibility to provide transparency. He added diversity is of utmost importance as succession in leadership of the board evolves.

President Hardgrave fully endorsed the opportunity to continue working with Chairman Edwards.

There was no additional committee business.

VIII. Adjournment

Chairman Edwards called for a motion to adjourn. The motion was made by Trustee North and seconded by Trustee Springfield. A voice vote was taken and the motion carries. The meeting was adjourned at 10:06 a.m.

4. FY2023-24 Proposed Budget, FY2022-23 Estimated Budget Recommendations, and FY24 Compensation Strategy

For Approval

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: June 14, 2023

Committee: Governance and Finance Committee

Item: FY2023-24 Proposed Budget
FY2022-23 Estimated Budget
FY24 Compensation Strategy

Presented by: Raaj Kurapati, Executive Vice President/Chief Operating Officer and Financial Officer

Background:

Budget Control Policy (UM 1768) recognizes budgeting as the process whereby the plans of an institution are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars, for a given period. This policy also recognizes that a budget is a plan and circumstances may necessitate revisions or changes from time to time. In view of this, we will submit budgets for approval three times each fiscal year. At this time, both the FY2023-24 Proposed budget and FY2022-23 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 which includes the FY2024 Compensation Plans.

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

Committee Recommendation:

The Governance and Finance Committee met June 14, 2023, and recommended approval of the FY2022-23 Estimated Budget and the FY2023-24 Proposed Budget and assumptions as presented in the meeting materials.

Final Operating Budget for Fiscal Year 2023 Proposed Operating Budget for Fiscal Year 2024

Governance and Finance Committee

Raaj Kurapati
Executive Vice President & COO/CFO

June 14, 2023

Maxine A. Smith University Center



JUNE 2023

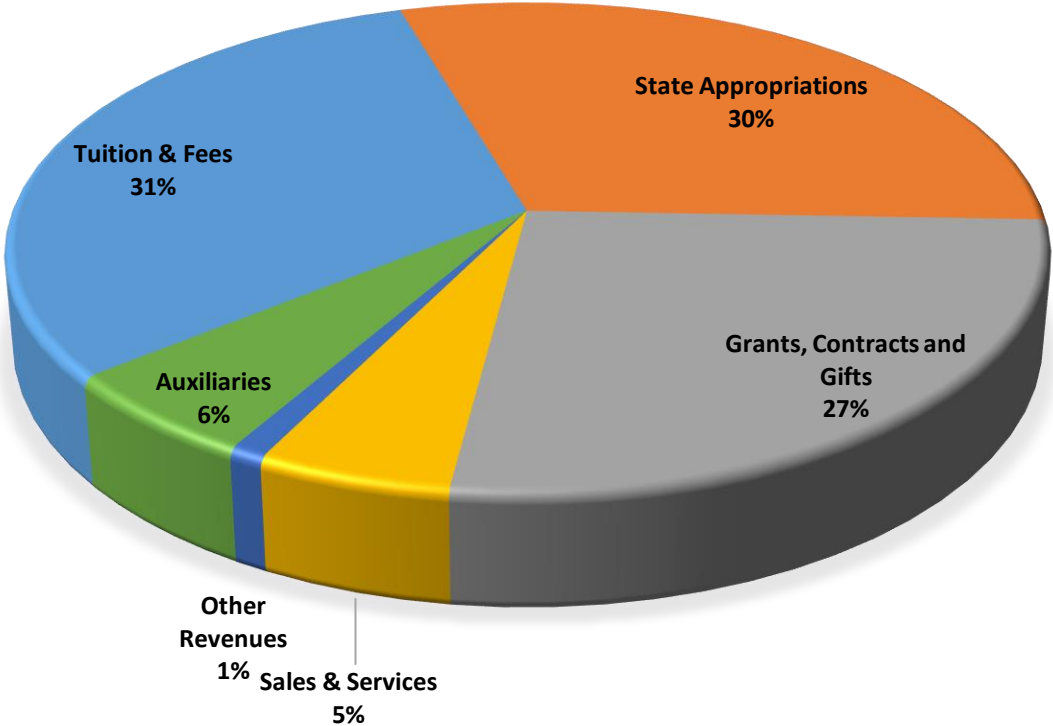
- Budget Overview
- FY24 Proposed Budget
- FY23 Estimated (Final) Budget
- FY24 Compensation Strategy

FY23 Revenue Budget

(includes Unrestricted & Restricted)

University of Memphis FY22-23 Revised Budget	
Tuition and Fees	\$214.0 M
State Appropriations	206.3 M
Grants, Contracts & Gifts	181.4 M
Sales & Services	36.6 M
Auxiliaries	39.7 M
Other	6.6 M
Total Revenue	\$684.6 M

FY2023 *Revised* Unrestricted and Restricted Revenues
Total \$684.6M



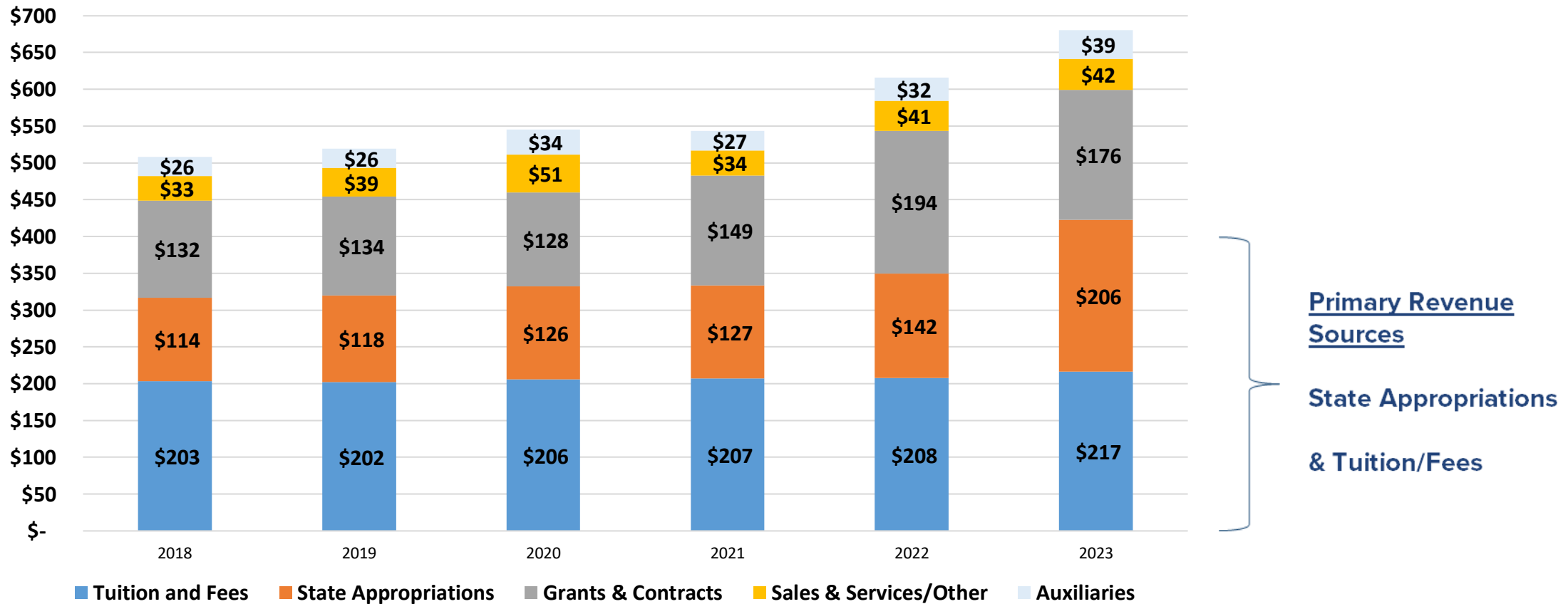
University Budget Growth



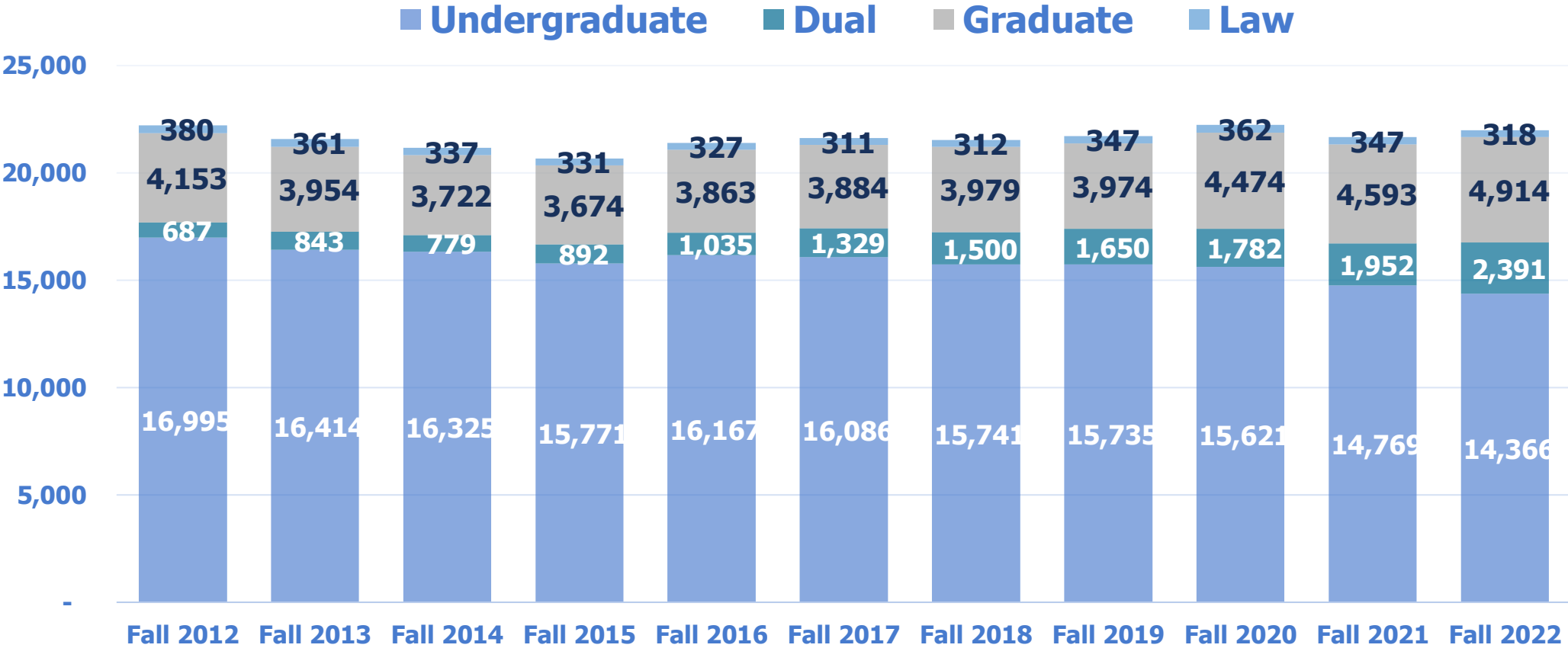
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Total University Revenue by Type (in Millions)

