

September 2018 Governance and Finance Committee Meeting

Schedule	Wednesday, September 05, 2018, 09:00 AM — 09:30 AM CDT
Venue	University Center Fountain View Suite - UC 350
Description	Meeting start time subject to change based on the conclusion of the previous meeting.
Organizer	Chelsea Connor

Agenda

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1. Call to Order

Presented by Alan Graf

2. Roll Call

Presented by Melanie Murry

3. Approval of Minutes - June 6, 2018

Presented by Alan Graf

THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES

MINUTES OF THE GOVERNANCE AND FINANCE COMMITTEE

June 6, 2018
Memphis, TN

The Governance and Finance Committee of The University of Memphis Board of trustees met at 9:45 a.m. CDT, on Wednesday, June 6, 2018, on the University of Memphis main campus in Memphis, Tennessee.

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

Chair Graf called the meeting to order and welcomed 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 North, Trustee Springfield, new Trustee David M. Kemme, and Trustee Martin via phone.

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

Chair Graf introduced new Chief Financial Officer, Raaj Kurapati, who provided information on his work experience and family. CFO Kurapati has 17 years of higher education experience and 10 years of work experience in the private sector. He previously held the positions of Vice President for Finance and Chief Financial Officer for Texas A&M University -- Kingsville and Associate Vice Chancellor for Financial Services and Business Operations for the University of Alaska in Fairbanks.

Chair Graf remarked that he is delighted to have CFO Kurapati, and he has already seen the impact of Mr. Kurapati on the University.

II. Approval of Minutes – March 7, 2018

Chair Graf requested a motion for the approval of the minutes. It was moved by Trustee Springfield and properly seconded to approve the minutes from the March 7, 2018, Governance and Finance Committee meeting. A roll call vote was taken, and the motion passed.

III. Report on Trustee Conference

Chair Graf recognized Trustee Kate Schaffzin, Interim Dean of the Cecil C. Humphreys School of Law, to present on the Association of Governing Board's National Conference on Trusteeship meeting held April 22-24, 2018. She provided an overview of the breakout sessions and highlights from the keynote speaker, describing the conference as informative and inspirational. Trustee Schaffzin mentioned that 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. She strongly encouraged attendance by

the University of Memphis Board of Trustees at the conference in Orlando, Florida, from April 14-16, 2019.

Chair Graf thanked Interim Dean Schaffzin for her report and stated he will miss her as she has resigned from the Board to serve in her new interim role.

IV. Capital Budget Requests

Chair Graf recognized Tony Poteet, Assistant Vice President for Campus Planning and Design, to discuss the recommendation and approval of the Capital Budget requests. AVP Poteet mentioned this time of year is our opportunity to prepare and present capital budget requests to THEC (Tennessee Higher Education Commission) and the State of TN, which are due by July 16. He discussed each project in detail and provided an overview on the capital budget submittal process. He advised that once the projects are submitted, they are then meshed with projects from other universities and eventually go to the Governor and the legislature. He emphasized the components of the request are broken into three major categories for project submission as capital outlay; capital maintenance; and disclosure projects, and provided guidelines for each.

Chair Graf inquired about the date of severance from Tennessee Board of Regents (TBR). AVP Poteet advised the severance date as June 30, 2018, but that any current projects acquired under TBR will remain with TBR. Any new State Building Commission projects with a July 1, 2018, start date will be under the full authority of the University. Board Secretary Murry requested clarification if the Music Center and Fitness Center contracts are currently under our control, to which AVP Poteet stated that those contracts are both held by TBR with coordination from our campus. They were approved by the State Building Commission under TBR. Chair Graf asked about acquiring property for the building of the surface parking expansion on Central. AVP Poteet advised that acquisition of additional property was not necessary, but the purchase of two (2) additional properties would be advantageous to the project. Trustee Edwards inquired about the Patterson realignment project working with the city. AVP Poteet mentioned we are in the process of transferring property to the city. He stated that we are working with the State Real Estate and Asset Management (STREAM) division to accomplish this before construction and the bid are started. The University we will cover 20% of the cost of the project, and the balance is funded by the city. The University is ready to bid and all should happen next year.

Chair Graf commented this was a great report and opened it up to questions. Trustee Springfield inquired about how the 12.4% appropriation for capital maintenance is determined and if there is an opportunity for us to acquire a higher percentage. AVP Poteet advised the funding formula is based on a weighted average and amount of space and is applied to every institution. Trustee Springfield also inquired how long the \$100,000 threshold has been in place and if there is there an opportunity for us to lobby that. AVP Poteet maintained that the State architect has delegated authority to approve projects from \$100,000 – \$500,000 if they meet certain criteria and are pure maintenance projects.

Trustee North questioned the impact of the Patterson street alignment. AVP Poteet advised the major impact is that it will shift parking from the west side of campus to the east. The

landscaping will have similarities to Central Avenue with a median and tree planting. President Rudd added that it will look nice and resolve many problems at that intersection.

Trustee Johnson moved that the Committee recommend approval of the Capital Budget request for Fiscal Year 2020. The motion was properly seconded. A roll call vote was taken and the Capital Budget request was approved. Before moving ahead, Secretary Murry called for clarification on vote. Trustee Graf advised the vote was on the three categories of the Capital Projects requests.

V. Natatorium Project Funding

Chair Graf recognized Raaj Kurapati, Chief Financial Officer, who sought approval for short-term borrowing of \$6 million through the Tennessee State School Bond Authority (TSSBA) to help cash flow of a \$13 million two-part project, which will consist of initially renovating the natatorium prior to the roof replacement. CFO Kurapati mentioned that in the days since we put this motion forward, we are now looking at ways to fund the project internally. Approval is requested from this committee to proceed with the TSSBA loan should we not decide to fund internally. President Rudd emphasized that none of this funding is from student fees. Chief Development Officer Bobby Prince advised we have raised \$3.6 million in private funds. President Rudd mentioned we will close the \$6 million gap with additional gifts.

Trustee Johnson made a motion to approve the use of \$6 million dollars of TSSBA low interest short-term funds, and the motion was properly seconded. A roll call vote was taken, and the request was approved. Chair Graf asked President Rudd to notify the Rose family of the approved request.

VI. Operating Budget

Chair Graf recognized CFO Kurapati to discuss the recommendation of the approval of the FY2017-18 Estimated Budget and the FY2018-19 Proposed Budget. CFO Kurapati provided an overview of the budget format and thanked his staff who pulled it together. CFO Kurapati announced that the proposed FY2018-19 budget was based on a 0% tuition increase. He further stated that over the past five (5) years, we have only increased tuition in three (3) of those five (5) years. A 0% tuition increase is commendable but is not without challenges. We need to be more efficient in how we do business. CFO Kurapati also discussed the plan for faculty and staff raises, which is as follows:

- Bi-weekly employees making less than \$30,000 annually will receive a \$0.50/hr increase
- Monthly employees making less than \$30,000 annually will receive a \$950 increase
- Employees making \$30,000 or more annually will receive a 1% increase
- In addition, department heads will be provided a 1.2% salary pool to distribute based on merit

President Rudd noted that this is a 4.95% increase for our lowest paid employees, bringing the minimum hourly rate to \$10.60/hr. The minimum was raised to \$10.10/hr four (4) years ago. The goal is to reward employees, remain competitive with salaries, and attract and retain a good

workforce. President Rudd also noted that adjuncts will receive a raise; they had traditionally been left out.

President Rudd remarked on the growth we've experienced with the offerings of our summer program, 3+3. He mentioned in the past we have lost money during the summer, but we currently have about 6,000 students enrolled this summer. Chair Graf asked for confirmation that the \$516 million proposed budget for FY2018-19 was based on a 0% tuition increase. President Rudd confirmed. CFO Kurapati mentioned the increase in housing applications, athletic ticket sales, and the expectation of an increase in enrollment for the fall. Our proposed budget is relatively conservative, but well placed. Chair Graf asked for clarification of why the FY18 expenses exceeded the budget. CFO Kurapati explained that this is due to the use of carryforward funds. Trustee Roberts inquired about statutory requirements regarding balancing the budget. CFO Kurapati explained that the expectation is that you will balance the budget, and our revenues never fully meet all our needs. We have carryforward, which is our investment mechanism, to anticipate things that may not be funded this year, but we will have to strategically fund next year. We should be strategic with our cash flow and make sure that we're investing it and taking full advantages of opportunities. Chair Graf commented that the University is in great financial health, and CFO Kurapati agreed.

Chair Graf commended the staff on the final estimated budget and requested a motion on the approval of the budget. Trustee Johnson made the motion to approve the FY2017-18 Estimated Budget and the FY2018-19 proposed budget and assumptions. The motion was properly seconded. A roll call vote was taken, and the request was approved.

VII. President's Salary Supplement

Chair Graf discussed the president's salary supplement. He advised that during FY2017, the University did a study to evaluate the President's compensation. It was determined that the President's salary was significantly lower in relation to other presidents at peer institutions. Based on the review, he was awarded a \$50,000 salary supplement for that year, provided private funds were available for that. Chair Graf mentioned they have continued to raise those funds, and the \$50,000 supplement is available this year. He also advised that the President's performance is superior to other university presidents. It was therefore recommended that the president's salary supplement be added to his base salary and permanently continued for as long as private funds are available. Chair Graf made the motion. A roll call vote was taken, and the request was approved. Board Secretary Murry clarified that as long as private funds are available this agenda item will not come before the Board for future approvals.

VIII. Capital Projects Update

Chair Graf recognized Trustee Johnson to report on the Ad Hoc Public Policy Committee. Trustee Johnson provided an update on the April 2018 meeting to discuss multiple political and policy issues. He provided an overview of where he thinks we are in relation to public policy and how to improve our relationship with the General Assembly and the general delegation. Trustee Johnson introduced Ted Townsend, Chief Economic Development and Government Relations Officer, who gave an overview of his work experience with the State and plans for developing relationships with our legislature. He recognized Jean Rakow, former Coordinator of Government, Community and Board Relations, for her service in his office, and he introduced

Jennie Varner, the new Director of Government Relations and Policy. Trustee Johnson thanked Chief Economic Development and Government Relations Officer Townsend for attending the General Assembly meetings.

Dr. Rudd added it is critical for us as an institution to build overall good relationships in Nashville, and it is one of the challenges for the University of Memphis. He mentioned that additional state support is required to make the next step as a Carnegie I research institution. He advised we have started the process and we will continue.

Trustee Martin inquired if the confirmation of the UT Trustees was a protest vote as it relates to leaders and not the trustees themselves. No one in the state or in the region is doing it like the University of Memphis. We are the model for what public education and higher education should be doing: enrollment growth, balanced budget, no tuition increase, and educating first generation students.

IX. Additional Committee Business

There was no additional committee business.

X. Adjournment

Chair Graf moved that the meeting be adjourned at 11:04 a.m. CDT.

4. Naming of Rifle Facility

For Approval

Presented by Tom Bowen

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
For Approval

Date: September 5, 2018

Committee: Governance and Finance Committee

Title: Approval of the Name of the Rifle Facility

Presented by: Tom Bowen, Director Intercollegiate Athletics

Background:

University policy, GE2003 Identification of Buildings and Facilities, stipulates the Board of Trustees must approve requests for the naming of any building or facility or any portion of a building or facility after an individual.

