

MINUTES
Board of Trustees
Finance and Facilities Committee
October 21, 2022, 1:15 pm

MEMBERS PRESENT: Senator Arthur Orr, Representative Mac McCutcheon, Dr. Wanda Humphrey (zoom), Dr. Sandra Sims-deGraffenried (zoom), Mike McCoy, Jonathan Craft, Dr. Philip Way, and Barbara Ferguson, reporting.

MEMBERS ABSENT: Debbie McGee, Russell Johnson, Kayla Kohanek-Tankersley, and Kerry Warren

Senator Orr called the meeting to order at 1:15 pm. After roll call, the committee reviewed and accepted the minutes from July 15, 2022. With no old business to address, the committee moved to new business.

The first item of new business was the financial summary for the quarter and fiscal year ended 9/30/2022. Mr. McCoy discussed the differences between this report and the financial summary presented to the Executive Committee on October 3, 2022. In that report, the end of year deficit was projected to be approximately \$115,000. The report presented today shows a deficit of \$431,921. The main difference comes from unrealized loss on investments. He discussed that the University, under State of Alabama law, is permitted very few options for investments. The University has invested approximately \$7M in permitted investments rather than have those funds sitting in a checking account with little gain. Declines in the stock market during the past year, especially during the last quarter, have brought about losses. Mr. McCoy discussed that approximately 50% of the University's reserve fund is invested. He reminded the committee that the University's goal is to maintain 6 months of reserves and the University is currently at about 5 months.

Mr. McCoy discussed a few other factors contributing to the end of year deficit. He mentioned that the \$464,000 payment to Archer was not budgeted, tuition and fee revenue is short by \$1.6M, \$250,000 transfer to support Auxiliary operations (primarily the Center for Lifelong Learning), and \$482,000 for the paver project in front of Founders Hall. He mentioned that \$502,324 from federal COVID funds was transferred to make up some of the lost revenue. Also, he pointed out that the University did not need to dip into reserves to support the establishment of new academic programs due to salary savings from unfilled positions. This also has helped with the revenue shortfall. He informed the committee that without the unrealized loss on investments, the deficit would basically have been reduced to breakeven.

Next, Mr. McCoy discussed the credit hour report comparing academic years 2019, 2020, 2021 and 2022. He pointed out the significant decline in credit hours between 2020 and 2021 was due to COVID. Dr. Way pointed out that graduate programs are continuing to grow and that is where future growth will come from. Mr. McCoy informed the committee that 26,965 credit hours were budgeted for the current Fall 2022 semester. As of September 26th, actual paid credit hours were 24,598. This shortfall of 2367 credit hours resulted in a deficit of \$627,512. Senator Orr asked about the method used to budget credit hours. Mr. McCoy informed the committee that for the development of the 2022-23 budget 3 different options were considered: 1) Average of credit hours for 4 years, 2) Subtract COVID year and average 3 remaining years, 3) Total from #2 plus growth in graduate programs. Senator Orr suggested to be more conservative in budgeting credit hours. Mr. McCoy provided a list of open positions that are providing budget savings to help offset the deficit from the credit hour

shortfall. Senator Orr and Mr. McCoy discussed plans for the January board meeting to present a mid-year budget adjustment.

The next item on the agenda was the revision of the University's Weapons and Firearms on University Property policy for approval at today's full board meeting. Due to an update to State of Alabama law, the University's policy needed to be updated. The policy changes mainly reflect that a state gun permit is no longer needed. The legislation requires that the Board approve the University's policy.

Finally, Mr. McCoy provided an update on the University's revised purchasing procedures. These have been recently updated to be in line with the new State of Alabama bid law. He also reminded the committee of the new Board policy requiring that the Executive Committee approve certain contracts of the University.

With no further business, the meeting was adjourned at 2:05 p.m.