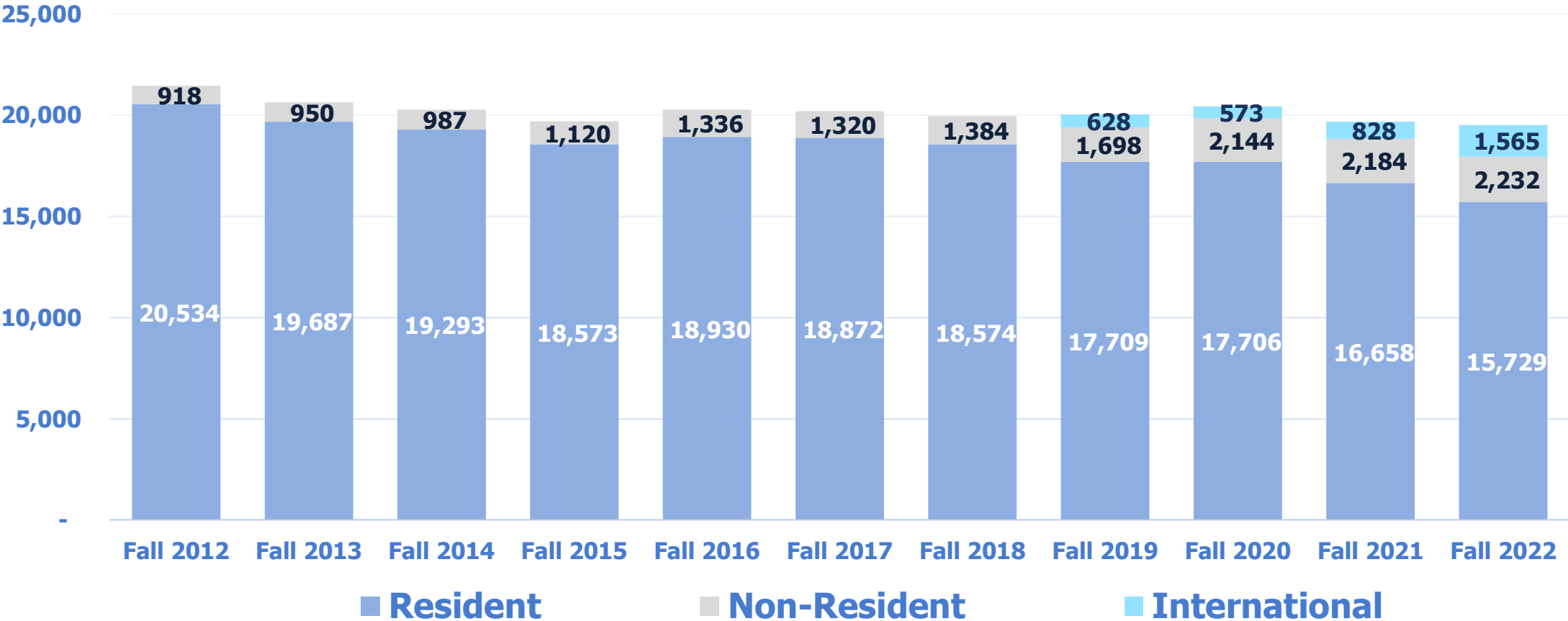


Enrollment by Class



HEADCOUNT TREND BY RESIDENCY

EXCLUDES DUAL ENROLLMENT



FY23 Enrollment Impact on Tuition

The University of Memphis Academic Year Tuition & USF by Student Residency

	AY 2019-20	AY 2020-21	AY 2021-22	AY 2022-23	4 Yr. \$ Change	FY22 & FY23 Tuition Increases	Enrollment Impact
In State	\$ 123,253,000	\$ 119,145,000	\$ 112,464,000	\$ 106,841,000	\$ (16,412,000)	\$ 1,165,000	\$ (17,577,000)
Out-of-State	10,870,000	12,269,000	14,389,000	14,571,000	3,701,000	325,000	3,376,000
International	2,754,000	2,457,000	3,220,000	3,466,000	712,000	102,000	610,000
Global	4,571,000	5,726,000	6,550,000	9,072,000	4,501,000	79,000	4,422,000
Undergraduate Total	141,448,000	139,597,000	136,623,000	133,950,000	(7,498,000)	1,671,000	(9,169,000)
In State	20,371,000	21,094,000	18,998,000	16,063,000	(4,308,000)	287,000	(4,595,000)
Out-of-State	6,986,000	7,395,000	6,478,000	6,336,000	(650,000)	248,000	(898,000)
International	6,882,000	6,358,000	12,703,000	24,521,000	17,639,000	512,000	17,127,000
Global	1,418,000	4,293,000	5,938,000	5,943,000	4,525,000	66,000	4,459,000
Graduate Total	35,657,000	39,140,000	44,117,000	52,863,000	17,206,000	1,113,000	16,093,000
In State	5,469,000	5,413,000	5,140,000	4,771,000	(698,000)	80,000	(778,000)
Out-of-State	1,870,000	1,724,000	1,837,000	1,641,000	(229,000)	41,000	(270,000)
International	31,000	28,000	-	-	(31,000)	-	(31,000)
Law Total	7,370,000	7,165,000	6,977,000	6,412,000	(958,000)	121,000	(1,079,000)
University Total	\$ 184,475,000	\$ 185,902,000	\$ 187,717,000	\$ 193,225,000	\$ 8,750,000	\$ 2,905,000	\$ 5,845,000

Revenue Budget Components

- State Appropriations
- Tuition Revenues
 - Enrollment changes
 - Tuition Rate (THEC FY24 Binding Range 0% - 3%)

Last two Tuition increases reinvested in Tuition & Fee restructures (no net new revenue)

FY24 State Appropriations

FY24 Governor's Budget Recurring State Appropriations

State Appropriation – Operating Increase	\$4,979,800
Salary Increase Pool ¹	7,450,000
Health Insurance & Retirement Increases	710,700
Outcomes Formula Adjustment	1,323,100
Net Recurring State Appropriations	\$14,463,600

FY24 Mandated Expenses

Salary Increase Cost	\$11,600,000
Health Insurance & Retirement Increases	710,700
Total Mandated Expenses	\$12,310,700

FY24 Governor's Budget Capital Maintenance – One Time State Appropriations

Elevator and Fire Alarms (Multiple Buildings)	\$5,340,000
Net Capital Maintenance State Appropriations	\$5,340,000

FY24 Governor's Budget Capital Projects – One Time State Appropriations

Safety and Security Enhancements	\$5,488,000
Net Capital Projects State Appropriations	\$5,488,000

¹ Salary pool funding represents the State portion of the Salary increase cost or roughly 60% of the cost; the University also has about 40% to fund as well

Tuition Revenue Challenges

THEC Binding Tuition Ranges

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

Fiscal Year	THEC Binding Range	UofM Increase
FY24	0.0% - 3.0%	2.86%
FY23	0%	-
FY22	0.0% - 2.0%	1.75%
FY21	0.0% - 2.0%	-
FY20	0.0% - 2.5%	1.79%
FY19	0.0% - 3.0%	-
FY18	0.0% - 4.0%	2.60%
FY17	0.0% - 3.0%	2.30%
FY16	0.0% - 4.0%	3.70%
FY15	2.0% - 4.0%	-
FY14	0.0% - 6.0%	6.00%

FY24 Proposed Budget

The FY24 Proposed budget was developed with the following assumptions:

- State Appropriation changes from the Governor's Budget (\$14.5M)
- 0% tuition increase
- Budgeted for flat enrollment based on Fall 2022 enrollment levels
- 3% Salary pool & benefit increases
 - Distributed by function and salary classification in the general orgs
 - Salary Pool to be updated and distributed Campus wide once approved

Proposed (Recurring) Budget Comparison

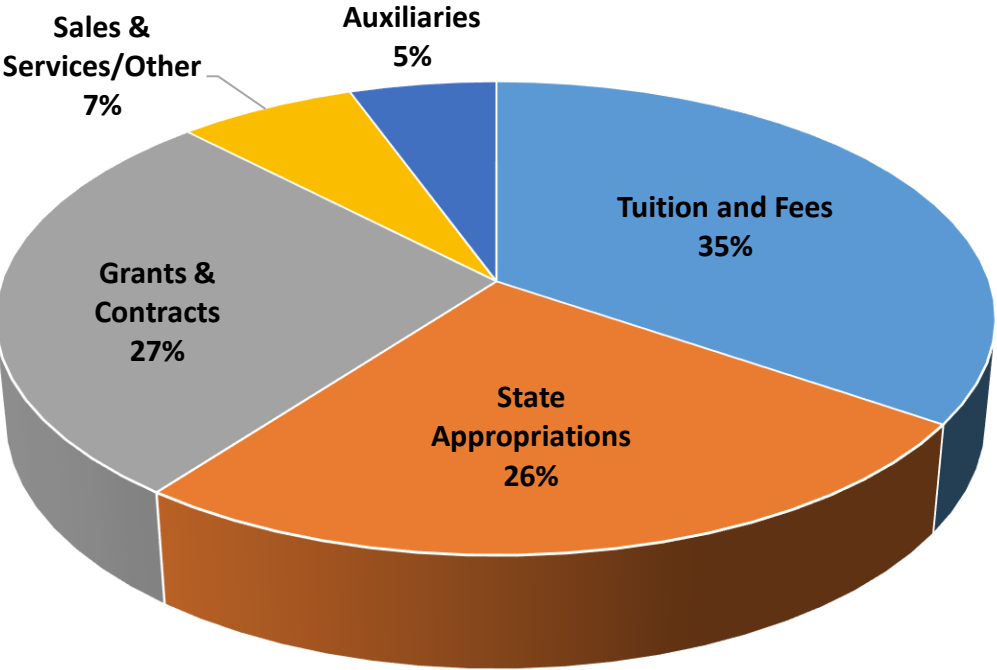
University of Memphis FY23 & FY24 Proposed Revenue & Expenditure Budget