The Athletics Department is requesting a naming of the rifle facility. This facility, located in South Hall, brought the rifle program back to campus in the winter of 2017. The proposed name is Robert F. Fogelman II Family Rifle Range. Robert F. Fogelman II and his family's generous contribution will help with facility and equipment upgrades and expand recruitment internationally.

Recommendation:

The Governance and Finance Committee recommends approval to name the rifle facility as the Robert F. Fogelman II Family Rifle Range.

5. Cash Flow Management

Presentation

Presented by Raajkumar Kurapati

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

The University of Memphis Board of Trustees
Presentation
For Information

Date: September 5, 2018

Committee: Governance and Finance Committee

Topic: Cash Flow Management

Presented by: Raaj Kurapati, Chief Financial Officer

Synopsis:

An overview of our historical cash position and investment strategies for improving yields and managing risk in an increasing interest rate environment. Working with our investment manager, we have developed strategies to capitalize on the opportunity to earn additional interest income, while maintaining an appropriate level of liquidity.

Cash Pool Investment Strategies

Governance and Finance Committee

Raaj Kurapati
Chief Financial Officer

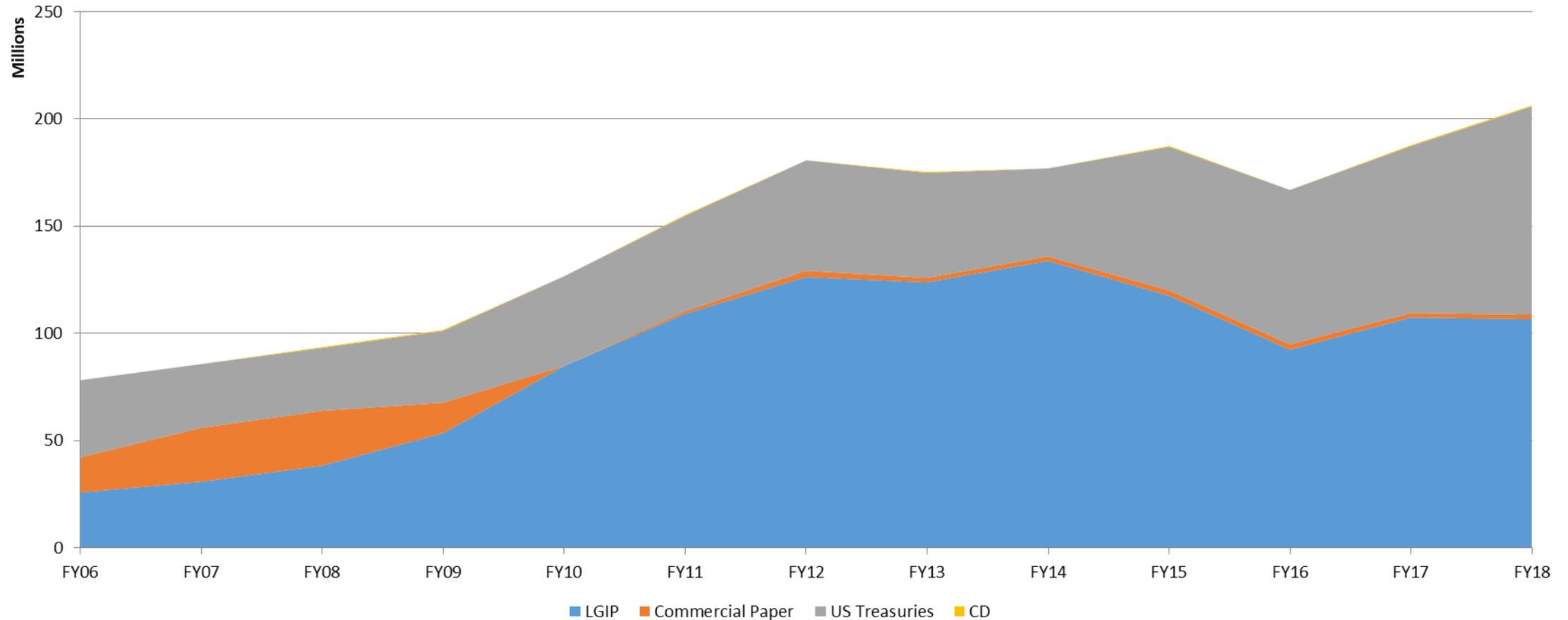
September 5, 2018
University Center



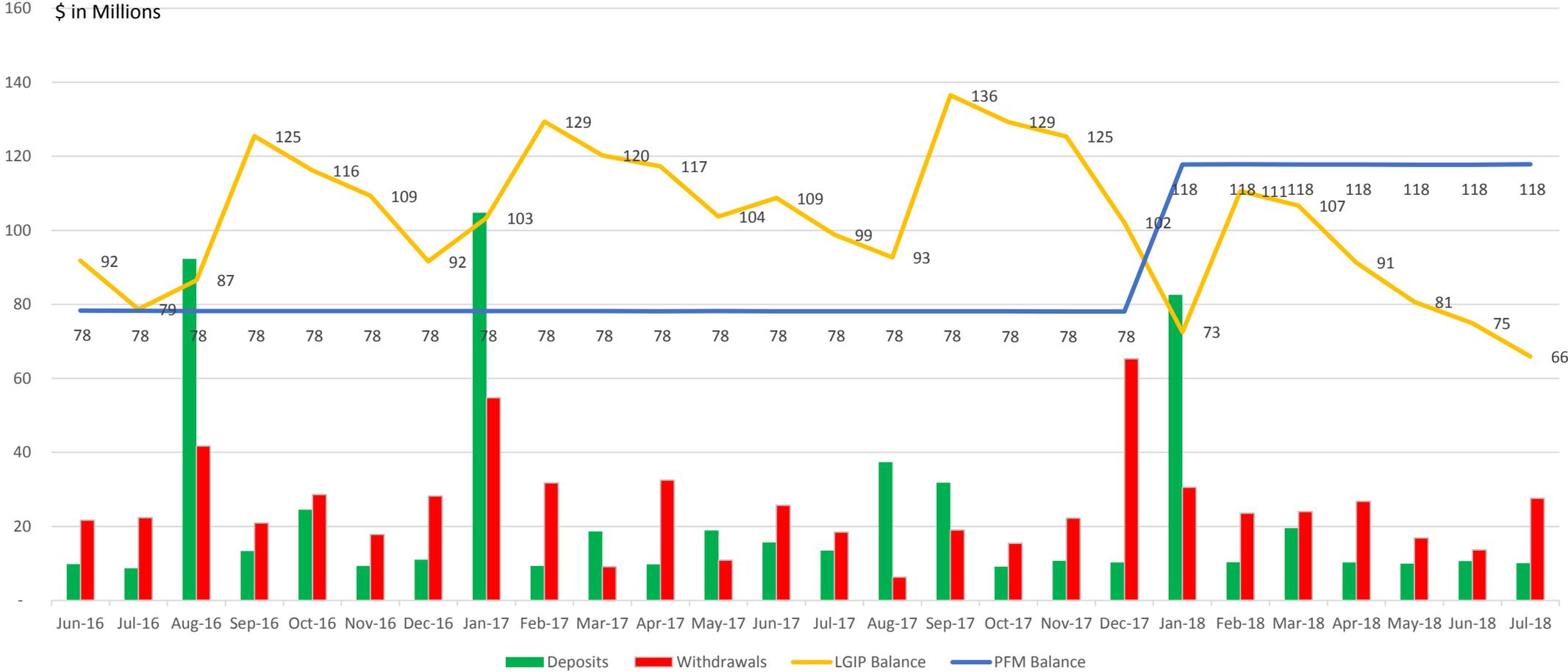
Current UofM Cash Pool & Investments

	FY 18			FY 17			FY 16		
	<u>Avg Balance</u>	<u>Interest Income</u>	<u>Avg yield</u>	<u>Avg Balance</u>	<u>Interest Income</u>	<u>Avg yield</u>	<u>Avg Balance</u>	<u>Interest Income</u>	<u>Avg yield</u>
TN LGIP	101,777,989	1,280,462	1.26%	107,545,844	559,235	0.52%	100,830,428	236,373	0.23%
US Treasuries & Agencies	100,216,760	1,360,194	1.36%	78,189,881	783,625	1.00%	78,316,771	658,813	0.84%
Total Investment Income	201,994,749	2,640,656		185,735,725	1,342,860		179,147,199	895,186	
Investment Expense		(99,626)			(68,793)			(65,266)	
Investment Expenses as a percentage of portfolio (Roughly 10 Basis Points for FY2018)		0.099%			0.088%			0.083%	

The University of Memphis Investments



UofM Cashflow Analysis & Investments



PFM has analyzed the University's historical cash flow and balances and determined that both its short-term and long-term investment portfolios can be restructured to better match the timing of its investments with their anticipated expenditures.

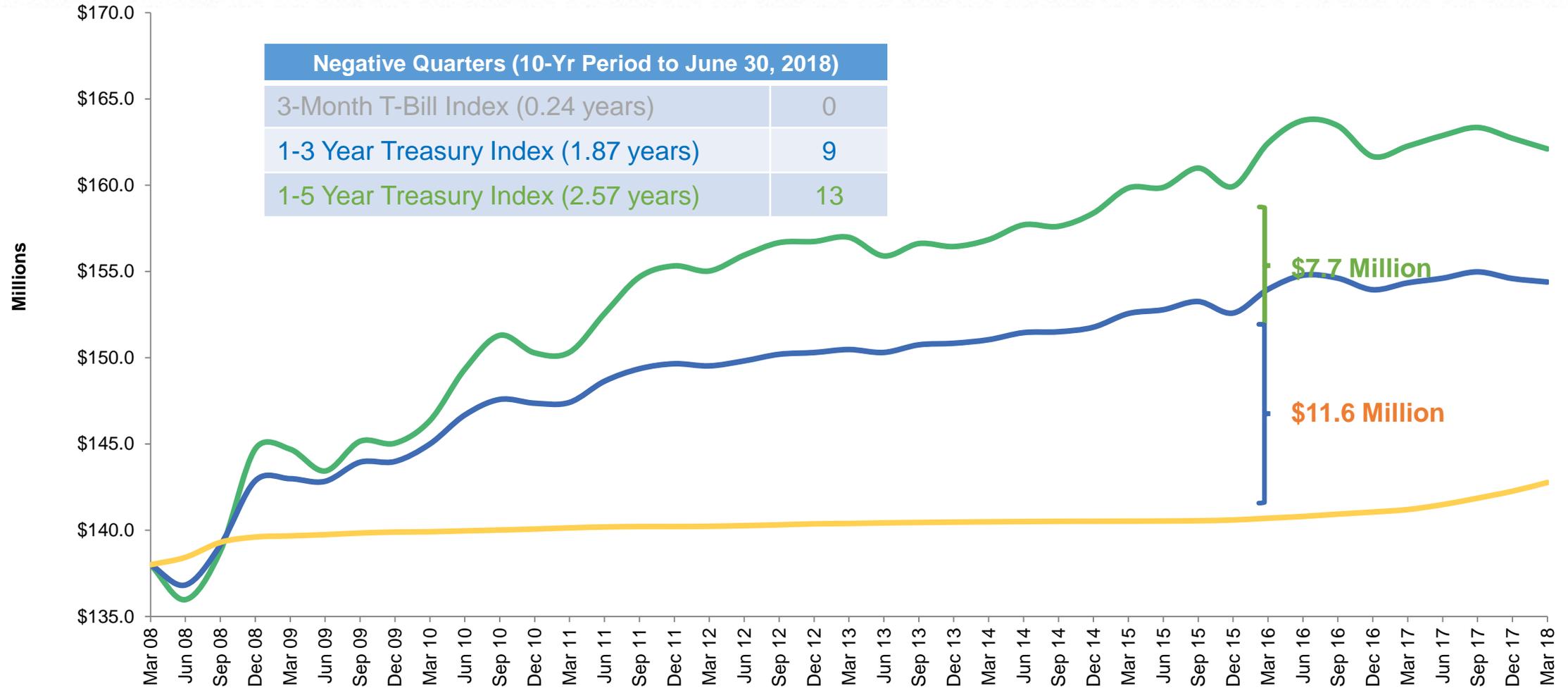
Long-Term Portfolio

- Based on the analysis, the University's core long-term portfolio can be increased from its current level of \$121 million to \$138 million.
- The University can also extend the duration of the portfolio from a 1-3 year benchmark to a 1-5 year benchmark to further increase potential income.
- To accomplish this, we will be moving \$17M from LGIP to PFM Long-term Portfolio.
 - ***For the 10-year period ending 6/30/2018, the longer duration 1-5 year strategy had 4 more negative quarters but outperformed the 1-3 year strategy by \$7.7 million.***

