

MINUTES
Board of Trustees
Finance and Facilities Committee
April 17, 2015, 11:00 am

MEMBERS PRESENT: Cathy Dickens, Garth Lovvorn, Senator Arthur Orr, Dwight Lovell, Mike McCoy, John Berzett, and Barbara Ferguson, reporting.

MEMBERS ABSENT: Ronnie Chronister, Dr. Ed Nichols, Macke Mauldin, Dr. Robert Glenn

Ms. Dickens called the meeting to order at 11:00 am. After roll call, Ms. Dickens addressed the first item of old business; the update on the financial reports. Mr. McCoy asked Ms. Dickens if she would present the reports for acceptance by the full board during the afternoon meeting. Mr. McCoy reminded the committee that all board members received copies of the report at today's earlier work session. Mr. McCoy also announced that the reports will be released to the public later today. Ms. Dickens agreed with Mr. McCoy's request.

Ms. Dickens addressed the next item of old business relating to critical need items funded. Mr. McCoy referred the committee to the handout listing critical need items that were approved for funding from the 2014-15 budget due to excess revenue over budget predictions. Mr. McCoy informed the committee that the Budget Advisory Committee met to review critical need items placed on hold and recommended those listed to the President's cabinet for approval. Additionally, Mr. McCoy reinstated the transfer to plant funds.

Under new business, the next agenda item was the financial summary for the period ending 03/31/2015. Mr. McCoy provided a handout showing year to date excess revenues over expenses of just under three million dollars as of 3/31/2015. Mr. McCoy pointed out that part of the excess was due to an increase in the percent of credit hours that are for distance learning classes compared to credit hours for traditional classes. Mr. McCoy reminded the committee that a part of the excess must cover operating expenses and personnel costs for the remainder of the Spring semester. He also noted that at this point summer credit hours are below last year's summer hours.

Mr. McCoy next discussed the University's budget timeline. He also discussed that the role of the Budget Advisory Committee may be expanded as recommended in the financial reports discussed earlier. Mr. McCoy covered the preliminary 2016 budget projections. He noted that these projections assume that summer credit hours will be level. He is projecting an excess of revenues over expenditures of \$529,115. He noted that the projected excess does not include a transfer to plant funds. He also noted that the projected excess does not include a cost of living increase. He shared with the committee that the cabinet would like a cost of living adjustment to be factored into the budget. The last adjustment was 1% 2 years ago. Senator Orr suggested that one time bonuses could be considered rather than salary adjustments. Mr. Lovvorn suggested the possibility of providing different percentage increases to different categories of employees, i.e. exempt vs. non-exempt. Senator Orr also suggested funding a 1% increase in the upcoming year and making the commitment of an additional 1% increase in the following year, assuming good financial position.

Mr. McCoy reported that the Budget Advisory Committee discussed the possibility of a tuition increase and that smaller annual increases are common in higher education. He provided charts from the Alabama Commission on Higher Education which compare the tuition and required fees over the last 5 and 10 years for all public four year institutions. The 5 year chart shows that in 2012 the University did not raise tuition. Over the next two years the University raised tuition over the median increase. Specifically, in 2013 the median increase was 6% and the University's increase was 8%. In 2014 the median increase was 4% and the University's increase was 6%. However, the 10 year chart shows that over the 10 year period the median increase was 103% and the University's increase was only 58%.

Mr. McCoy discussed that during the 10 year period there were a number of years when the University did not increase tuition. However, for the years when we did increase tuition, it was typically at or above the median. He pointed out that smaller annual increases might be better for the University's students and help avoid higher increases in any one year.

After seeing how much less the University has increased tuition over the last 10 years, the committee felt that small, annual increases are preferred. Accordingly, Ms. Dickens said she would like to amend today's recommendation to the full board. She would prefer the action item to allow for a 1% - 5% range for a tuition increase rather than for a 0% - 5% increase. Senator Orr also suggested that the annual tuition increase should track with the consumer price index or other inflation measure. The committee members all agreed and felt that increases in small increments will be better for our students who are trying to budget for the cost of education.

Lastly, Mr. McCoy provided the committee with a handout updating campus projects. He reminded the committee of the importance of continuing to build up plant funds in order to be able to take on more deferred maintenance projects.

The meeting was adjourned at 12:00 pm.