

MINUTES
BOARD OF TRUSTEES' MEETING
May 10, 2012
Hawkins Hall Conference Room
Troy University Campus
Troy, Alabama

The Troy University Board of Trustees convened at 4:30 p.m. on May 10, 2012, in Hawkins Hall Conference Room on the Troy University Campus in Troy, Alabama.

At the request of the President pro tempore Gerald Dial, Board member Charles Nailen opened the meeting with prayer.

I. Call to Order

Senator Gerald Dial, President pro tempore of the Board, called the meeting to order.

II. Roll Call

Upon roll call, the following members, comprising a quorum, answered present: Senator Gerald O. Dial, Mrs. Karen E. Carter, Mr. Roy H. Drinkard, Mr. John D. Harrison, Dr. R. Douglas Hawkins, Mr. Lamar P. Higgins (via conference call initially—arriving meeting later), Mr. Allen E. Owen, III, Mr. C. Charles Nailen, Mr. C. Gibson Vance, and Mr. William Thompson, SGA President (non-voting member). Absent: Governor Robert Bentley, Mr. Edward F. Crowell, and Mr. Forrest Latta.

III. Approval of Minutes (December 16, 2011)

A draft copy of the December 16, 2011, minutes was mailed to Board members prior to the meeting. There being no additions or corrections, Senator Dial called for a motion to approve the minutes as presented.

ACTION: MRS. KAREN CARTER MADE A MOTION TO APPROVE THE MINUTES AS PRESENTED FOR THE DECEMBER 16, 2011, MEETING. A SECOND TO THE MOTION WAS MADE BY MR. ALLEN OWEN. HAVING RECEIVED A MOTION AND SECOND AND WITH NO DISCUSSION, THE MINUTES (COPIES OF WHICH WERE MAILED TO BOARD MEMBERS PRIOR TO THE MEETING) WERE APPROVED AS PRESENTED.

IV. Reports

A. Chancellor

Chancellor Hawkins welcomed the new Student Government Association President, Mr. William Thompson, to the meeting. He also expressed appreciation to Mr. Darreyel Laster for the services he provided during his term as SGA President.

The Chancellor briefly outlined the agenda before the Board, adding that the newly appointed Sun Belt Commissioner will address the Board today.

Chancellor Hawkins advised the Board members about Global Campus reorganization noting that declining enrollments had triggered a comprehensive analysis. It was noted that in 2008 Global Campus enrollments hit a record high with 23,000 and dropped to 18,000 this year. The Chancellor said that this is a substantial decline but reflects what has occurred across the board this year and represents a very aggressive marketplace. Other factors, which include the financial and enrollment picture, led the University to take a hard look at Global Campus. Chancellor Hawkins added that as the University went through Southern Association (SACS) accreditation there were a number of challenging requirements involving faculty: student ratio and adjunct faculty numbers that prompted a review of the organizational structure of Global Campus. In addition, there were new state and federal requirements that had to be considered, which include access to military bases becoming more difficult for our students.

The Chancellor summarized efficiencies realized from the Global Campus reorganization that included centralized student services, moving from 40 sites to 24 (a listing of domestic site closings was shared), and a savings in personnel positions from 444 to 335. Chancellor Hawkins

outlined Global Campus priorities that included online delivery, activities within 300 miles of Troy—face to face in-class offerings as well as online supplemented, and beyond 300 miles of Troy the preferred delivery system online. It was noted that this does not mean the students at the military sites to be closed will not be serviced, it just means that they will be served in a different manner.

Chancellor Hawkins updated the Board members on the University's initiative to become a tobacco-free campus effective August 13th. It was noted that more than 300 institutions in the United States are now tobacco-free facilities. This initiative is part of a campaign to promote health and well-being of our University family. Information promoting the tobacco-free campus has been disseminated widely to faculty and staff, to students through Impact Sessions, and through signage. It was noted that there will be a health insurance differential in this effort which is not intended to be punitive but will assist the University in enforcing the policy.

An update was given on the Legislature and it was noted that the Education Trust Fund monies will be cut 5% (\$2.3M) from \$46M, a drop from \$62M in 2008. The Chancellor advised Board members that House Bill 626 will allow our Board's Standing Committees to meet electronically; there was no objection to the Bill from the Alabama Press Association.