Short-Term Portfolio

- The University's short-term funds are all invested in the Tennessee LGIP which is an overnight liquidity vehicle.
- Coinciding with the University's high revenue periods, a portion of these funds can be laddered in a short-term portfolio with monthly maturities for the coming year.
- We are proposing moving \$25M from the LGIP to PFM for this Laddering Strategy. These will be highly liquid but would allow better yields.

Benefit of Increased Duration

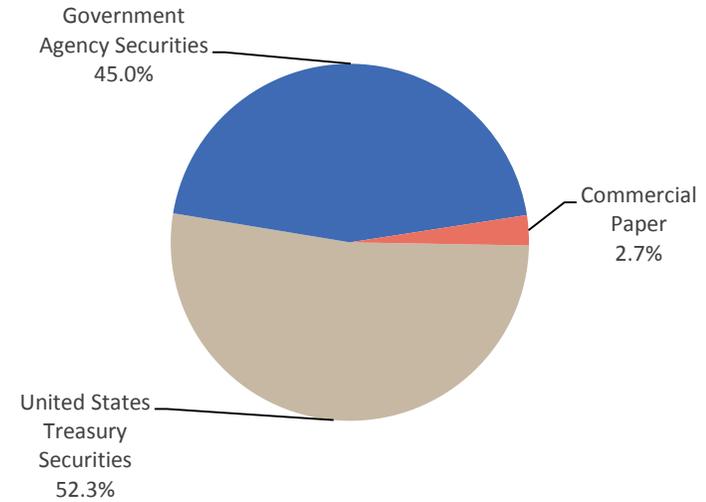


1-5 Year Core Portfolio Statistics

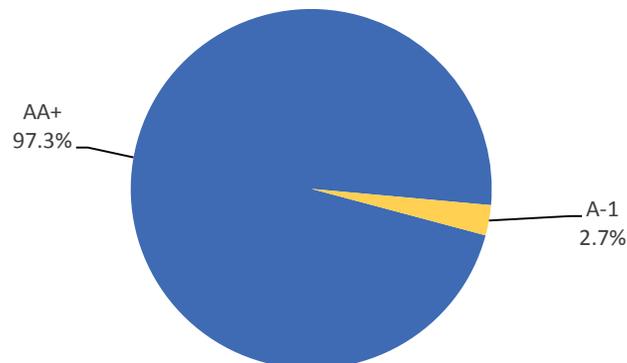
Portfolio Statistics

Invested Amount	\$138 million
Duration	2.65 Years
Gross Yield	2.51%

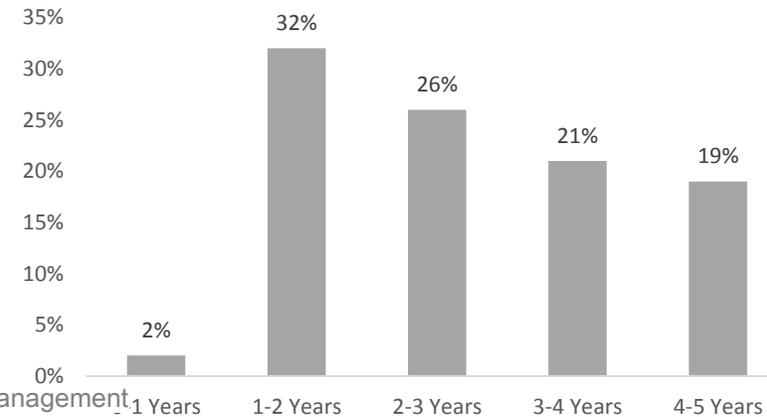
Sector Allocation



Credit Quality



Maturity Distribution



\$25 Million Investment in the Tennessee LGIP vs. Short-Term Treasury Portfolio

Tennessee LGIP

Maturity	Rate	Amount	Interest Earnings
1 mos	1.79%	\$4,166,667	\$6,165
2 mos	1.79%	\$4,166,667	\$12,339
3 mos	1.79%	\$4,166,667	\$18,522
6 mos	1.79%	\$4,166,667	\$37,126
9 mos	1.79%	\$4,166,667	\$55,813
12 mos	1.79%	\$4,166,667	\$74,583
Total	1.79%	\$25,000,000	\$204,549

Short-Term Ladder

Maturity	Rate	Amount	Interest Earnings
1 mos	1.86%	\$4,166,667	\$6,387
2 mos	1.94%	\$4,166,667	\$13,356
3 mos	1.96%	\$4,166,667	\$20,288
6 mos	2.13%	\$4,166,667	\$44,038
9 mos	2.25%	\$4,166,667	\$70,069
12 mos	2.32%	\$4,166,667	\$96,865
Total	2.20%	\$25,000,000	\$251,003

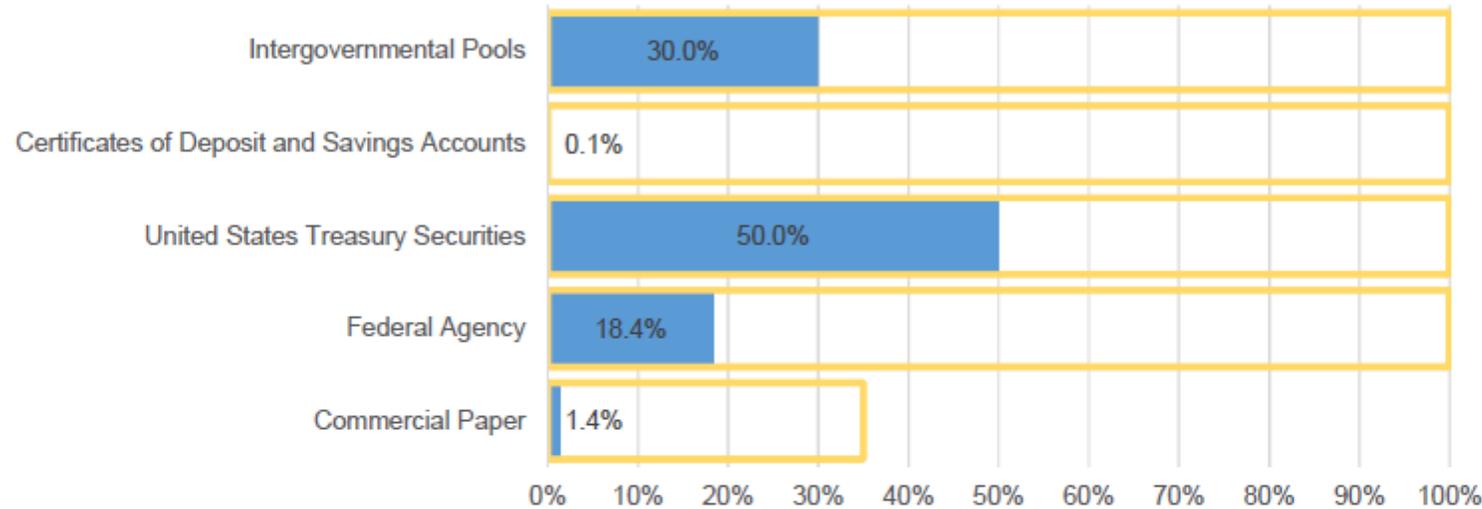
Annual Difference \$46,455

Current Asset Allocation

For the Month Ended July 31, 2018

UNIVERSITY OF MEMPHIS

Asset Allocation



Security Type	Amortized Cost (Includes Interest)	Allocation Percentage	Permitted by Policy	In Compliance
United States Treasury Securities	86,477,664.25	50.02%	100%	YES
Federal Agency	31,809,681.40	18.40%	100%	YES
Certificates of Deposit and Savings Accounts	200,000.00	0.12%	100%	YES
Commercial Paper	2,491,559.03	1.44%	35%	YES
Bankers' Acceptances	-	0.00%	35%	YES
Repurchase Agreements	-	0.00%	100%	YES
Money Market Funds	-	0.00%	10%	YES
Intergovernmental Pools	51,903,567.00	30.02%	100%	YES

6. Tuition Structure and Enrollment Growth

For Discussion

Presented by Raajkumar Kurapati

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

The University of Memphis Board of Trustees
Presentation
For Discussion

Date: September 5, 2018

Committee: Governance and Finance Committee

Presentation Title: Tuition Structure and Enrollment Growth

Presented by: Raaj Kurapati, Chief Financial Officer

Synopsis:

Attached is a detailed proposal towards discussion of a new four-tiered tuition and fees structure.

TUITION STRUCTURE AND ENROLLMENT GROWTH

Presented by Raaj Kurapati, CFO

Overview:

The vital role the University of Memphis plays in the economic and social betterment of the citizens of City of Memphis, Shelby County and the State of Tennessee is pivotal to the success of our communities. Recognizing this, the University has made it a priority to become a Carnegie R1 Research University and make the necessary investments needed to attain this status while continuing to invest and build on its excellent academic programs that will serve as the foundation and springboard to enhanced research activity. The University also recognizes that our resident students are often challenged with the cost of attaining higher education credentials and remains committed to keeping that price point as low as possible by diversifying its revenue sources through expanding the university's research portfolio, academic offerings and strategic recruitment of non-resident and international students. This strategy will complement overall tuition and fee generation which can then be reinvested broadly to support all our students.

Toward this end, the University needs to expand its student pool by first retaining the best and brightest students from Memphis, Shelby County and the surrounding communities and recruiting the best and brightest from the State of Tennessee, nationally and internationally. The goal here would be to grow our overall student base at the undergraduate and graduate levels, especially in the STEM fields. To be successful at this, we need to demonstrate our value both in the quality of the education a student receives at the University and cost of such an education. With higher education now operating in a global space, our continued success is heavily dependent on our ability to remain highly competitive. Additionally, our current out-of-state (OOS) or non-resident and international student population is well below our national peers while there is adequate capacity to serve our resident students and recruit additional resident, non-resident, and international students. The overarching goal is to keep tuition and fees affordable for all students, particularly Tennessee residents, by growing the student base versus increasing tuition and fees.