	Proposed FY 2023	Proposed FY 2024	Variance	
<u>Revenues</u>				
Educational & General				
Tuition and Fees	\$ 207,275,900	\$ 209,503,500	\$ 2,227,600	1.1%
State Appropriations	150,869,200	171,065,600	20,196,400	13.4%
Unrestricted Grants, Contracts, & Gifts	29,662,400	31,669,300	2,006,900	6.8%
Sales and Services	34,930,100	34,315,800	(614,300)	-1.8%
Other	3,284,000	3,284,000	-	0.0%
Total Educational & General	426,021,600	449,838,200	23,816,600	5.6%
Auxiliary	33,063,100	37,002,600	\$ 3,939,500	11.9%
Restricted	140,601,700	154,594,100	13,992,400	10.0%
Total Revenues	\$ 599,686,400	\$ 641,434,900	\$ 41,748,500	7.0%

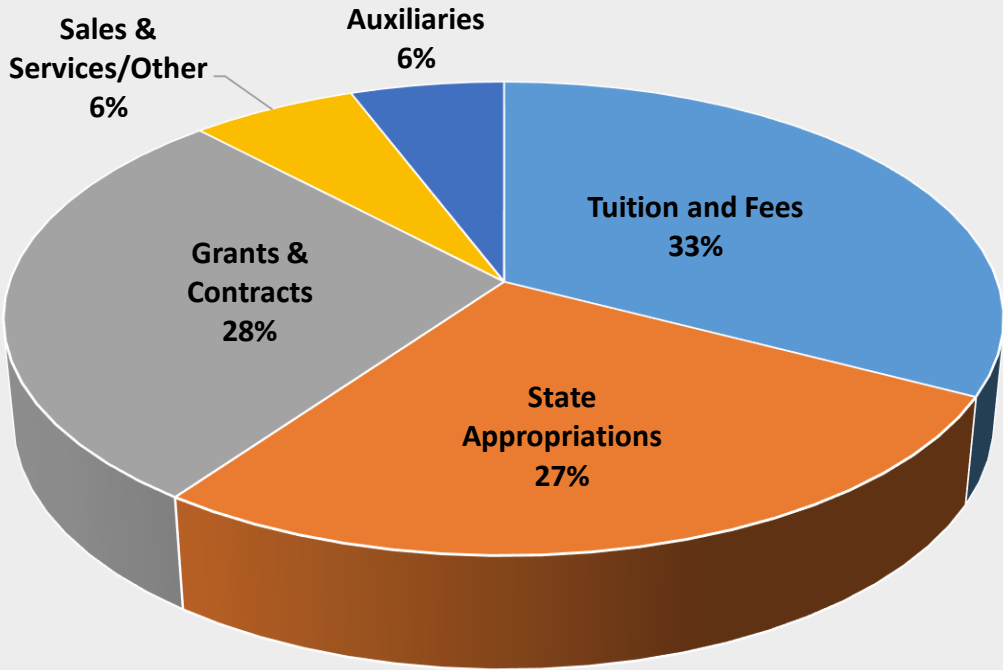
Revenue Comparison

FY24 Proposed to FY23 Proposed Budget

FY2023 Proposed Unrestricted and Restricted Revenue Total
\$599.7M



FY2024 Proposed Unrestricted and Restricted Revenue Total
\$641.4M



Proposed (Recurring) Budget Comparison

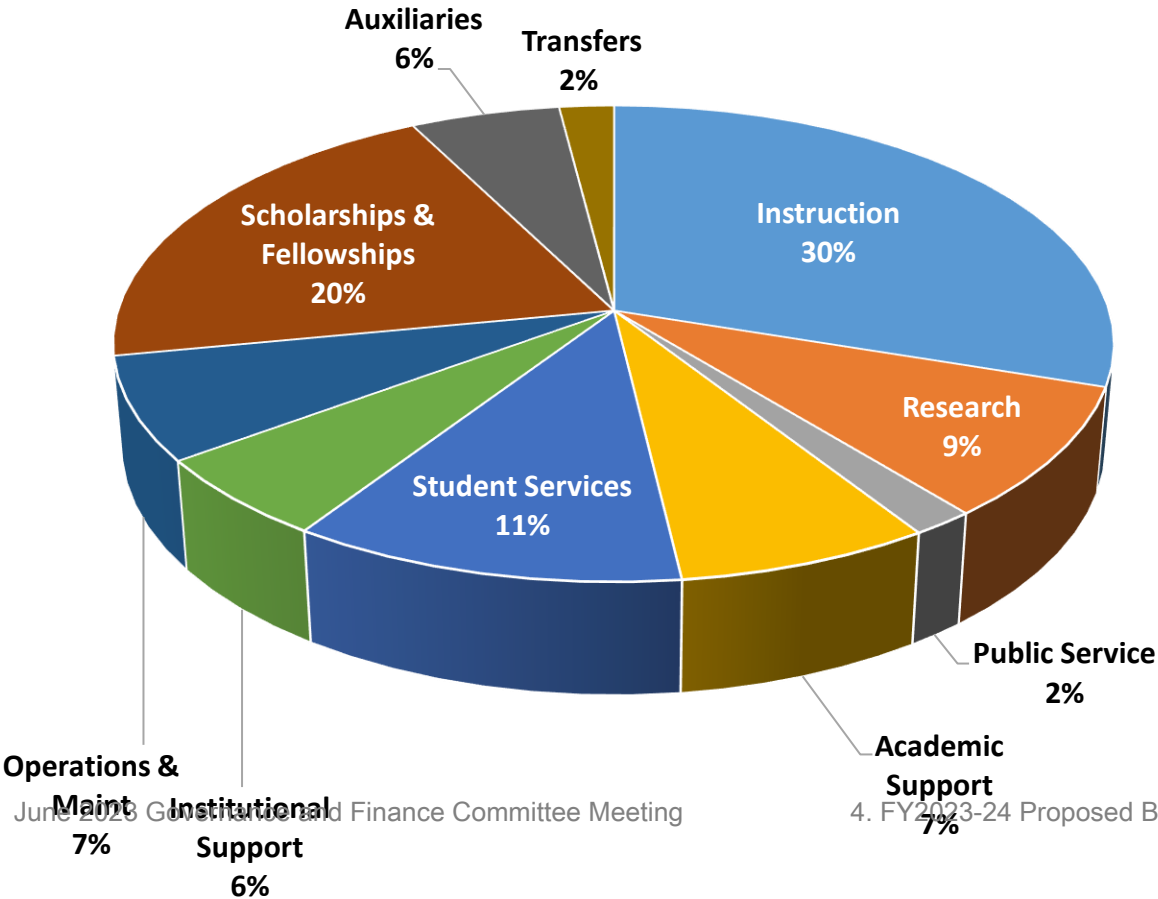
University of Memphis FY23 & FY24 Proposed Revenue & Expenditure Budget

	Proposed FY 2023	Proposed FY 2024	Variance	
<u>Expenditures</u>				
Educational & General				
Instruction	\$ 178,373,200	\$ 157,954,600	\$ (20,418,600)	-11.4%
Research	24,118,600	52,371,700	28,253,100	117.1%
Public Services	4,668,500	4,691,300	22,800	0.5%
Academic Support	41,195,600	43,850,100	2,654,500	6.4%
Student Services	57,095,100	58,663,800	1,568,700	2.7%
Institutional Support	33,295,800	35,580,500	2,284,700	6.9%
Operation & Maintenance	42,208,000	48,969,900	6,761,900	16.0%
Scholarships & Fellowships	32,964,200	34,845,900	1,881,700	5.7%
Transfers	12,102,600	12,910,400	807,800	6.7%
Total Educational & General	426,021,600	449,838,200	23,816,600	5.6%
Auxiliary	33,063,100	37,002,600	\$ 3,939,500	11.9%
Restricted	140,601,700	154,594,100	13,992,400	10.0%
Total Expenditures and Transfers	\$ 599,686,400	\$ 641,434,900	\$ 41,748,500	7.0%