Chancellor Hawkins gave an update on building projects to include the new arena, Long Hall, Amphitheater, Confucius Institute, and the Riverfront Project in Phenix City. He added that the new arena will house the newly created Troy Sports Hall of Fame and the first time the arena will be used will be for the Hall of Fame Induction Ceremony on August 10th when the University will honor eleven inductees. In regard to Long Hall, demolition is set to begin in June 2012 with a projected opening in the Fall 2013. Dedication for the Amphitheater is set for Spring 2013. It was noted that the Phenix City Riverfront Project is an \$8.6M project and it will be a four-story building.

The Chancellor shared the following dates to remember:

- May 11, 2011, Commencement ceremonies with Congressman Martha Roby and Coach Don Maestri delivering addresses at the split commencement ceremonies
- May 20 – Dothan Commencement, Davis Malone speaker
- May 21, Montgomery Commencement, Bishop Theresa Snorton speaker
- July 27, Troy Commencement
- August 10, Hall of Fame Induction

In closing, Chancellor Hawkins introduced Karl Benson, newly appointed Commissioner of the Sun Belt Conference. Commissioner Benson comes to the Sun Belt Conference from the Western Athletic Conference (WAC) where he served as commissioner since 1994. Commissioner Benson will address the Board later in the meeting.

Chancellor Hawkins responded to a question from Mr. Charles Nailen regarding the Global Campus reorganization/site closings and what we may have learned from our competitors that prompted us to close sites and how it could make us better providers. The Chancellor said that in the aftermath of 9-11 with the difficulty to access military bases and the drop in the number of the military student population our presence was not justified. It was noted that now approximately 75% of military students are served online. Chancellor Hawkins added that the University will continue to be more aggressive in serving military students.

Mr. Nailen expressed appreciation to Mr. Higgins, Senator Dial, and others for their help in promoting the Bill to allow Board Committees to conduct business electronically. Senator Dial added that the Bill in the long-term will allow the Board to be more efficient. He added that another Bill in the Legislature will raise the competitive bid law to \$15,000 and it will go into effect when the Governor signs it.

B. Board Committee Reports

• **Academic Affairs Committee, Honorable Karen Carter**

Mrs. Carter said the Academic Affairs Committee had no report at this time. The Committee will be meeting in the summer and one of the things to be discussed will be our course offerings with a focus on how we can attract more students through our offerings.

• **Finance Committee, Honorable John Harrison**

Prior to giving the Finance Committee report, Mr. Harrison called upon Dr. Jim Bookout, Senior Vice Chancellor for Finance and Business Affairs, to give a financial report.

• **Finance Report, Dr. Jim Bookout**

Dr. Bookout provided Board members with a copy of his report and shared the following highlights. Dr. Bookout's presentation covered 2012 progress to date, 2013 revenue considerations, 2013 revenue sources, and 2013 proposed rate changes. In regard to 2012 progress to date, Dr. Bookout shared budget comparisons from 2010 to present showing original budgets and year-to-date figures. It was noted that the comparisons show that the University is on target with budgets as compared to previous years. Dr. Bookout noted that the University receives 60% of its revenue by the six-month time frame, and he said there are no surprises in our revenue stream as well as that of our expenditures as compared to previous years. Looking at 2013 revenue considerations, Dr. Bookout provided the following projected reduction in revenue and revenue to offset the loss:

- Loss of Revenue
 - \$2.3M—Reduction in 2013 State Appropriation from 2012 level (AL)
 - \$6.7M—Loss of Credit Hour Production (AL)
 - \$10M—Loss of Credit Hour Production (Global Campus)
 - \$1.8M—Eliminate Technology Fee (Global Campus)
- Revenue to Offset Loss
 - \$4.2M—Undergraduate & Graduate Tuition Increase (AL)
 - \$1.1M—General Fee Increase (AL)
 - \$340k—Dining Dollar Increase (Troy Campus)
 - \$315k—Meal Plan Increase (Troy Campus)
 - \$323k—Housing Rate Increase (Troy Campus)
 - \$4.6M—Revenue from Tuition Increase (Global Campus)

Dr. Bookout explained how a determination is made for 2013 revenue considerations. We first determine external funding level, i.e., state appropriations; assess the impact of mandatory cost increases, i.e., Teacher Retirement System, Health insurance, etc.; project tuition fee and auxiliary revenue with current rates and projected credit hour production, and then assess the need for rate increases or expenditure budget reductions.