In recognition of these issues and the need to simplify our tuition structure to provide flexibility as we seek to increase enrollment in all major student classifications, a group comprised of representatives from across the institution was assembled to address the above issue and make a recommendation to the President and ultimately the Board of Trustees for consideration.

The Charge:

Create a simplified tuition fee structure that demonstrates our primary commitment to keeping costs low for our Tennessee students, while also staying competitive with peers for out-of-state and international students. This would apply to all student groups - undergraduate, graduate, and professional programs.

Timeline:

Research and deliberations to take place over the course of the summer months with the plan to present a proposal to the Board of Trustees for consideration at their September 5, 2018 meeting.

Statutory and other considerations:

Among other considerations, assure compliance with the Eligibility Verification for Entitlements Act (EVEA) that state funds are used to support only those lawfully present in the United States and ensure we do not redefine residency classification at this time so as to inadvertently trigger statutory expectations governing the establishment of such definitions. The current residency definitions as set by the Tennessee Board of Regents will continue to apply until specifically acted upon by the University of Memphis Board of Trustees.

It was agreed that we need to move to a 4-tier tuition and fee structure as follows:

1. In-state tuition - Tennessee (TN) resident (as currently defined by applicable TBR rule)
2. Non-TN resident fee – US Citizen/Permanent Resident and students not in a non-immigrant visa status
3. International fee
4. UofM Global

The non-resident fee shall be established using a calculation that clearly demonstrates that State financial support is not used to subsidize students attending the university who are not classified as Tennessee residents.

In addition, with any changes, we must:

- A. Not create a barrier for students taking on-line courses.
- B. Generate simplified student billing statements.
- C. Address the rate for students taking mixed delivery courses (on-ground and on-line).
- D. Understand the financial implications of the new rate.
- E. Recognize the resource considerations to implement the changes and recruit additional students.

Findings and Recommendations:

1. Simplify our structure and all the variables that currently determine tuition assessment. The committee evaluated the current fee structure which could not be easily explained. The billing statement has long been a source of confusion and frustration for students and parents. The committee recognized that the University needs to make sure those who are advising students have accurate and detailed information so that students understand the financial implications when registering for courses.
2. By lowering international and OOS rates, we expect to attract the best and brightest students to help subsidize overall university operations. In order to do this, we need to recruit non-resident and international students who pay the full rate. While providing financial assistance to all students based on merit and need should be part of our overall strategy, the goal would be to ensure that this is balanced. This calls for a review of our current strategies on graduate stipends/assistantships.
3. The state subsidy shall be calculated based on the relative percentage of the university's budget, net of certain dedicated revenue streams, e.g. Athletic operations. The State subsidy is the minimum

threshold for the annual non-resident premium charged. To arrive at the such, the calculation was approached from two angles for FY2018/2019:

- Applying a direct percentage calculation against the resident rate at twelve (12) Student Credit Hours (SCHs) (7,680 x 35% or \$2,688)
- Grossing up the resident rate for twelve (12) SCHs to determine the subsidy ($\$7,680 / .65 = \$11,815$), which is therefore set at \$4,135 ($\$11,815 - \$7,680 = \$4,135$).

Based on the Proposed Budget for each fiscal year, the State subsidy calculation under the two scenarios is as follows:

State Subsidy Calculation					
State Appropriation Year Tuition Increase Year	FY2014/2015 FY15 State Subsidy	FY2015/2016 FY16 State Subsidy	FY2016/2017 FY17 State Subsidy	FY 2017/2018 FY18 State Subsidy	FY 2018/2019 FY19 State Subsidy
Annual Maintenance Fee (In State Tuition)	7,056	7,320	7,488	7,680	7,680
% State Support - Proposed Budget	30%	32%	33%	33%	35%
State Subsidy per FTE Calculation (Annual)	2,117	2,342	2,471	2,534	2,688
Alternative State Subsidy calculation	3,024	3,445	3,688	3,783	4,135
Calculation of % State Support (From Proposed Budget):					
State Appropriation - Proposed E & G Budget	91,332,700	96,136,500	102,249,100	109,037,700	116,674,900
E&G Revenue Budget (excludes Athletics)	300,306,159	304,476,159	312,192,359	328,661,059	335,863,459
% State Support (State Support/(E&G Rev Budget Less Athletic Rev Budget)	30%	32%	33%	33%	35%

It is the Committee’s recommendation that a three-year average be used to calculate the minimum threshold for any single year and further that the rate should be reviewed and adjusted in three-year cycles given the fluctuation in the numbers. This is to provide stability in the rate structure.

Using an average of the three preceding years, the average subsidy is roughly \$2,564 under the direct percentage application basis and \$3,868 using the alternative method.

The Committee deliberated at length about what the ideal point would be for setting the non-resident fee. It was agreed that additional research needed to be conducted to determine such and a key validation would be the market’s response to an initial nationally applicable rate.

For the purposes of simplifying the establishment of the related rules and tables in Banner, it was agreed that the non-resident fee should be reduced to a per credit hour calculation.

The Committee ultimately agreed on recommending that the undergraduate non-resident fee be set at, initially, \$160 per SCH for a total cost of \$480 per SCH with no cap, and the graduate fee be set at \$192 per SCH for a total cost of \$695 per SCH (see Appendix A, Table 1). This was determined based on the following considerations:

1. Immediate financial impact in tuition revenue loss.
2. Aligning such close to the current 250R tuition/fee.
3. Reducing the administrative burden of establishing the rules governing the tuition tables in Banner.
4. Simplifying student billing statements.

5. Having the flexibility to adjust non-resident/international fees further if market research calls for such.

The Committee further recommends that the international fee be established initially at two (2) times the non-resident fee per SCH for undergraduate and graduate students, i.e. \$320 per SCH for a total cost of \$640 per credit hour with no cap, and the graduate tuition fee be set at \$384 per SCH for a total cost of \$887 per SCH (see Appendix A, Table 1).

4. The impact of the proposed changes in terms of per credit hour fees, revenue, and peer benchmarking is demonstrated in Appendices A and B.

In summary, the proposed rates for almost all non-resident and international students who take the average number of credit hours per semester will result in a decrease. (Note: The increased rate for international law students will not impact revenue as this is not currently a market we recruit in. Additionally, we currently do not have students enrolled in law school that meet this classification.) Consequently, we will be one of the “best values” for high quality academic offerings, increasing our competitiveness in the marketplace with regional and national peers.

An Office of Institutional Research (OIR) model indicates that adjusting the tuition rate at the proposed level for non-resident and international students will result in a \$2.6M gross revenue decrement, assuming equal enrollment levels from 2017-18. To overcome this shortfall and make needed recruiting investments, we will need to increase enrollment by approximately 252 full time students. Historically lower achievement outcomes for this population need to be considered.

5. Expanded recruitment plans have been developed to offset revenue loss by increasing enrollment:

a. Undergraduate	\$ 497,500
b. Graduate	\$ 85,000
c. International	\$ 150,000

TOTAL \$ 732,500

It is noted that the undergraduate investment would be reduced for the amount of the investment in additional recruiters funded with one-time funds as part of the FY2019 SRI Budget process (\$203,000). As such, the net outlay in FY2019 would be approximately \$529,500. It is further the recommendation of this committee that these funds be added to the base budget of the respective units should new student enrollment in the respective student categories result in net tuition revenue that is greater than the projected total tuition loss from the new tuition structure so there is sustained support and representation for ongoing student recruitment.

6. Rethink our current strategy on employment of scholarships (all student categories), graduate assistantships, and stipends. This coupled with the reduced non-resident or out of state (OOS) and international rates should position us to recruit the best and brightest.

Our OOS applications are high, but the enrollment rate is low. Per a consultant’s survey with the most recent fall class, the primary reason for not choosing UofM was cost. Per OIR, the majority enrolled at their home institution. By reducing and expanding our current OOS rate, we expect increase our competitive edge within our peer groups both in the State of Tennessee and Nationally.

When we instituted the 250R rate in 2014, we experienced a 34% growth in our non-resident Freshmen enrollment.

It is further the conclusion and recommendation of the Committee that we need to expand our focus on recruiting full-pay international students, especially graduate-level international students. This can be accomplished by making appropriate investments in recruitment efforts in specific international markets where there is demand for the programs with the academic excellence and reputation of the University of Memphis.

Research/Grad assistantships and stipends should be reviewed and adjusted to ensure they are directed at recruiting and retaining high achieving students. We cannot keep the same strategy for scholarships. We need to develop a framework for in-state & OOS and work each one differently. Before investing additional dollars into scholarships, assistantships and stipends, we must first look at the existing scholarship budget and adjust current deployment and employ new strategies with an aim to expand reach.

7. Consider gradually increasing the current cap for paying full tuition rate for in-state undergraduates, currently at twelve (12) credit hours, to fifteen (15) credit hours. This would start with increasing the cap to thirteen (13) student credit hours in Fall 2020 (AY2021). Additional consideration on continuing to increase the cap should be given based on further research and our experience of the Fall 2020 action on student retention and graduation.

Other considerations:

Admissions cannot hold on producing marketing materials to recruit for Fall '19. Any changes to the tuition structure can be marketed through supplemental materials. Focusing recruitment outreach to Illinois, Texas, St. Louis, etc.

APPENDIX A – Proposed Fee Changes and Revenue Impact

Table 1: Proposed On-Campus Per Credit Hour Charges for Academic Year 2019-20

	Resident (No Changes from Fall 2018)	Non-Resident	International	U of M Global (No Changes from Fall 2018)
UG	\$320 up to 12 hours, \$64 above 12 hours	\$480 per credit hour, no cap	\$640 per credit hour, no cap	\$420 per credit hour, no cap
GR	\$503 up to 10 hours, \$101 above 10 hours	\$695 per credit hour, no cap	\$887 per credit hour, no cap	\$603 per credit hour, no cap
LW	\$806 up to 10 hours, flat at \$8,561 above 11 hours	\$981 per credit hour, no cap	\$1,156 per credit hour, no cap	N/A

	Resident Base Annual SCH	Resident Base per Credit Hr	Annual Premium Fee	Non-Resident Fee Per Credit Hour (Base+Premium)	International Fee Per Credit Hour (Base+2X Premium)
UG	24	\$320.00	\$160.00	\$480.00	\$640.00
GR	20	\$503.00	\$192.00	\$695.00	\$887.00
LW	22	\$806.00	\$175.00	\$981.00	\$1,156.00

Hours	OOS Old Rates			250R Old Rates			Non-Res New Rates			Intl New Rates		
	UG	GR	LW	UG	GR	LW	UG	GR	LW	UG	GR	LW
1	808	991	1134	570	803	1079	480	695	981	640	887	1156
2	1616	1982	2267	1140	1606	2158	960	1390	1962	1280	1774	2312
3	2424	2973	3401	1710	2409	3237	1440	2085	2943	1920	2661	3468
4	3232	3964	4534	2280	3212	4316	1920	2780	3924	2560	3548	4624
5	4040	4955	5668	2850	4015	5395	2400	3475	4905	3200	4435	5780
6	4848	5946	6801	3420	4818	6474	2880	4170	5886	3840	5322	6936
7	5656	6937	7935	3990	5621	7553	3360	4865	6867	4480	6209	8092
8	6464	7928	9068	4560	6424	8632	3840	5560	7848	5120	7096	9248
9	7272	8919	10202	5130	7227	9711	4320	6255	8829	5760	7983	10404
10	8080	9910	11335	5700	8030	10790	4800	6950	9810	6400	8870	11560
11	8888	10011	12164	6270	8131	11564	5280	7645	10791	7040	9757	12716
12	9696	10112	12164	6840	8232	11564	5760	8340	11772	7680	10644	13872
13	9760	10213	12164	6904	8333	11564	6240	9035	12753	8320	11531	15028
14	9824	10314	12164	6968	8434	11564	6720	9730	13734	8960	12418	16184
15	9888	10415	12164	7032	8535	11564	7200	10425	14715	9600	13305	17340
16	9952	10516	12164	7096	8636	11564	7680	11120	15696	10240	14192	18496
17	10016	10617	12164	7160	8737	11564	8160	11815	16677	10880	15079	19652
18	10080	10718	12164	7224	8838	11564	8640	12510	17658	11520	15966	20808

Green shaded cells indicate a higher per-credit hour rate at the old rates.