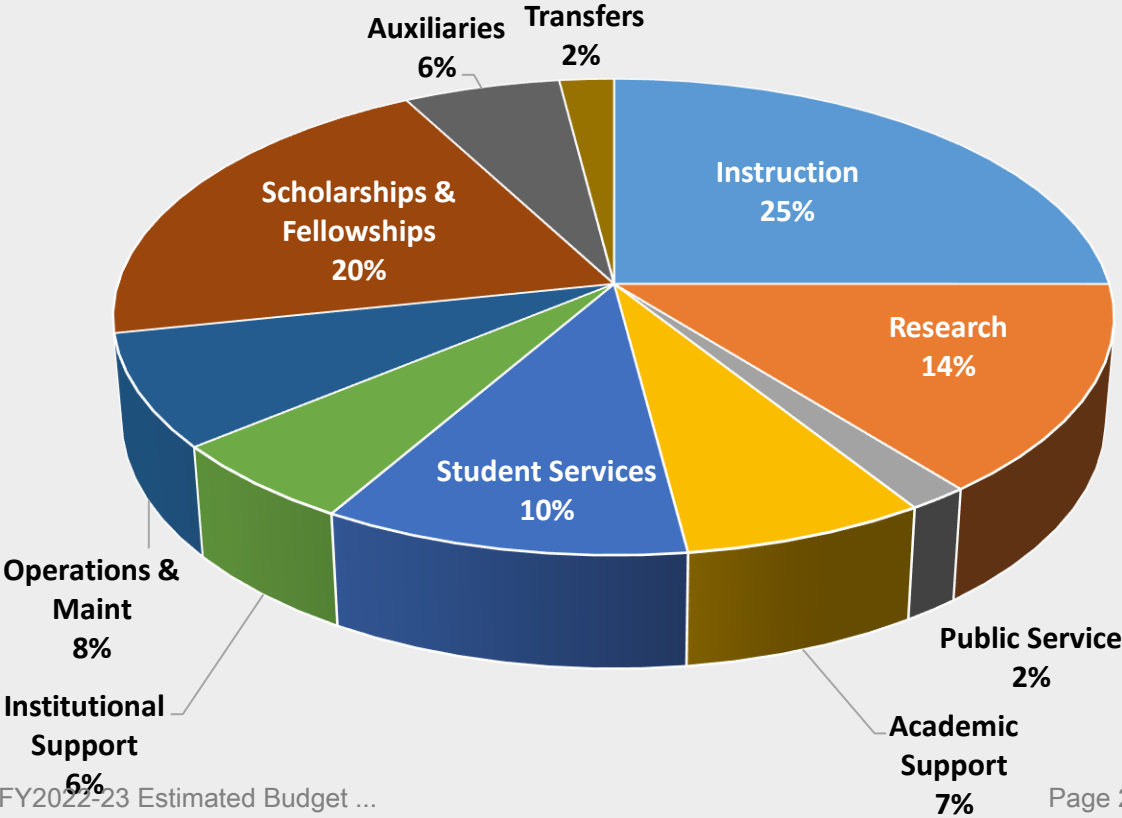
Expenditure Comparison

FY24 Proposed to FY23 Proposed Budget

FY2023 Proposed Unrestricted and Restricted Expenses Total
\$599.7M



FY2024 Proposed Unrestricted and Restricted Expense Total
\$641.4M



FY23 Estimated Budget

Revised to Estimated Budget Comparison



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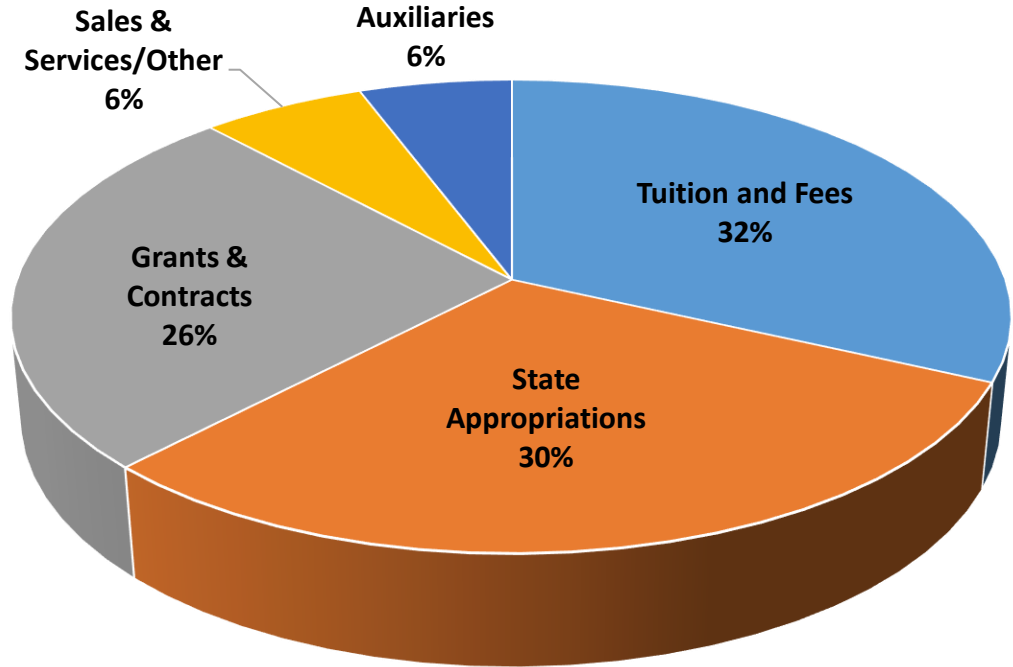
University of Memphis Revised FY23 & Estimated FY23 Revenue & Expenditure Budget

	Revised FY 2023	Estimated FY 2023	Variance	
<u>Revenues</u>				
Educational & General				
Tuition and Fees	\$ 216,540,500	\$ 214,017,300	\$ (2,523,200)	-1.2%
State Appropriations	203,069,300	203,069,300	-	0.0%
Unrestricted Grants, Contracts, & Gifts	32,474,900	33,676,000	1,201,100	3.7%
Sales and Services	36,308,300	36,566,900	258,600	0.7%
Other	3,284,000	4,128,000	844,000	25.7%
Total Educational & General	491,677,000	491,457,500	(219,500)	0.0%
Auxiliary	38,952,500	39,663,500	711,000	1.8%
Restricted	149,437,000	153,437,000	4,000,000	2.7%
Total Revenues	\$ 680,066,500	\$ 684,558,000	\$ 4,491,500	0.7%

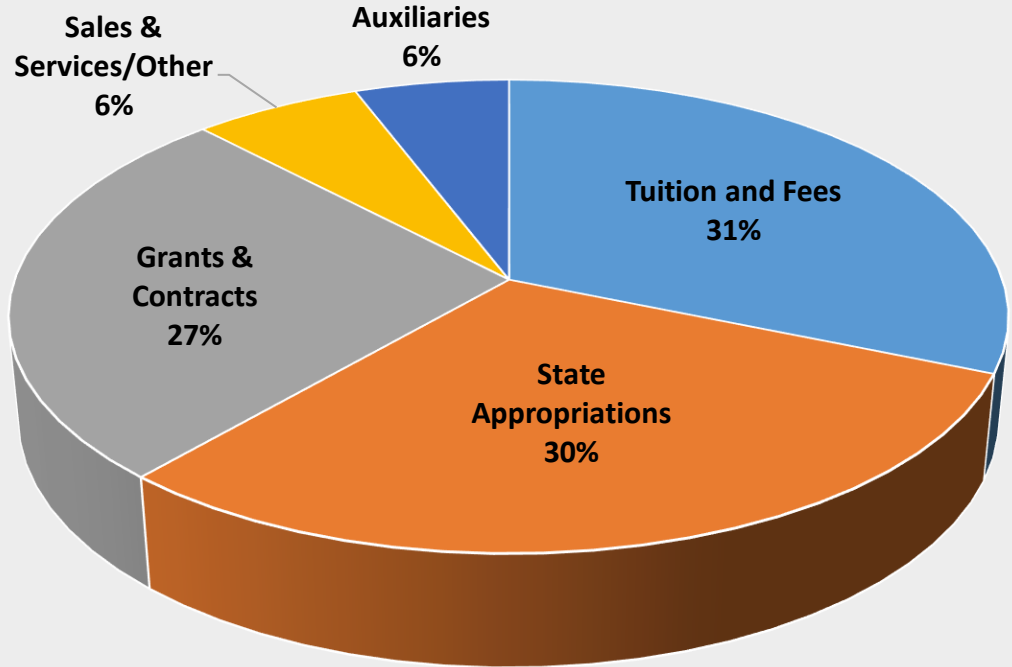
Revenue Comparison

FY23 Revised Budget to FY23 Estimated

FY2023 Revised Unrestricted and Restricted Revenue Total
\$680.1M



FY2023 Estimated Unrestricted and Restricted Revenue Total
\$684.6M



Revised to Estimated Budget Comparison



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Trustees

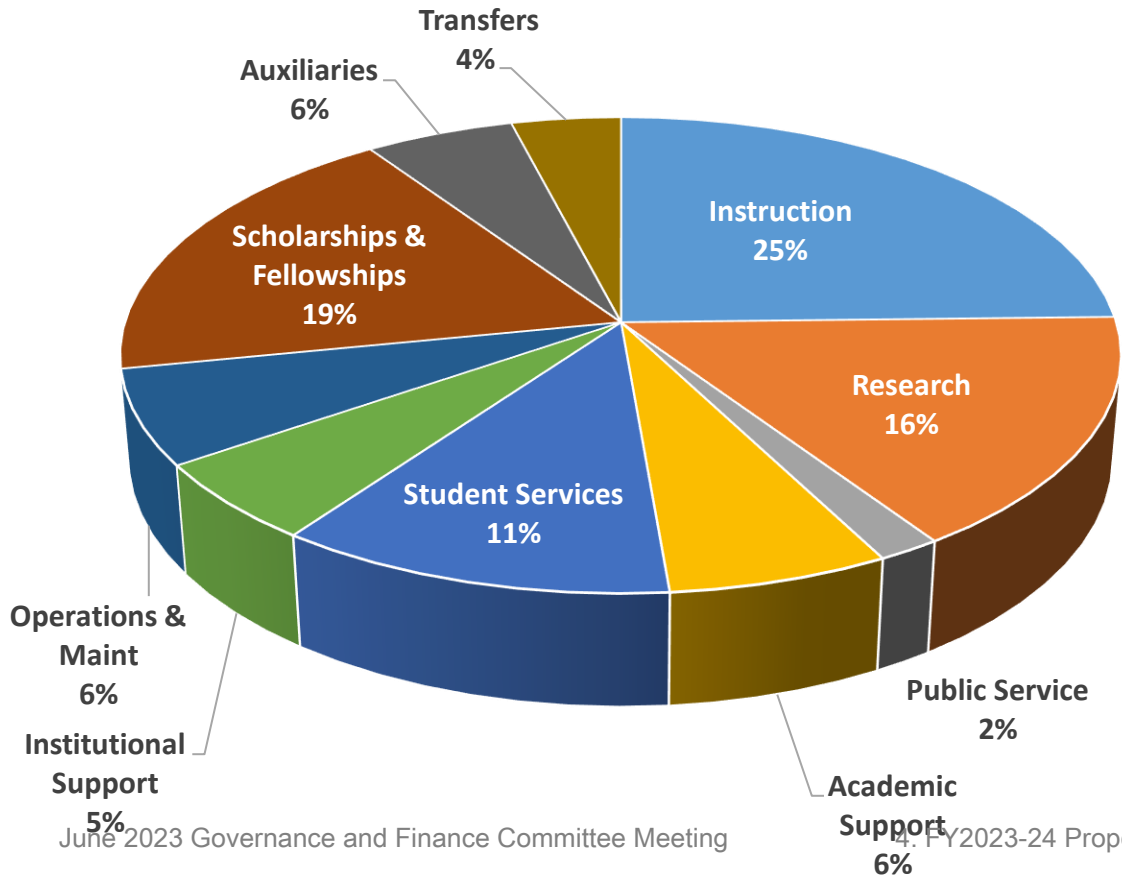
University of Memphis Revised FY23 & Estimated FY23 Revenue & Expenditure Budget

	Revised FY 2023	Estimated FY 2023	Variance	
<u>Expenditures</u>				
Educational & General				
Instruction	\$ 172,624,000	\$ 157,131,200	\$ (15,492,800)	-9.0%
Research	75,477,100	82,110,900	6,633,800	8.8%
Public Services	6,717,200	7,170,700	453,500	6.8%
Academic Support	44,234,000	45,375,700	1,141,700	2.6%
Student Services	73,395,400	78,059,000	4,663,600	6.4%
Institutional Support	38,145,400	38,262,800	117,400	0.3%
Operation & Maintenance	45,522,500	45,291,000	(231,500)	-0.5%
Scholarships & Fellowships	36,942,800	35,356,500	(1,586,300)	-4.3%
Transfers	28,694,700	30,680,700	1,986,000	6.9%
Total Educational & General	521,753,100	519,438,500	(2,314,600)	-0.4%
Auxiliary	38,952,500	40,423,000	\$ 1,470,500	3.8%
Restricted	149,437,000	153,437,000	4,000,000	2.7%
Total Expenditures and Transfers	\$ 710,142,600	\$ 713,298,500	\$ 3,155,900	0.4%