A summary of proposed tuition and fee increases was shared by Dr. Bookout. Alabama campuses will increase undergraduate (UG) tuition from \$235 to \$249, graduate from \$290 to \$307, general fee from \$28 to \$32, dining dollars from \$200 to \$250, housing—minimum \$1,350/\$1,418 to maximum \$2,530/\$2,657, and meal plan from \$1,465+tax to \$1,553+tax.

Global Campus (GC) undergraduate tuition will increase from minimum \$210/\$230 to maximum \$260/280, GC graduate minimum \$260/\$300 to maximum \$375/\$420, eTroy UG \$260 to \$280, eTroy graduate \$440 to \$450, and the technology fee will be eliminated.

Mandatory cost increases, as reported by Dr. Bookout, will include a 5% increase in Retiree PEEHIP as well as in health insurance. Specialized accreditation is also factored in when looking at mandatory cost increases.

Dr. Bookout briefed Board members on revenue sources, both externally controlled and internally controlled. A twenty-year history of state appropriations was provided and Dr.

Bookout noted that 2008 state appropriations were an anomaly at 62.2M and 2013 state appropriations projected for 44M.

In closing, in regard to tuition rate changes, Dr. Bookout shared a comparison of TROY compared to other state institutions, reporting that Auburn University's rate increase is 8% as is Auburn University Montgomery. All other state institutions have not announced their tuition rate increases.

• **Resolution No. 1—Changing the Tuition Rates and Fee Structure**

Mr. Harrison stated the Finance Committee met on Monday and had a lengthy discussion on the proposal being submitted today for the full Board's consideration. He added that the committee fully understands the loss of funding and the lack of equitable funding from state appropriations. He asked Finance Committee members to make comments, if they would like to do so. Understanding the state of the economy and the demographics of our makeup, he stated that he was firmly in favor of recommending the rate increase. Mr. Owen commended the Finance Committee chair, committee members, and Dr. Bookout for all of the hard work that went into developing a proposed recommendation. Mr. Nailen said he appreciated Mr. Harrison's comment about the value of product we offer and that we do a good job with what we provide. There being no further comments Mr. Harrison stated that the Finance Committee unanimously recommended the passage of Resolution No. 1.

ACTION: Senator Dial called for a motion to adopt Resolution No. 1. With a motion from Mr. John Harrison and a second provided by Mr. Allen Owen, Senator Dial called for a vote. Resolution No. 1, which follows, was adopted.

Resolution No. 1

Resolution No. 1—Changing the Tuition Rates and Fee Structure

WHEREAS, Troy University will receive a five percent reduction in its state appropriations for the fiscal year 2012-2013, totaling approximately 32% from fiscal years 2008-2012; and

WHEREAS, Troy University has become a self-reliant, tuition driven institution, only through good stewardship of its resources, sound financial management, and its entrepreneurial spirit has it been able to not only sustain itself during a declining economy but advance its mission; and

WHEREAS, Troy University's current tuition structure is as follows; and

1. Undergraduate per credit hour tuition - \$235
2. Graduate per credit hour tuition from - \$290
3. eTroy tuition - undergraduate per credit hour tuition - \$260
4. eTroy tuition - graduate per credit hour tuition - \$440

WHEREAS, Troy University's current fee structure is as follows; and

1. Student dining fee of \$ 200 per term for Troy campus students taking 9+ cr. hr.'s (unless all 9 are online)
2. General Fee - \$28.00 per credit hour

WHEREAS, Troy University's proposed tuition structure is as follows; and

1. Undergraduate per credit hour tuition - \$249
2. Graduate per credit hour tuition from - \$307
3. eTroy tuition - undergraduate per credit hour tuition - \$280
4. eTroy tuition - graduate per credit hour tuition - \$450

WHEREAS, Troy University's proposed fee structure is as follows; and

1. Student dining fee of \$ 250 per term for Troy campus students taking 9+ cr. hr.'s (unless all 9 are online)
2. General Fee - \$32.00 per credit hour

THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES that Troy University proposes to increase the tuition and fee structure, as proposed, with the understanding that the Chancellor is authorized to set the final rate at some date after the legislative budget process is final.