Table 2: Percent Change in Tuition Rates

	UG (15Hrs)	GR (9 Hrs)	LW (12 Hrs)
Non-Resident Students who previously paid the 250R	2.39%	-13%	2%
Non-Resident Students who previously paid the OOS rate	-27%	-30%	-3%
International Students who previously paid the OOS rate	-3%	-10%	14%

Note the new Non-Resident Rates are not a reduction for Undergraduate old 250R taking 15 or more hours, and for Graduate old 250R taking 13 or more hours. There is also no reduction for old OOS Graduate taking 16 or more hours.

Revenue Impact:

Using data from Fall 2017 and Spring 2018, the new tuition rate was calculated for international and non-resident students. The total loss in tuition revenue is estimated to be at most \$2.7M (Bursar Model). In addition, the recruitment plan expense is \$732,500. The University would need to enroll an additional 252 new full time equivalent students (distributed among the various student classifications as outlined in Table 4) at the new tuition rates in order to offset the project revenue loss and additional expenses. (Note: To validate the impact, the numbers were calculated independently by both OIR, which used net amount billed credit hours, and the Office of the Bursar, which used initially billed credit hours for the 2017-18 population. The following tables represent the findings of each of two offices.)

Table 3: Tuition Revenue Impact of New Tuition Model (OIR)*

New Tuition Category	FTE	Old Tuition	New Tuition	Difference
Non-Resident	921	\$13,824,343	\$11,415,948	(\$2,408,395)
International	360	\$5,838,799	\$5,608,577	(\$230,222)
Total	1281	\$19,663,142	\$17,024,525	(\$2,638,617)

**Based on net amount billed credit hours.*

Tuition Revenue Impact of New Tuition Model (BURSAR)**

New Tuition Category	Old Tuition	New Tuition	Difference
Resident/Non-Resident	\$147,877,892	\$145,499,208	(\$2,378,684)
International	\$5,777,986	\$5,435,724	(\$342,262)
Total	\$153,655,878	\$150,934,932	(\$2,720,946)

***Based on initially billed credit hours for the 2017-18 population.*

Table 4: FTE Students Needed to Break Even on Tuition Revenue

		Non-Resident	International	Global	Total
	Percent:	50%	35%	15%	100%
UG	50%	73	38	25	137
GR	50%	61	33	21	115
Total		134	72	46	252

Notes:

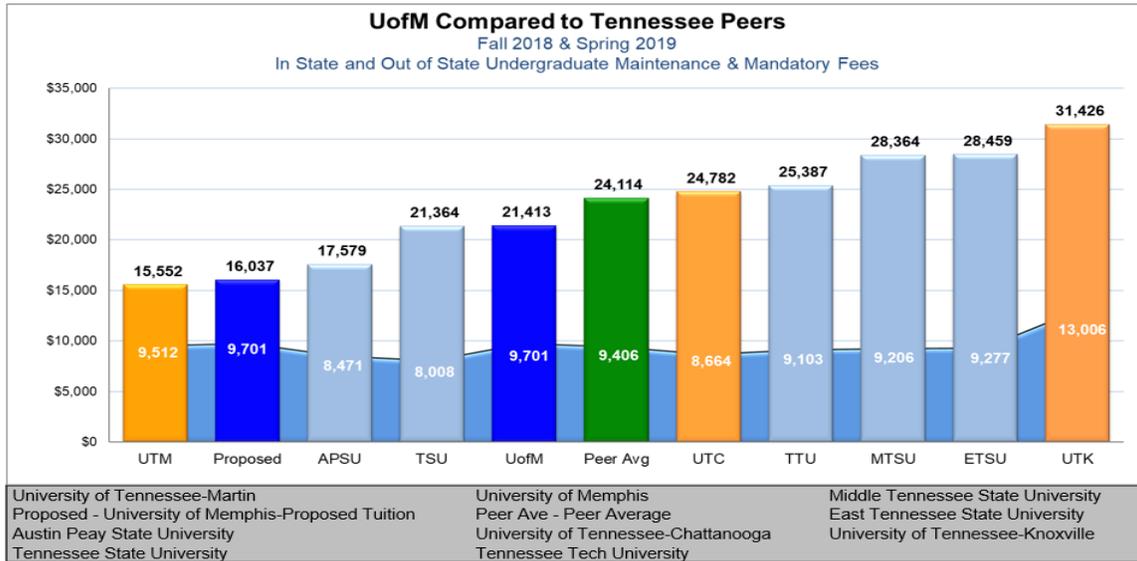
- Resident tuition is held flat. The resident tuition revenue from 2017-18 is exactly what is projected for 2019-20.
- RODP Rates for Non-Resident and International students will change to the Non-Resident and International tuition rates, since those rates are lower than current RODP rates.

The increase in Global tuition from \$350 to \$420 is a policy that has been approved for Fall '18. As such the change in revenues due to this separate policy will be realized in Fall '18, not Fall '19. Therefore, the projections in this model exclude any tuition gains due to the Global tuition rate change.

APPENDIX B – TUITION AND FEE BENCHMARKING

UofM Compared to Tennessee Peers

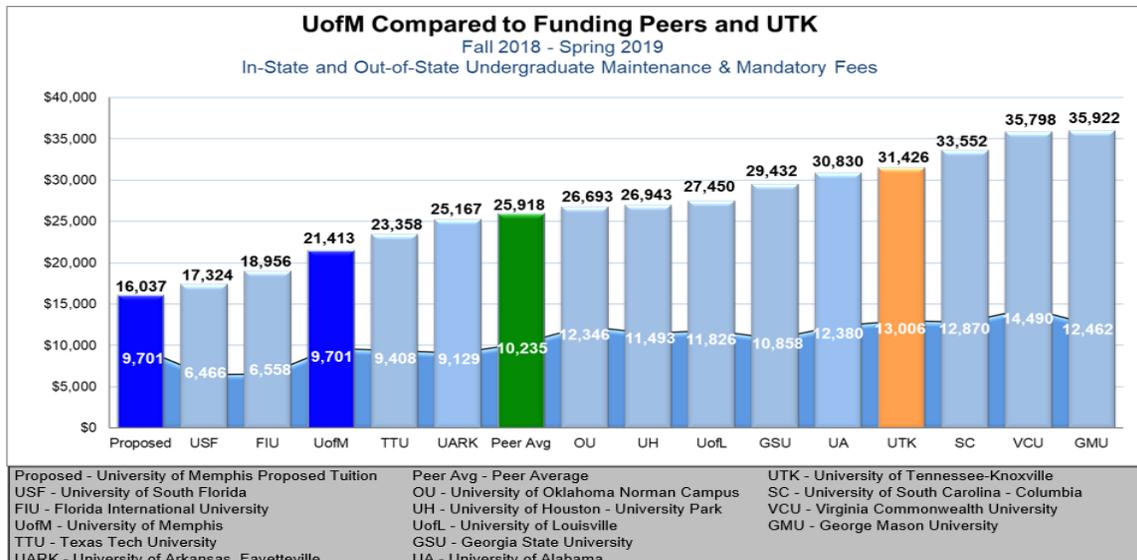
In-state and Out-of-State Undergraduate Maintenance and Mandatory Fees



Note: Tuition based on 15 credit hours for fall 2018 and spring 2019

UofM Compared to Funding Peers and UTK

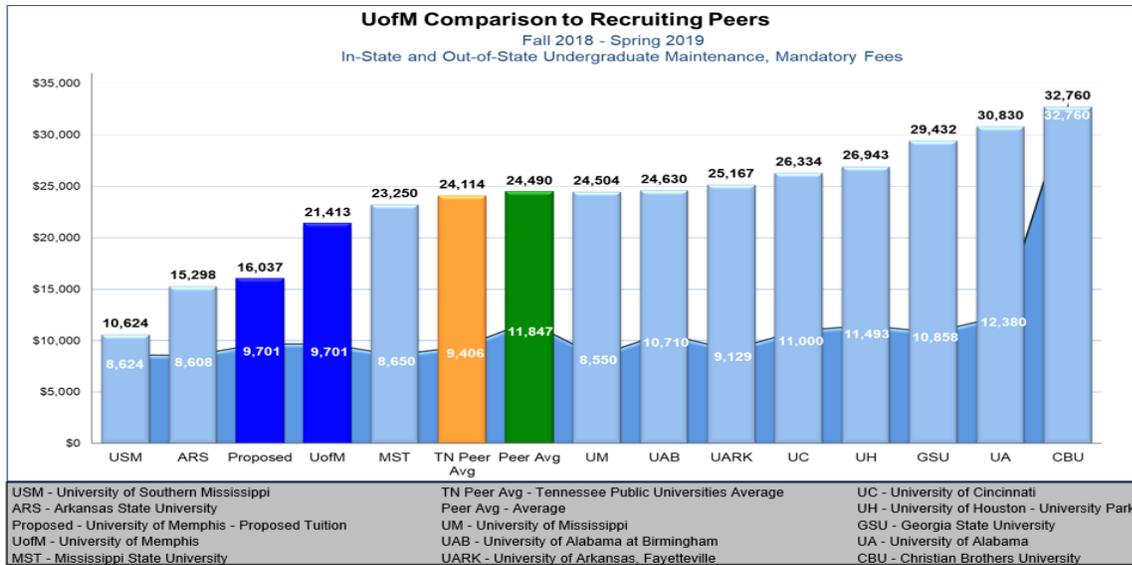
In-state and Out of State Undergraduate Maintenance and Mandatory Fees