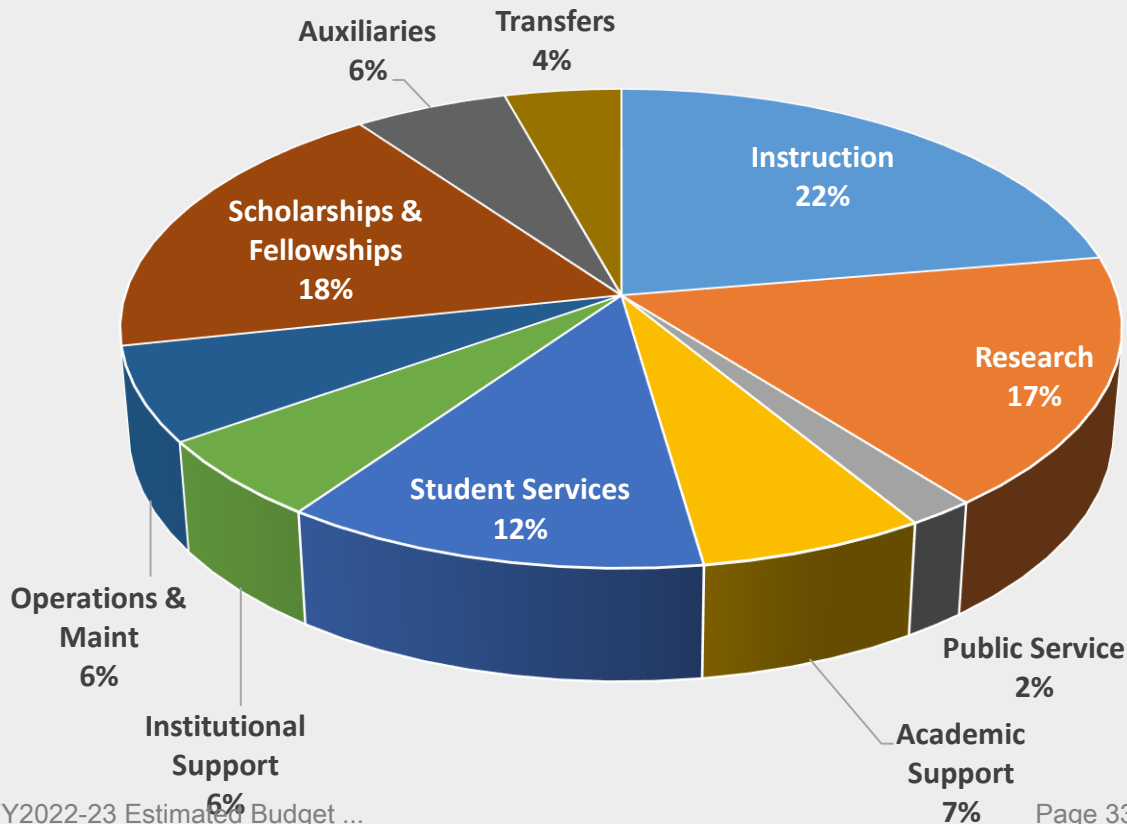
Expenditure Comparison

FY23 Revised Budget to FY23 Estimated

FY2023 Revised Unrestricted and Restricted Expenses Total
\$710.1M



FY2023 Estimated Unrestricted and Restricted Expense Total
\$713.3M



FY 2024

Compensation Strategy

- Five percent (5%) salary pool was approved by the Legislature and partially funded by State Appropriations
- Effective July 1, 2023
- For Higher Education, the salary pool is to be distributed at the discretion of each institution

Salary Pool Recommendation

Governor's Budget

Cost of 5% Salary Pool *	State Funding	Additional funding needed
\$11,600,000	\$7,450,000	\$4,150,000

* Traditionally, the State funds approximately 60% of the funding required for a salary increase. The remaining 40% needs to be funded through other University resources (i.e., Tuition Increase, Reallocation of Recurring Budget, or State Appropriations)

University's Recommendation

Cost of 3% Salary Pool ~	State Funding	Additional funding needed
\$7,634,000	\$7,450,000	\$184,000

~ 3% Salary pool total includes Faculty Promotions funded centrally

Salary Pool will be used for :

- Salary Increases for Faculty and Staff
- Meet our faculty promotion outlay
- 3% ATB increase for part-time faculty

- **FY23 Final Estimated Budget**
- **FY24 Proposed Operating Budget**

Questions

FY2023-24 Proposed Budget and FY2022-23 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 FY24 Proposed Budget was prepared with the following assumptions:

- State Appropriations as recommended in the Governor's Budget passed in May.
- Flat enrollment based on FY2023 enrollment levels.
- FY24 salary pool & benefit increases distributed by function and classification in the general orgs for distribution once approved.

The University of Memphis FY2024 proposed budget revenues total \$641.4M. This total reflects revenue increases of \$41.7M from the FY2023 proposed budget approved June 2022.

FY2024 v FY2023 Proposed Budget Total Revenues by Fund Type (\$ Millions)				
			Variance	
Fund Type	2023	2024	\$	%
Educational & General (E&G)	\$ 426.0	\$ 449.8	\$ 23.8	5.6%
Auxiliary Units	33.1	37.0	3.9	11.8%
Total Unrestricted	\$ 459.1	\$ 486.8	\$ 27.7	6.0%
Restricted (Gifts, Grants, and Contracts)	140.6	154.6	14.0	10.0%
Total Unrestricted and Restricted	\$ 599.7	\$ 599.7	\$ 41.7	7.0%

Unrestricted E&G Revenues

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

The E&G revenue increases From FY23 Proposed Budget to FY24 Proposed Budget is a result of:

- \$20.2M Proposed FY24 State appropriation increase which includes \$5.4M Safety & Security funding
- \$2.2M Tuition and Fees increase due to summer tuition adjustments and Lambuth enrollment increases
- \$2.0M Increase in Private Gifts & Campus Schools contract adjustments

Auxiliaries & Restricted

Auxiliaries are self-supporting enterprises, which furnish services to students, faculty, and staff, such as housing, bookstore, parking, and food services. The increase of \$3.9M in the auxiliary revenue budget reflects the new Bookstore contract with Barnes and Noble, including the Tiger Smart Start book program.

Restricted funds must be used in accordance with purposes established by an external party, primarily grants, contracts, gift funds and endowments. The restricted budget increased by \$14.0M and is related to anticipated increases in various grant activities.

Estimated (Final) Budget

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

The FY2023 estimated operating budget reflects changes that have occurred since the revised budget was finalized in fall 2022. Estimated total revenues are \$684.6M, a 0.7% increase over the revised budget.

FY2023 Revised v Estimated Budget Total Revenues by Fund Type (\$ Millions)				
Fund Type	Revised	Estimated	Variance	
			\$	%
Educational & General (E&G)	\$ 491.7	\$ 491.5	\$ (0.2)	0.0%
Auxiliary Units	39.0	39.7	0.7	1.8%
Total Unrestricted	\$ 530.7	\$ 531.2	\$ 0.5	0.1%
Restricted (Gifts, Grants, and Contracts)	149.4	153.4	4.0	2.7%
Total Unrestricted and Restricted	\$ 680.1	\$ 684.6	\$ 4.5	0.7%

Educational and General (E&G) revenue decreases of \$0.2M which is primarily a result of Spring enrollment changes and adjustments for Campus and Middle School.

Auxiliary revenues increased by \$0.7M as a result of new bookstore contract with Barnes and Noble and declines in Parking and Food Services.

Restricted revenues were adjusted to reflect FY23 actuals awards.

Proposed 2023-24 Operating Budget

University of Memphis
FY23 & FY24 Proposed Revenue & Expenditure Budget

	Proposed FY 2023	Proposed FY 2024	Variance	
<u>Revenues</u>				
Educational & General				
Tuition and Fees	\$ 207,275,900	\$ 209,503,500	\$ 2,227,600	1.1%
State Appropriations	150,869,200	171,065,600	20,196,400	13.4%
Unrestricted Grants, Contracts, & Gifts	29,662,400	31,669,300	2,006,900	6.8%
Sales and Services	34,930,100	34,315,800	(614,300)	-1.8%
Other	3,284,000	3,284,000	-	0.0%
Total Educational & General	426,021,600	449,838,200	23,816,600	5.6%
Auxiliary	33,063,100	37,002,600	\$ 3,939,500	11.9%
Restricted	140,601,700	154,594,100	13,992,400	10.0%
Total Revenues	\$ 599,686,400	\$ 641,434,900	\$ 41,748,500	7.0%
<u>Expenditures</u>				
Educational & General				
Instruction	\$ 178,373,200	\$ 157,954,600	\$ (20,418,600)	-11.4%
Research	24,118,600	52,371,700	28,253,100	117.1%
Public Services	4,668,500	4,691,300	22,800	0.5%
Academic Support	41,195,600	43,850,100	2,654,500	6.4%
Student Services	57,095,100	58,663,800	1,568,700	2.7%
Institutional Support	33,295,800	35,580,500	2,284,700	6.9%
Operation & Maintenance	42,208,000	48,969,900	6,761,900	16.0%
Scholarships & Fellowships	32,964,200	34,845,900	1,881,700	5.7%
Transfers	12,102,600	12,910,400	807,800	6.7%
Total Educational & General	426,021,600	449,838,200	23,816,600	5.6%
Auxiliary	33,063,100	37,002,600	\$ 3,939,500	11.9%
Restricted	140,601,700	154,594,100	13,992,400	10.0%
Total Expenditures and Transfers	\$ 599,686,400	\$ 641,434,900	\$ 41,748,500	7.0%

The FY24 Proposed Budget is balanced and within available resources.