- **Resolution No. 2-- Transfer of University Internally Restricted Funds to the Troy University Foundation**

Mr. Harrison stated that Resolution No. 2 was discussed by the Finance Committee in the context of the Newman Center, which has been suspended at this time to work out some problems. He asked everyone to take time to reread the Resolution and then he would make further comments. Mr. Harrison said that after recent discussions with the Chancellor and based on the interest rate environment, he saw an opportunity where the University could possibly make a transfer of up to \$10M from the University's internally restricted funds to the Troy University Foundation which would help us in many ways. This action would give us an opportunity to have a better return on our funds since we are restricted by the Code of Alabama and the university policy as to where funds can be available. It would enhance our credit rating with Moody's and also give us some other ranking availability. The transferred funds would be at the discretion of the Foundation Board of Directors and managed by the Foundation's Stewardship Committee to make sure that there is maximum return and that risk parameters are followed. Mr. Harrison stated that it will be up to the Board of Trustees to know when the funds are transferred, how much is transferred, and what it is doing because they will be ultimately responsible in making sure the investments are risk free.

Resolution No. 2

ACTION: Following his report, Mr. Harrison made a recommendation for adoption of Resolution No. 2. Mr. Nailen provided a second. Senator Dial opened the floor for discussion. Mr. Nailen said that although he supports the Resolution, he asked what percent of our total reserves will this \$10M represent. Dr. Bookout responded that it represents about 15%. Further, Mr. Nailen inquired as to how liquid these funds will be to us through the Foundation. Mr. Harrison stated that the transfer back of funds could almost be immediate when needed. There being no further discussion, Senator Dial called for a vote. The Board unanimously adopted Resolution No. 2.

Resolution No. 2

Transfer of University Internally Restricted Funds to the
Troy University Foundation

WHEREAS, the objective for internally restricted funds of the University is to maximize investment returns consistent with the both short-term liquidity and long-term operational needs of University; and

WHEREAS, the current investment of internally restricted funds is limited by University policy as well as the Code of Alabama to marketable securities to include:

- Direct obligations of the United States of America

of obligations unconditionally guaranteed as to the principal and interest by the United States of America.

- Obligations of any agency or instrumentality of the United States of America.
- Repurchase agreements secured by the U.S. Government and Agency obligations.
- Shares in externally managed money-market funds, specifically approved by the Board.
- Certificates of deposit with commercial banks secured as required and approved as depositories by the Board.

WHEREAS, in order to invest internally restricted funds of the University into investment vehicles that allow such funds to achieve greater returns on investment, it is important for the University to transfer such funds to the Troy University Foundation (Foundation); and

WHEREAS, the Foundation has a structured investment policy established by its Board of Directors and managed by its Stewardship Committee to maximize investment earnings within specified risk parameters, prudently invest assets in a high quality, diversified manner and emphasize the preservation of capital plus above average rates of return on investment to the appropriate set allocation between fixed income and equity securities based upon the needs of the University; and

WHEREAS, the transfer of University internally restricted funds to the Foundation will increase the assets of the Foundation and serve to positively affect the University's overall stand-alone credit rating by the Moody's Investors Service, positively affect the University's national ranking published by *U.S. News & World Report*, *Forbes*, and other ranking systems conducted by professional associations, governments and academics, to achieve a higher yield on invested funds, and in general to elevate the University's profile and competitiveness nationally and internationally.

NOW THEREFORE BE IT RESOLVED, that the Board of Trustees may periodically transfer a portion of the University's internally restricted funds to the Troy University Foundation to be managed and invested under the policies and procedures approved by the Board of Directors of the Foundation; and

BE IT FURTHER RESOLVED THAT, the Board of Trustees approves the University's current request to transfer up to ten million dollars of the University's internally restricted funds to a newly established University Investment Fund within the Troy University Foundation.