Note: Tuition based on 15 credit hours for fall 2018 and spring 2019

UofM Compared to Recruiting Peers

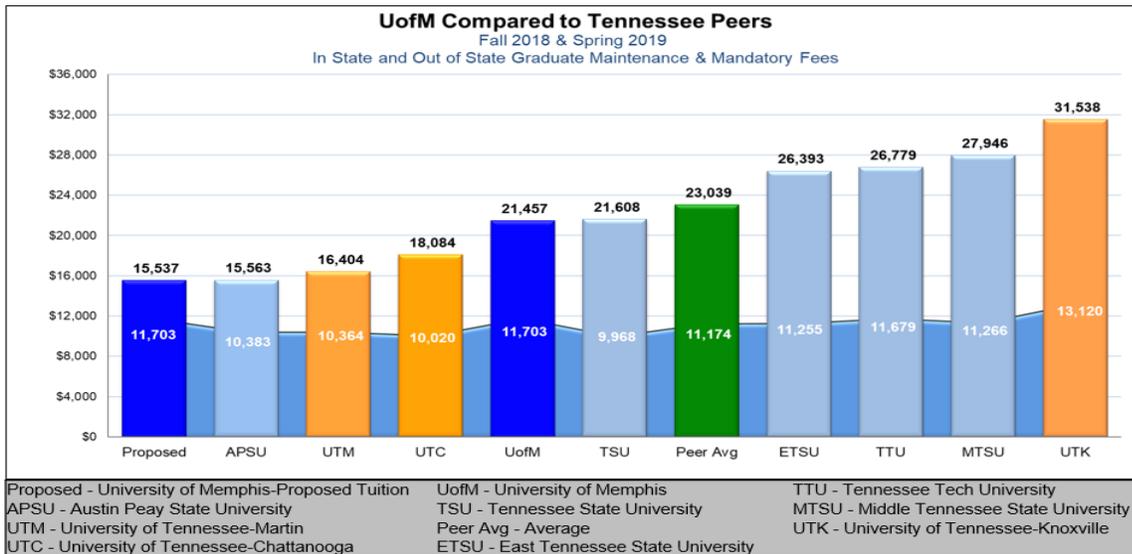
In-state and Out of State Undergraduate Maintenance and Mandatory Fees



Note: Tuition based on 15 credit hours for fall 2018 and spring 2019

UofM Compared to Tennessee Peers

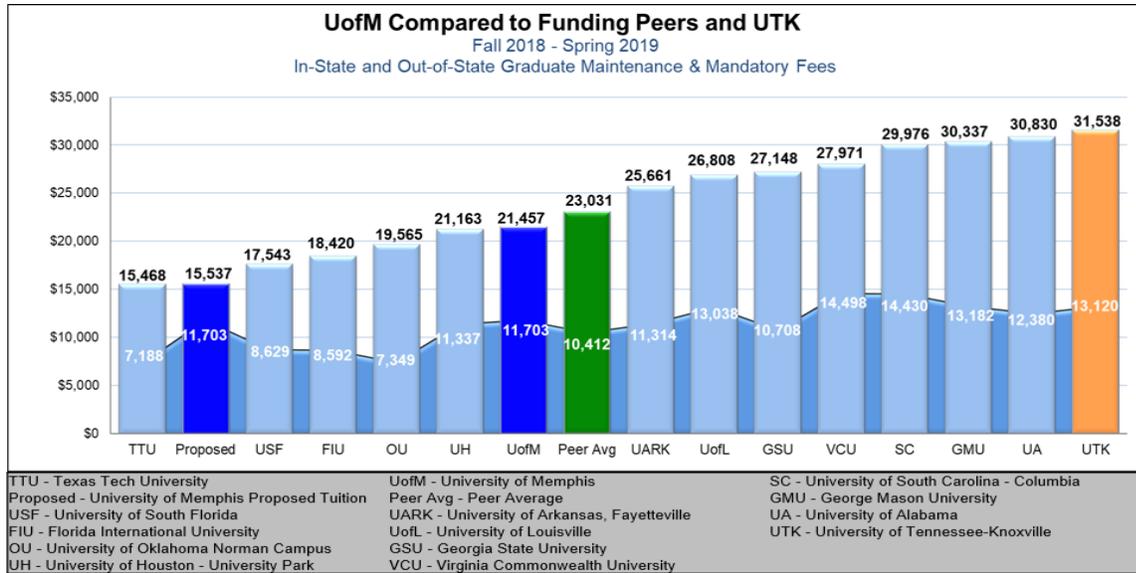
In-state and Out-of-State Graduate Maintenance and Mandatory Fees



Note: Tuition based on 10 credit hours for fall 2018 and spring 2019

UofM Compared to Funding Peers and UTK

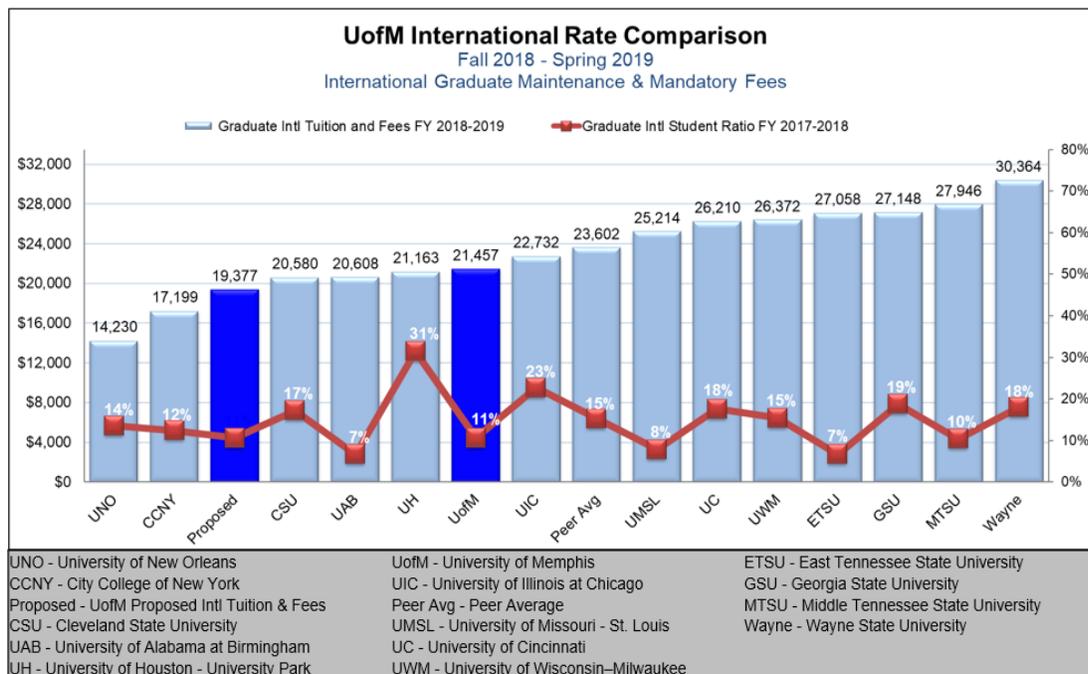
In-state and Out-of-State Graduate Maintenance and Mandatory Fees



Note: Tuition based on 10 credit hours for fall 2018 and spring 2019

UofM International Rate Comparison

International Graduate Maintenance and Mandatory Fees



Note: Graduate international tuition and fees is based on 10 credit hours per information listed on universities' websites
 Graduate international student ratio is based on data from IPEDS for FY2017-2018 and is calculated by dividing non-resident alien graduate population by total graduate population

Tuition Structure and Enrollment Growth

Governance and Finance Committee

Raaj Kurapati
Chief Financial Officer

September 5, 2018
University Center

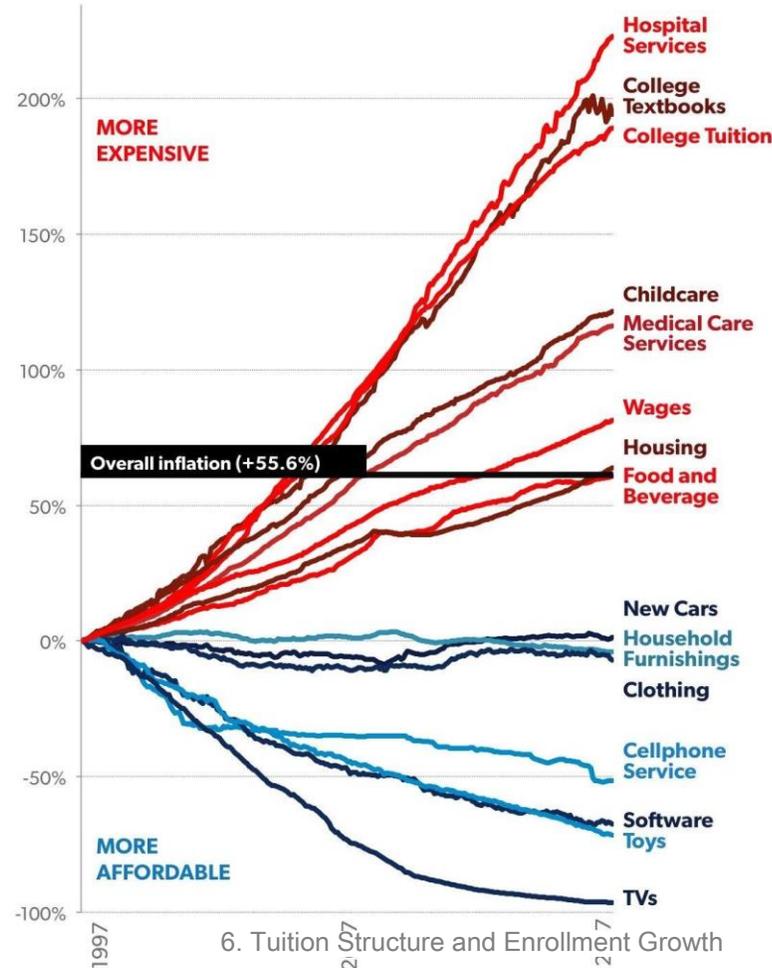


- Create a simplified tuition fee structure that demonstrates our primary commitment to keeping costs low for our Tennessee students, while also staying competitive with peers for out-of-state and international students
- Apply to all student groups - undergraduate, graduate, and professional programs

Price Changes, Jan '97 – Dec '17

Price changes (Jan. 1997–Dec. 2017)

Selected US Consumer Goods and Services, and Wages



- Aim to continue to keep costs low for TN Residents by diversifying our revenue sources
- Grow our overall student base at the undergraduate and graduate levels, nationally and internationally, especially in the STEM fields
- Optimize use of existing scholarship budgets and employ new strategies with an aim to expand reach
- Compliment overall tuition and fee generation which can then be reinvested broadly to support all our students

- To maintain current residency definitions per TBR
- To comply with the Eligibility Verification for Entitlements Act (EVEA)
 - In FY2018, our state subsidy was approximately 35% of our revenues, net of specific fees
 - Gross up the resident rate for a full-time student at 24 Student Credit Hours (SCH) to determine the subsidy ($\$7,680 / .65 = \$11,815$)
 - The annual fee (at 24 SCHs) for AY2018 would be $\$4,135$ ($\$11,815 - \$7,680 = \$4,135$)
 - To provide stability with the rate structure, use a three-year average to calculate the minimum threshold for any single year, i.e. the fee for 24 SCHs is $\$3,840 / 24$ or $\$160$ per SCH

Create a 4-tiered tuition and fee structure:

1. In-State tuition – no changes
- 2. Non-TN resident fee (based on per SCH state subsidy)**
- 3. International fee (2X SCH state subsidy)**
4. UofM Global tuition – no changes

Non-resident and International Fee Recommendation

	Resident Base per Credit Hr	Non-Resident Add'l per Credit Hr Fee	Non-Resident Tuition Per Credit Hour (Base + Non-Resident Fee)	International Tuition Per Credit Hour (Base + 2X Non-Resident Fee)
UG	\$320.00	\$160.00	\$480.00	\$640.00
GR	\$503.00	\$192.00	\$695.00	\$887.00
LAW	\$806.00	\$175.00	\$981.00	\$1,156.00

The fees were determined based on the following considerations:

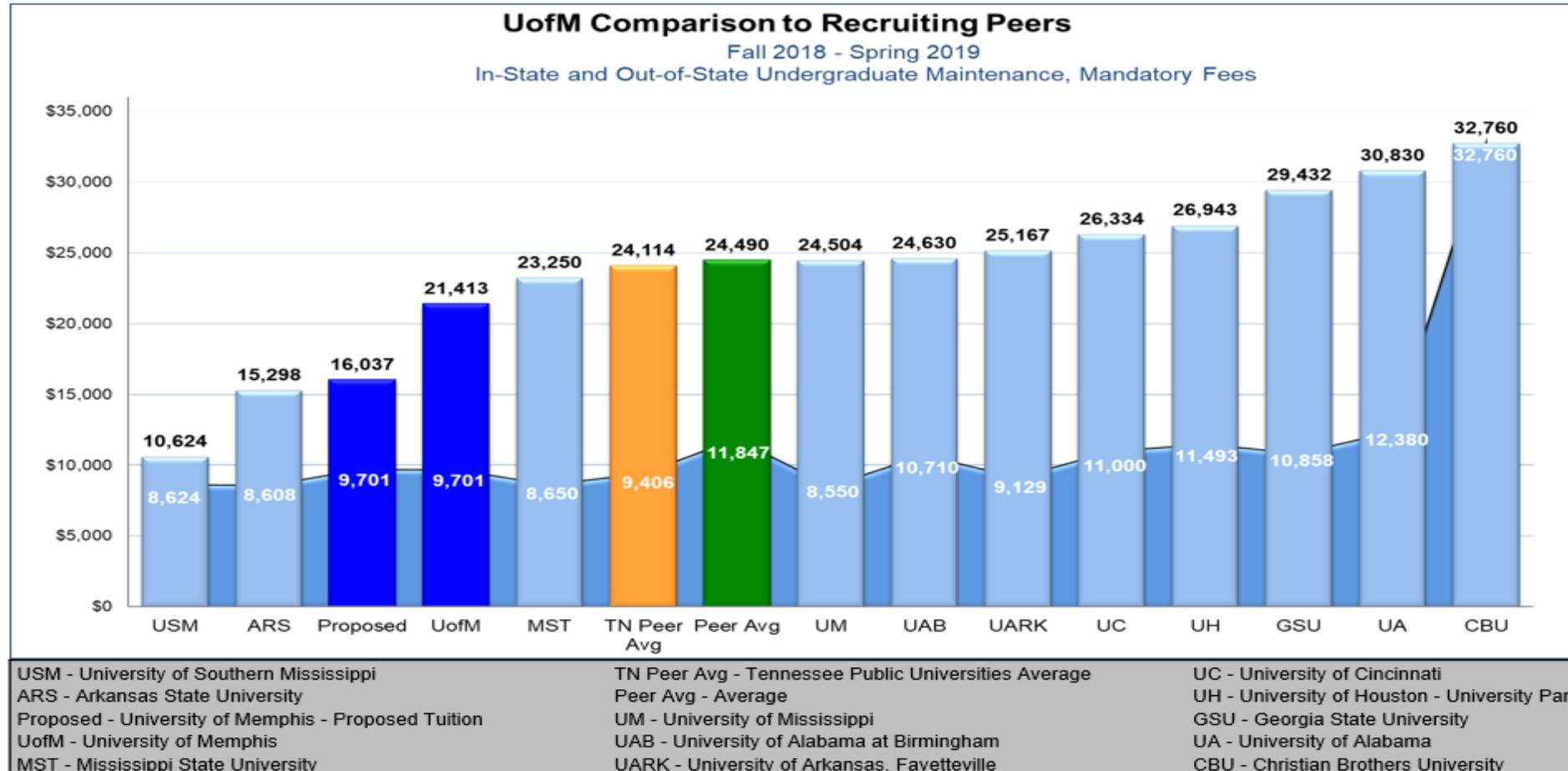
- Immediate financial impact in tuition revenue loss
- Aligning tuition/fees close to the current 250R
- Reducing the administrative burden of establishing the rules governing the tuition tables in Banner
- Simplifying student billing statements
- Addressing issues when students enroll in a combination of on-campus and online courses
- Removing cap of 12 SCHs for non-resident and international fees application

Percent Change in Tuition Rates

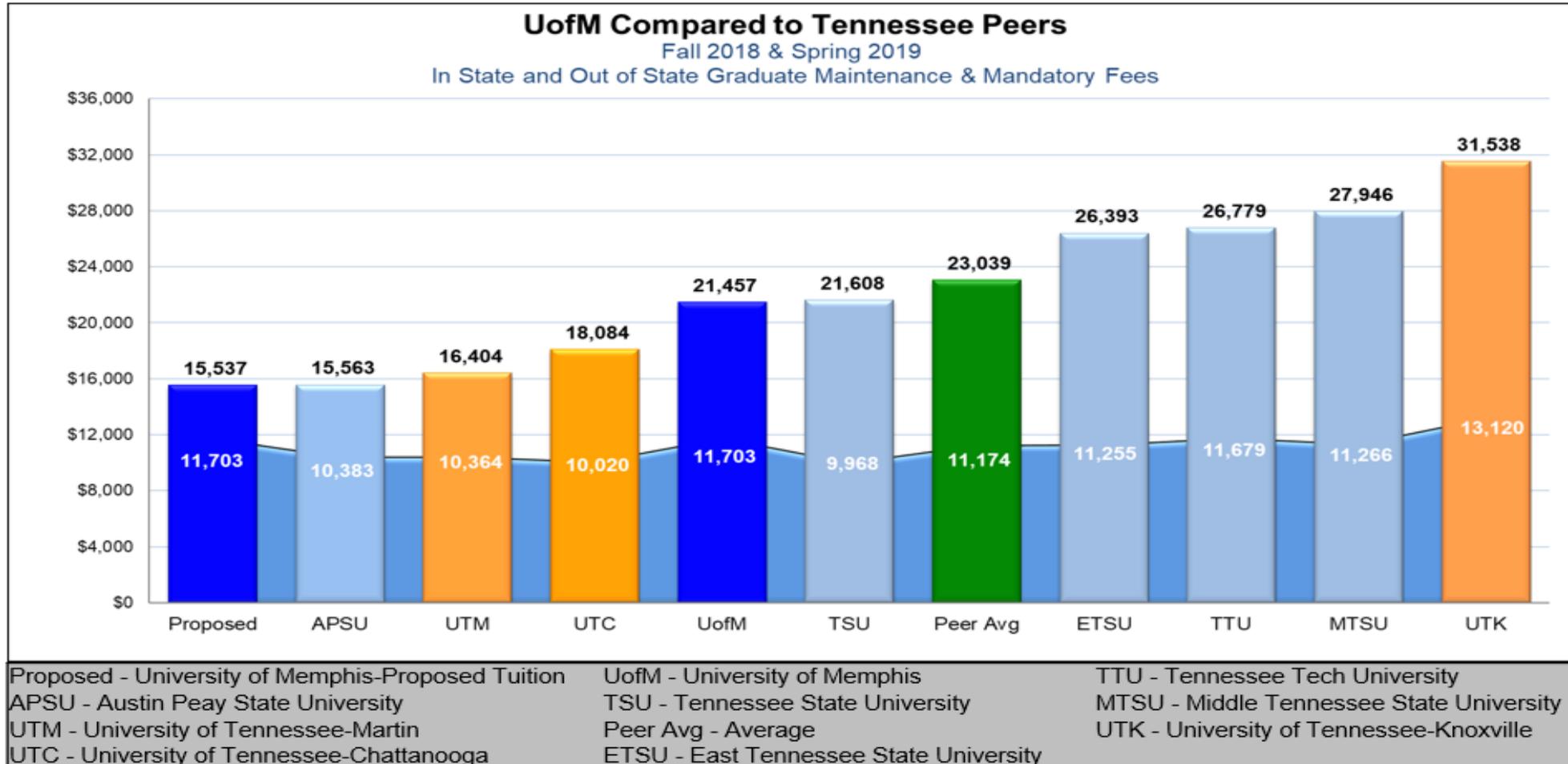
	UG (15 Hrs)	GR (9 Hrs)	LAW (12 Hrs)
Non-Resident Students who previously paid 250R rate	2.39%	-13%	2%
Non-Resident Students who previously paid the OOS rate	-27%	-30%	-3%
International Students who previously paid the OOS rate	-3%	-10%	14%

- Projected gross loss of tuition revenue is estimated at \$2.7M
- Additional recruitment plan expense is \$732,500
- To offset the revenue loss and additional investments, we need to enroll an additional 252 new full-time equivalent students (distributed amongst the various student classifications at the new tuition rates)