University of Memphis
Variance Recap of FY23 & FY24 Proposed Revenue & Expenditure Budget

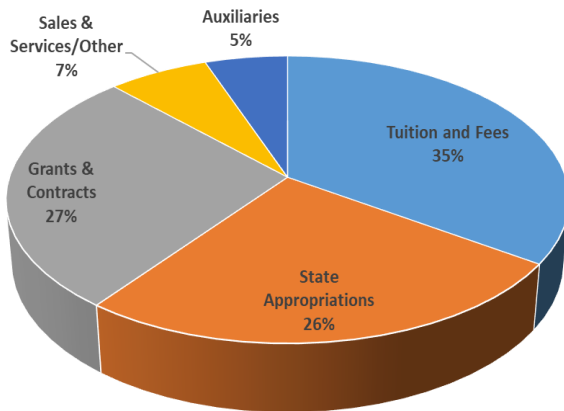
Revenue Change from FY23 Proposed to FY24 Proposed Budget

Tuition and Fees	\$ 2,227,600	Primarily the adjustment of summer tuition and Lambuth enrollment increases
State Appropriations	20,196,400	New State appropriations allocations to include Outcomes funding, Salary pool, Health Insurance increases and Safety & Security Enhancement funds
Unrestricted Gifts & Grants/Contracts	2,006,900	Increase due primarily to the Campus School's Shelby County School agreements for University Elementary School, Middle School, and establishing Year 2 of the High School
Sales and Services	(614,300)	Adjustments for various service agreement revenues
Other	-	No change
Auxiliary	3,939,500	Increase due primarily to the Tiger SmartStart Book program and new Barnes & Noble Contract
Restricted Grants and Contracts	13,992,400	Adjusted revenues to reflect anticipated increase in grant/restricted activities as well as increases in HOPE and Pell Grant awards
Total Revenue Change	\$ 41,748,500	

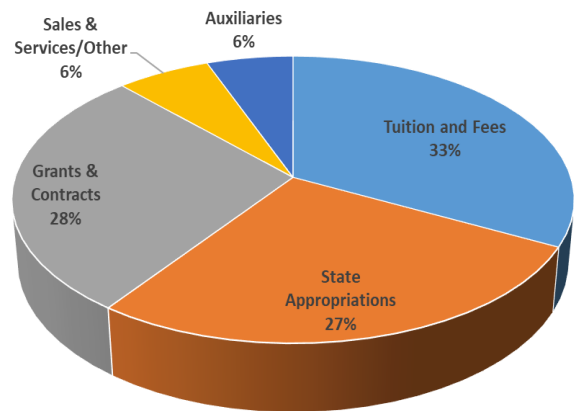
Expenditure Change from FY23 Proposed to FY24 Proposed Budget

Instruction	\$ (20,418,600)	Decrease is primarily due to new Research Effort process which reclassified Faculty salaries from Instruction to Research based on their effort, also includes distribution of the planned FY24 Salary Pool, and associated benefit increases
Research	28,253,100	Increase primarily due to new Faculty Research Effort process, also includes distribution of the planned FY24 Salary Pool, and associated benefit increases
Public Service	22,800	Net of distribution for the planned FY24 Salary Pool, associated benefit increases, and the reduction in operations for Conference Events
Academic Support	2,654,500	Increase is due to the planned FY24 Salary Pool, associated benefit increases, and FY23 SRI Budget allocations; increases to SCS agreement Elementary and Middle School operations and Year 2 of High School
Student Services	1,568,700	Primarily distribution of the planned FY24 Salary Pool, associated benefit increases, and FY23 SRI Budget allocations
Institutional Support	2,284,700	Primarily distribution of the planned FY24 Salary Pool, associated benefit increases, and FY23 SRI Budget allocations
Operation & Maintenance	6,761,900	Increase is primarily due to the FY24 \$5.5m Safety and Security state support, and distribution of the FY24 Salary Pool & benefit increases; FY23 budget allocations for utilities, maintenance cost increases and Property Insurance increase
Scholarships and Fellowships	1,881,700	Adjusted budget to anticipated scholarship levels for FY24
Transfers	807,800	Renewal & Replacement alignment for University Campus Schools; Athletics FedEx Park and Soccer Lights
Auxiliary	3,939,500	Adjustments for various Auxiliary units, including new Barnes & Noble contract for bookstore and Tiger SmartStart Book program
Restricted Grants and Contracts	13,992,400	Adjusted revenues to reflect anticipated increase in grant/restricted activities as well as increases in HOPE and Pell Grant awards
Total Expenditure Change	\$ 41,748,500	

FY2023 Proposed Unrestricted and Restricted Revenue Total
\$599.7M

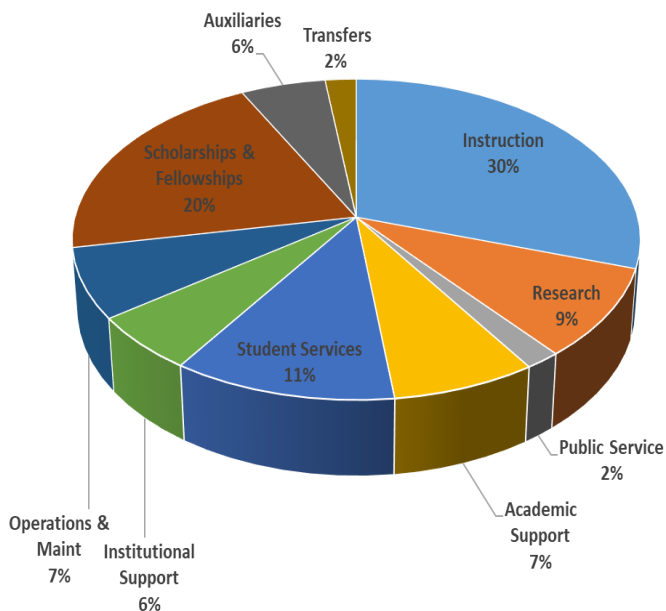


FY2024 Proposed Unrestricted and Restricted Revenue Total
\$641.4M

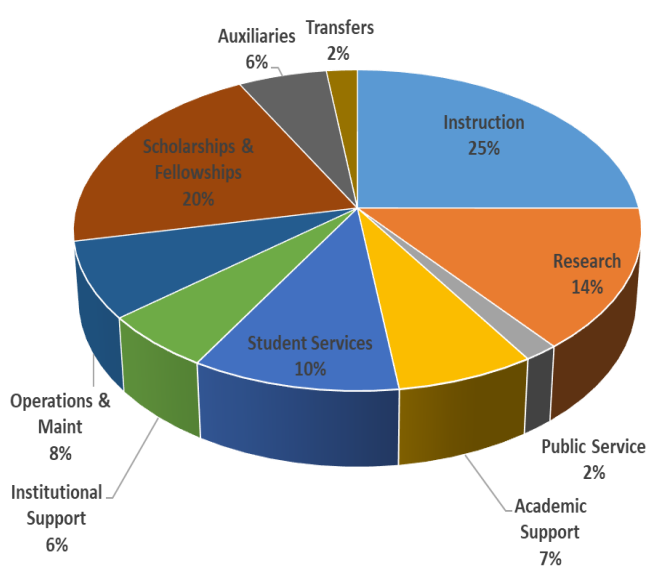


Expenditures are budgeted across the nine functional areas shown in the two charts below. Spending by function continues to remain consistent from prior year, except for the decrease in Instruction which is primarily due to new Research Effort process which reclassified Faculty salaries from Instruction to Research based on their effort.

FY2023 Proposed Unrestricted and Restricted Expenses Total
\$599.7M



FY2024 Proposed Unrestricted and Restricted Expense Total
\$641.4M



* Athletics is included in Student Services function

Estimated (Final) 2022-23 Operating Budget

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

	Revised FY 2023	Estimated FY 2023	Variance	
<u>Revenues</u>				
Educational & General				
Tuition and Fees	\$ 216,540,500	\$ 214,017,300	\$ (2,523,200)	-1.2%
State Appropriations	203,069,300	203,069,300	-	0.0%
Unrestricted Grants, Contracts, & Gifts	32,474,900	33,676,000	1,201,100	3.7%
Sales and Services	36,308,300	36,566,900	258,600	0.7%
Other	3,284,000	4,128,000	844,000	25.7%
Total Educational & General	491,677,000	491,457,500	(219,500)	0.0%
Auxiliary	38,952,500	39,663,500	711,000	1.8%
Restricted	149,437,000	153,437,000	4,000,000	2.7%
Total Revenues	\$ 680,066,500	\$ 684,558,000	\$ 4,491,500	0.7%
<u>Expenditures*</u>				
Educational & General				
Instruction	\$ 172,624,000	\$ 157,131,200	\$ (15,492,800)	-9.0%
Research	75,477,100	82,110,900	6,633,800	8.8%
Public Services	6,717,200	7,170,700	453,500	6.8%
Academic Support	44,234,000	45,375,700	1,141,700	2.6%
Student Services	73,395,400	78,059,000	4,663,600	6.4%
Institutional Support	38,145,400	38,262,800	117,400	0.3%
Operation & Maintenance	45,522,500	45,291,000	(231,500)	-0.5%
Scholarships & Fellowships	36,942,800	35,356,500	(1,586,300)	-4.3%
Transfers	28,694,700	30,680,700	1,986,000	6.9%
Total Educational & General	521,753,100	519,438,500	(2,314,600)	-0.4%
Auxiliary	38,952,500	40,423,000	\$ 1,470,500	3.8%
Restricted	149,437,000	153,437,000	4,000,000	2.7%
Total Expenditures and Transfers	\$ 710,142,600	\$ 713,298,500	\$ 3,155,900	0.4%

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

University of Memphis
Variance Recap of **FY23 Revised** & **FY23 Estimated** Revenue & Expenditure Budget

Revenue Change from FY23 Revised to FY23 Estimated Budget (see Revenue recap for detail)

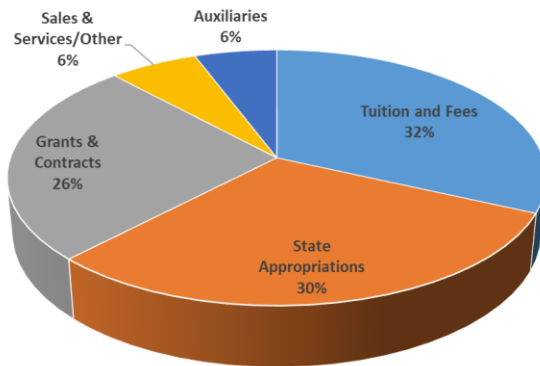
Tuition and Fees	\$ (2,523,200)	Tuition and Fee adjustments for Spring enrollment as well as changes in commercial aviation program
State Appropriations	-	No Change
Unrestricted Gifts & Grants/Contracts	1,201,100	Increase due primarily to the increase in Indirect Cost Recovery (IDCR) revenues and enrollment adjustments for Campus Schools
Sales and Services	258,600	Primarily due to increases in internship programs
Other	844,000	Increase in Investment revenues due to market rates
Auxiliary	711,000	Revenue is net of increases due to new bookstore contract with Barnes and Noble and declines in Parking and Food Services
Restricted Grants and Contracts	4,000,000	Adjusted revenues to reflect YTD actuals in grant/restricted activities as well as increases in HOPE and Pell Grant awards
Total Revenue Change	\$ 4,491,500	

Expenditure Change from FY23 Revised to FY23 Estimated Budget

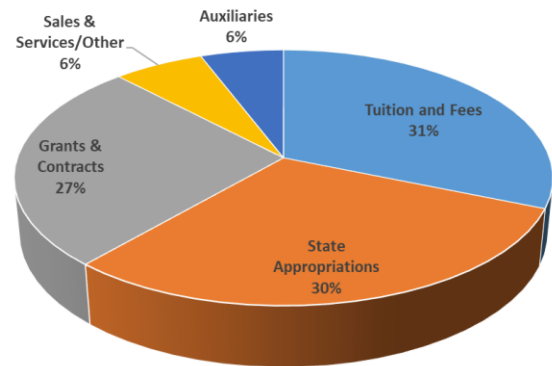
Instruction	\$ (15,492,800)	Net of budget allocations distributed after October Budget; Faculty Research Effort Change adjustments; Salary lapse, Faculty salary splits to grants & research, UM Foundation support for departmental operations & benefit reallocations based on staffing levels
Research	6,633,800	Faculty Research Effort Change adjustments; Faculty salary splits from instruction, one-time cost shares / startup funds, allocated funds for Carnegie R1 initiatives, UM Foundation support for departmental operations and benefit reallocations based on staffing levels
Public Service	453,500	Net of budget allocations processed after October budget, decrease in Testing Services and FIT activities, and benefit reallocations based on staffing levels
Academic Support	1,141,700	Increase in budget allocations for GA expenditures, computer allocations and benefit reallocation based on staffing levels
Student Services	4,663,600	Budget allocations processed after the October budget, UM Foundation support for departmental operations and benefit reallocations based on staffing levels, and increase in Athletics expenditures
Institutional Support	117,400	Net of budget allocations processed after October budget, salary lapse and benefit reallocations based on staffing levels
Operation & Maintenance	(231,500)	Transfer Utility Savings to Plant funds for Performance Contract Debt and Utility Fluctuation contingency, transferred funds to various plant fund projects
Scholarships and Fellowships	(1,586,300)	Adjusted budgets to FY23 projected award levels.
Transfers	1,986,000	Increase in Unexpended Plant projects and R&R ITS Capital Planning
Auxiliary	1,470,500	New Bookstore Contract, adjustment of meal plans, housing, and parking to reflect actuals
Restricted Grants and Contracts	4,000,000	Adjusted expenses to reflect YTD actuals in grant/restricted activities as well as increases in HOPE and Pell Grant awards
Total Expenditure Change	3,155,900	

The FY23 Estimated budgets are within available resources and comply with all applicable policies and guidelines. This budget includes all funds available including current year revenues as well as one-time activities and resources available from prior year operations. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year.

FY2023 Revised Unrestricted and Restricted Revenue Total
\$680.1M

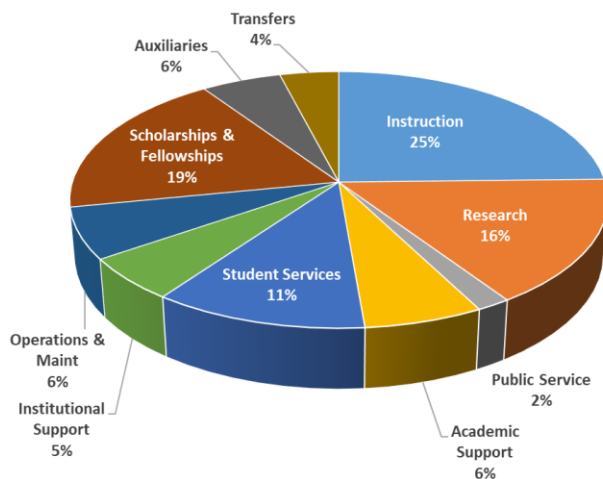


FY2023 Estimated Unrestricted and Restricted Revenue Total
\$684.6M

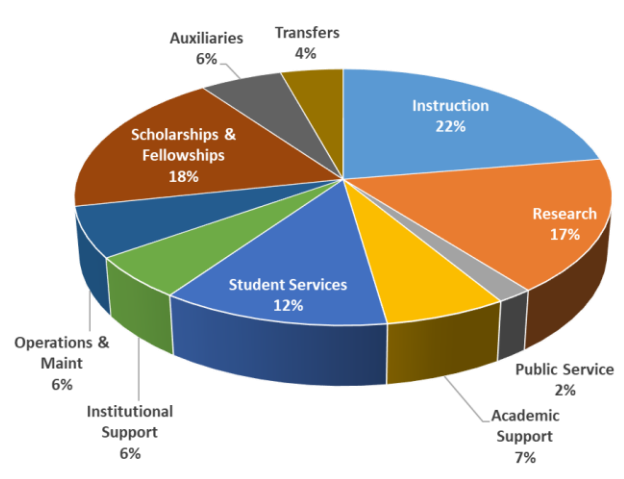


In the Estimated budget, spending by function remains consistent with slight increases in Student Services and Institutional Support.

FY2023 Revised Unrestricted and Restricted Expenses Total
\$710.1M



FY2023 Estimated Unrestricted and Restricted Expense Total
\$713.3M



* Athletics is included in Student Services function.

5. FY24 Tuition Recommendation

For Approval

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: June 14, 2023

Committee: Governance and Finance Committee

Item: FY24 Tuition Recommendation

Presented by: Raaj Kurapati, Executive Vice President / Chief Operating and Financial Officer

Background:

Under the FOCUS Act, the Tennessee Higher Education Commission (THEC) now sets a binding range each year in which institutions can increase undergraduate in-state tuition, as well as a binding range for the combined undergraduate in-state tuition plus mandatory fees. For 2023-24, THEC approved both of these ranges in-state UG students at 0.0% – 3.0% at its May 11, 2023, Commission meeting.

Proposed Tuition & Mandatory Fee Increase	Annual Amount		
	In-State	OOS	Int'l
Undergraduate	2.86%	3.44%	3.83%
	\$288	\$600	\$870
Graduate	2.82%	3.42%	3.79%
	\$340	\$560	\$780
Law	2.39%	2.98%	3.25%
	\$462	\$726	\$924

Committee Recommendation:

For FY24, the Governance and Finance Committee recommends approval for the proposed tuition and mandatory fee increases as presented in the meeting materials.

FY24 Tuition Recommendation

Governance & Finance Committee

Raaj Kurapati
Executive Vice President & COO/CFO

June 14, 2023
Maxine A. Smith University Center



JUNE 2023

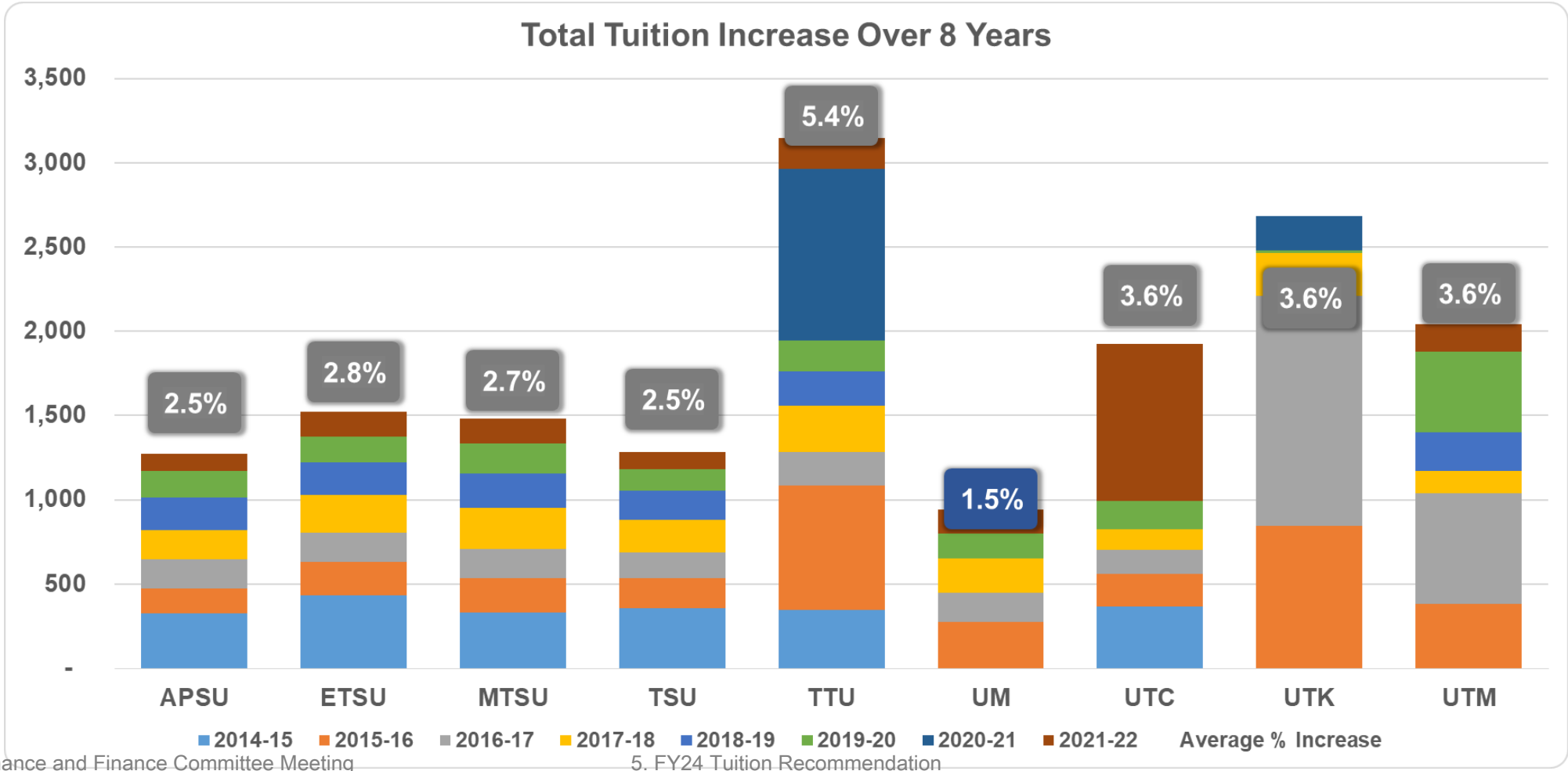
- Under the FOCUS Act, the Tennessee Higher Education Commission (THEC) now sets a binding range in which institutions can increase undergraduate in-state tuition, as well as a binding range for the combined undergraduate in-state tuition plus mandatory fees.
- Tennessee Higher Education Commission (THEC) sets binding in-state tuition and mandatory fee increase ranges.
 - At the May 11, 2023, spring meeting a range of 0% to 3% was approved for fiscal year 2023-24