Benchmarking - Undergraduate

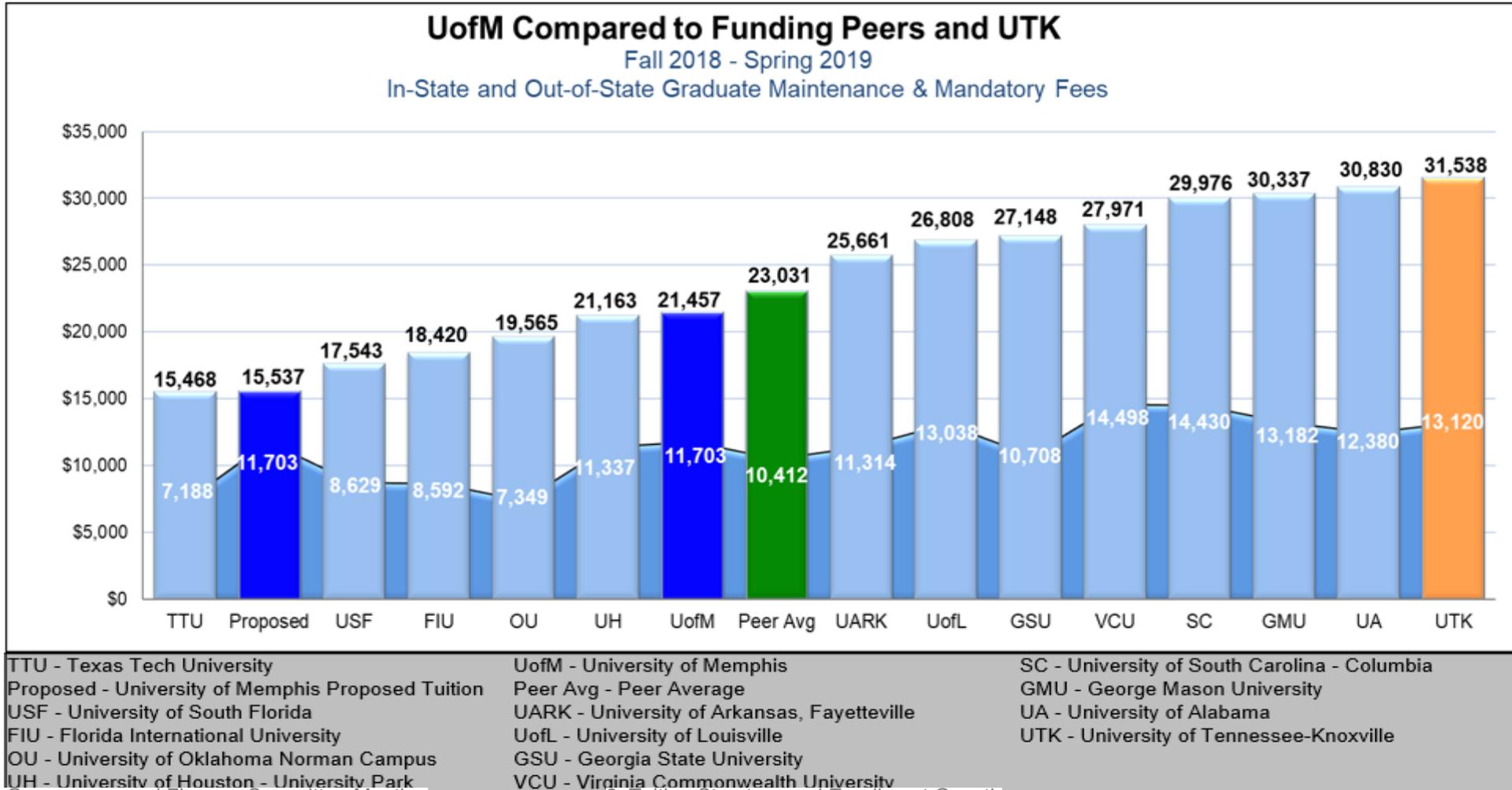


Benchmarking - Graduate

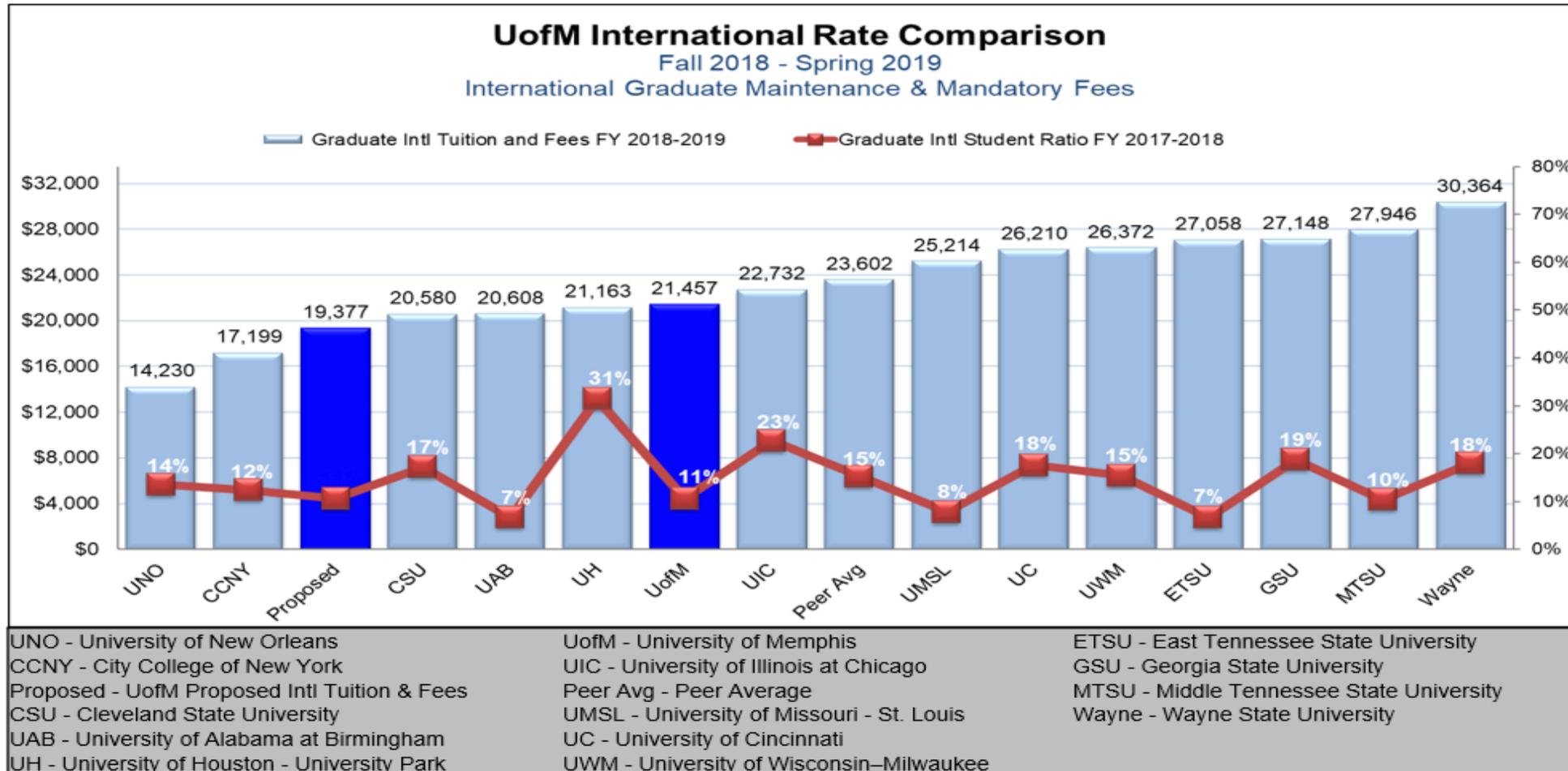


Note: Tuition based on 10 credit hours for fall 2018 and spring 2019

Benchmarking - Graduate



Benchmarking - International

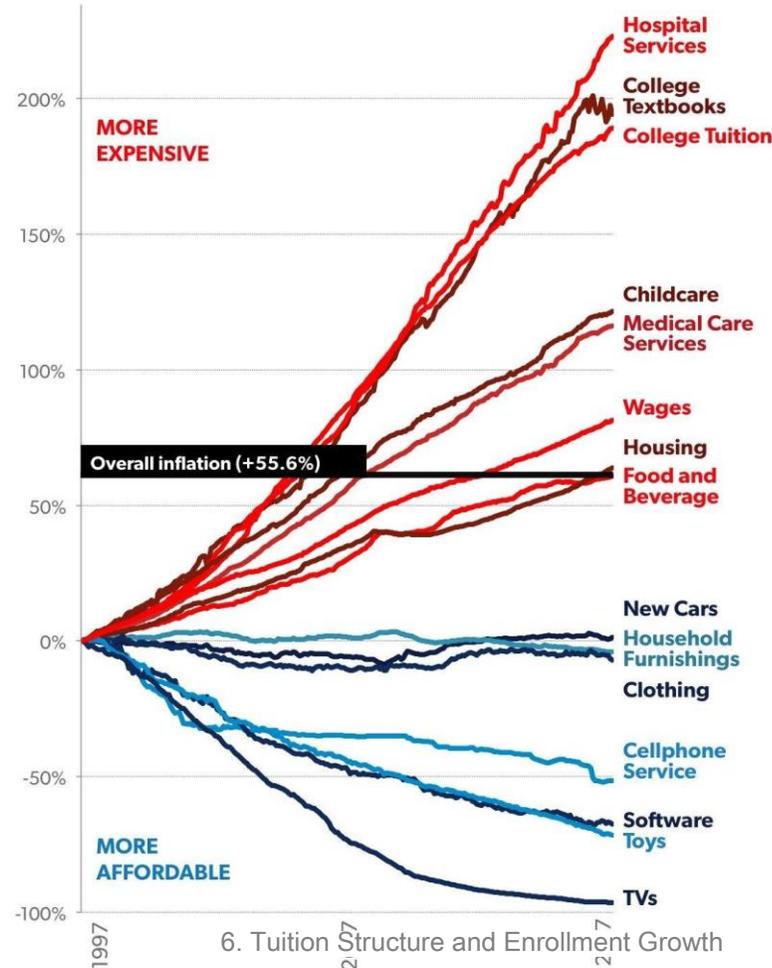


- Free Application for Federal Student Aid (FAFSA) open date is October 1
- Impact on Fall '19 enrollment and recruitment efforts

Price Changes, Jan '97 – Dec '17

Price changes (Jan. 1997–Dec. 2017)

Selected US Consumer Goods and Services, and Wages



Questions?

7. Rulemaking

Presentation

Presented by Melanie Murry

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
Presentation
For Information

Date: September 5, 2018

Committee: Governance and Finance Committee

Presentation Title: Rulemaking

Presented By: Melanie Murry

UNIFORM ADMINISTRATIVE PROCEDURES ACT RULEMAKING REQUIREMENT

ALL UNIVERSITY POLICIES, PROCEDURES, OR STATEMENTS WHICH MEET THE LEGISLATURE’S DEFINITION OF A “RULE” MUST GO THROUGH THE RULEMAKING PROCESS.

What policies must go through the rulemaking process?

- Any policy, regulation, standard, statement, or document of general applicability (i.e. related to more than just internal management) that:
 - Describes the procedure or practice requirement of an agency; or
 - Implements, prescribes, or interprets an enactment of the general assembly or congress or a regulation adopted by a federal agency;
- Any policy that includes the establishment of a fee;
- Any policy related to the discipline of students;
- Any policy related to the housing of students; and
- Any policy that a law requires to be implemented by rulemaking (i.e. residency of students).

What is the rulemaking process?

1. Policy approved at the University level (i.e. PRB, OLC)
2. Policy submitted to Attorney General’s office for pre-review
3. Policy submitted to the Board of Trustees for a roll call vote
4. Policy submitted to Attorney General’s office with certification of the roll call vote
5. Policy submitted to Secretary of State for public posting and determination of effective date
6. Ninety (90) day waiting period (if 10 people sign a petition then a public hearing is required)
7. Presentation to the Government Operations Committee of the Tennessee legislature
8. Publication of approved rule in the Rules and Regulations of the State of Tennessee

What is the effect of not promulgating a rule?

“Any agency rule not adopted in accordance with the UAPA rule-making provisions ‘shall be void and of no effect’ and cannot be invoked by the agency for any purpose.” *Bethel Univ. v. Tennessee State Bd. of Educ.* (Tenn. Ct. App. 2018)(citing Tenn. Code Ann. § 4-5-216.)

Rulemaking

Governance & Finance Committee

Melanie Murry
University Counsel

September 5, 2018
University Center



All University policies, procedures, or statements which meet the legislature’s definition of a “rule” must go through the Uniform Administrative Procedures Act (UAPA) rulemaking process.

What is a rule?

- Any policy, regulation, standard, statement, or document of general applicability (i.e., more than internal management) that:
 - Describes the procedure or practice requirement of an agency; or
 - Implements, prescribes, or interprets an enactment of the general assembly or congress or a regulation adopted by a federal agency;
- Any policy that includes the establishment of a fee;
- Any policy related to the discipline of students;
- Any policy related to the housing of students; and
- Any policy that a law requires to be implemented by rulemaking (i.e., residency of students).

What is the process?

- Policy approved at the University level (i.e., PBR, OLC)
- Policy submitted to Attorney General's (AG) office for pre-review
- Policy submitted to the Board of Trustees for a roll call vote
- Policy submitted to AG's office with certification of the roll call vote
- Policy submitted to Secretary of State for public posting and determination of effective date
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- Presentation to the Government Operations Committee of the TN legislature

• Publication of approved rule in the Rules and Regulations of the State of TN

“Any agency rule not adopted in accordance with the UAPA rule-making provisions ‘shall be *void and of no effect*’ and cannot be invoked by the agency for any purpose.”

Bethel Univ. v. Tennessee State Bd. Of Educ. (Tenn. Ct. App. 2018)(citing Tenn. Code Ann. § 4-5-216) (emphasis added)

8. Additional Committee Business

9. Adjournment