THEC Binding Tuition Ranges

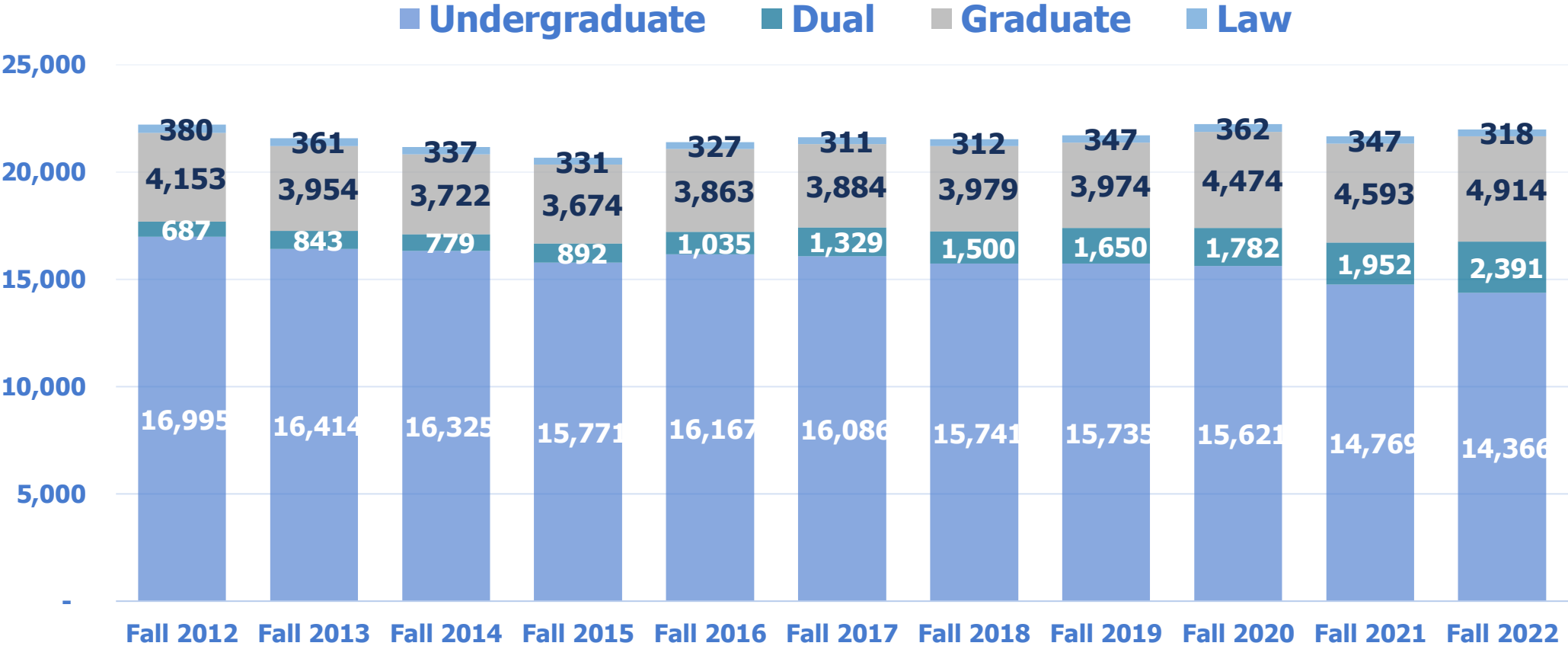
- The Focus Act (TCA 49.7.1601) requires Tennessee Higher Education Commission (THEC) make student fee and state appropriation recommendations concurrently.
- Numerous factors impact the tuition recommendation, including student affordability and financial aid, institutional revenues and cost inflation factors.
- Efforts to mitigate the financial effect on students: UofM has implemented multiple tuition & fee structure changes to keep the overall cost of education as low as possible for our Tennessee resident students while remaining competitive with our national peers
- Tuition and Fee increases in FY22 and FY20 of 1.75% and 1.79%, respectively did not result in any net new revenue. The funds generated from such were used to offset revenue losses from tuition & fee restructures, specifically the elimination of online course fees.

Fiscal Year	THEC Binding Range	UofM Increase
FY24	0.0% - 3.0%	2.86%
FY23	0%	-
FY22	0.0% - 2.0%	1.75%
FY21	0.0% - 2.0%	-
FY20	0.0% - 2.5%	1.79%
FY19	0.0% - 3.0%	-
FY18	0.0% - 4.0%	2.60%
FY17	0.0% - 3.0%	2.30%
FY16	0.0% - 4.0%	3.70%
FY15	2.0% - 4.0%	-
FY14	0.0% - 6.0%	6.00%

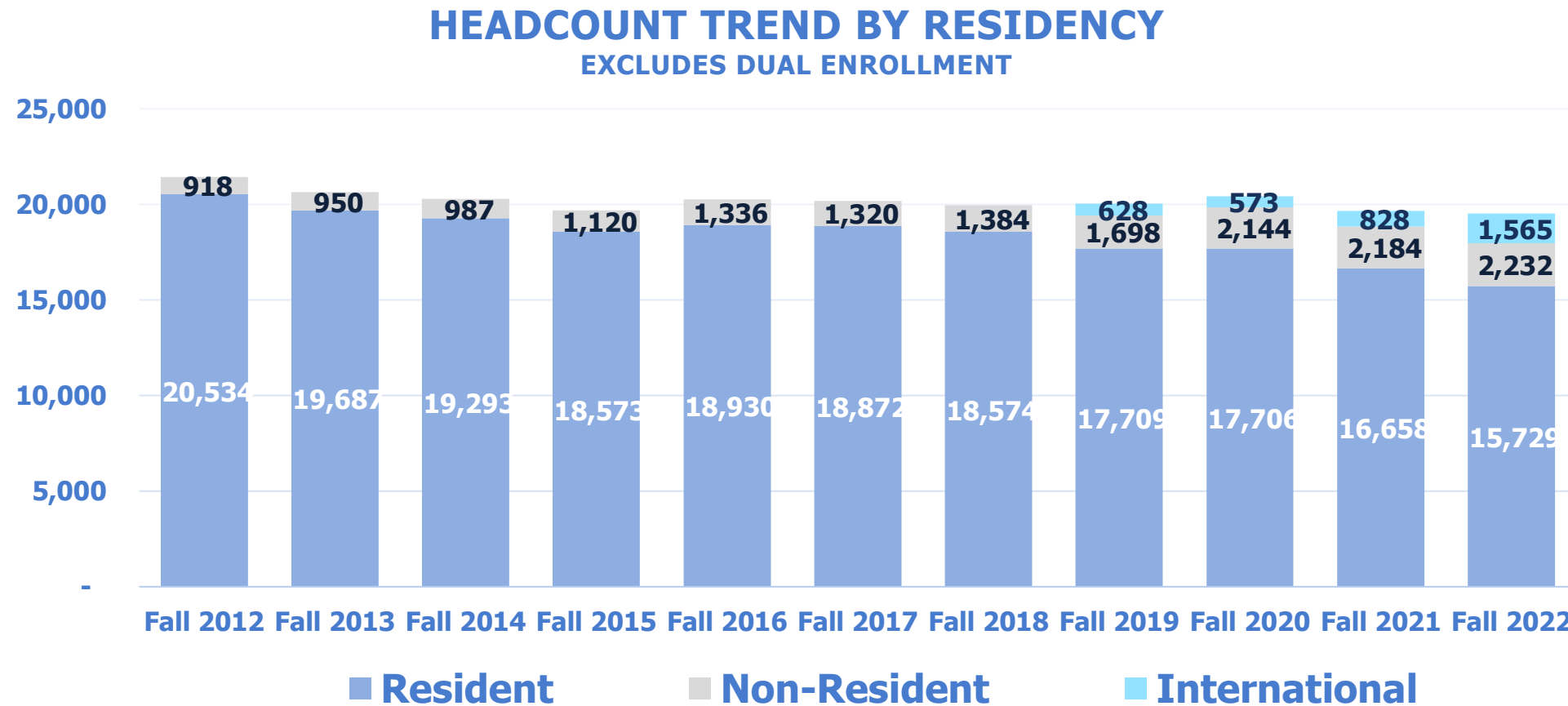
Lowest statewide average tuition increase of 1.5% over the last 8 years



Enrollment by Class



Enrollment by Residency



We are proposing:

- 2.86% in combined Tuition and Mandatory Fee increase for Undergraduate Students
- 5% tuition increase on the Non-resident & International premiums which are not included in the THEC Binding Ranges

Proposed Tuition Rate Increases

Proposed Tuition & Mandatory Fee increase	Annual Increase		
	Instate	OOS	Int'l
Undergraduate Tuition	2.86% \$288	3.44% \$600	3.83% \$870
Graduate Tuition	2.81% \$340	3.42% \$560	3.79% \$780
Law Tuition	2.39% \$462	2.98% \$726	3.25% \$924

Note:

Undergraduate based on 15 CH/semester

Graduate based on 10 CH/semester

Law based on 11 CH/semester

UMGlobal rate increases are consistent with above amounts.

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

Revenue Impacts/Uses

- The increase in tuition and fees revenue as a result of the proposed increases is projected to be \$4.8M (\$2.9M from tuition and \$1.9M from mandatory fees).
- The tuition increase has a corresponding expense increase to out-of-state scholarships of about \$291K
- The result is a net revenue impact of \$4.5M
- Mandatory fees support areas which are reliant on fee revenues to continue providing excellent service to students in a time of rising costs. Drop in enrollment has impacted revenues generated
- The proposed tuition & fee increase will also help fund inflationary cost increases impacting operations, scholarships, various new academic programs, and student success initiatives.

Questions?

6. President's Review and Evaluation

For Review

Presented by Raajkumar Kurapati

7. Additional Business

Presented by Doug Edwards

8. Adjournment

Presented by Doug Edwards