Senator Dial recognized Mr. Lamar Higgins as he joined the meeting on site. Mr. Higgins said that although he was not present earlier in the meeting he did hear the discussion regarding on tuition rate increase. He shared with the Board some of the comments he shared with the Finance Committee last week. Mr. Higgins stated that he has full faith in the University and what the administration is doing and why the tuition increase is being presented. He said he has serious reservations about raising revenue every time state funding is cut. He further stated that he thinks we need to look seriously toward other funding mechanisms and we have to say to people that if we do not increase funding what we can expect to happen. He added that we need to do a better job for our students and staff and not raising our tuition just because state funding is cut. Further, Mr. Higgins stated that he believes when we raise tuition we should be raising our standards and raising delivery of services to students. He stated that his opposition to the tuition increase is not because we do not need it because he thinks we do. He thinks that if are

going to increase tuition we need to look at two to three years down the road and not come back year after year with an increase.

Senator Dial thanked Mr. Higgins for his comments. He added that it is his hope before the next Legislative Session to assign each trustee a couple of senators so the trustees can communicate one-on-one with the senators to talk about funding concerns.

- **Athletics Committee, Honorable Allen Owen**

Mr. Owen welcomed Commissioner Karl Benson to the Troy University campus and called upon him to address the Board members.

- **Sun Belt Conference, Commissioner Karl Benson**

Commissioner Benson thanked the Board for the opportunity to address its members. He said that he is impressed with the campus and this history of Troy University and what it stands for. The Commissioner provided a brief overview of his career. He said he is excited to join the Sun Belt Conference and looks forward to working with member institutions. Commissioner Benson provided information on conference realignment and discussions underway. He reported that the Sun Belt Conference has recently added Georgia State and Texas State.

Commissioner Benson responded to comments and questions from Board members.

- **Long-Range Planning Committee, Honorable Charles Nailen**

Mr. Nailen reported that the Long-Range Planning Committee met on February 14 by telephone, and the committee focused on six areas of responsibility as identified in the Bylaws as the function of the committee. He added that future meetings were discussed in February and the agenda for the next meeting will be review of the 2010-2015 Strategic Plan.

- **Student Affairs Committee, Honorable Lamar P. Higgins**

Mr. Higgins reported that the Student Affairs Committee has not met as yet but will meet by teleconference and in person periodically. He added that he welcomes the new SGA President, William Thompson, to the committee and looks forward to working with him.

- **Resolution No. 3—Commending Darreyel Laster, Out-going SGA President**

Mr. Higgins introduced Resolution No. 3 and added that it was his pleasure to recognize out-going SGA Pre Mr. Darreyel Laster for his outstanding service to the Board.

Resolution No. 3

ACTION: On a motion by Mr. Higgins, seconded by Mrs. Carter, the Board approved the following resolution commending Mr. Darreyel Laster on his service to the Board and his Student Government Association presidency during the 2011-2012 academic year.

Mr. Laster was presented a framed copy of the Resolution by the Board.

Resolution No. 3

COMMENDING MR. DARREYEL LASTER

WHEREAS, Darreyel Laster served as President of the Troy University Student Government Association for the 2011-2012 academic year; and

WHEREAS, Mr. Laster has shown outstanding leadership qualities and has played an integral role in the progress of Troy University; and

WHEREAS, Mr. Laster's tenure has been marked by a vigorous advocacy on behalf of fair treatment for Alabama's universities regarding state appropriations;

WHEREAS, Mr. Laster has done an outstanding job of representing the student body on the Board of Trustees, among the faculty and staff and in the greater community; and

WHEREAS, Mr. Laster's term as SGA President came to an end during spring semester 2012;

THEREFORE BE IT RESOLVED, that the Board of Trustees hereby recognizes Darreyel Laster for his hard work and exemplary leadership of the Student Government Association and wishes him the best for future success.

BE IT FURTHER RESOLVED, that an appropriate certificate be presented to Darreyel Laster on behalf of the Board as evidence of this recognition and of his service to the University.

- **Executive Committee, Honorable Gerald Dial**

There was no report from the Executive Committee.

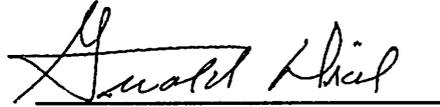
V. Adjournment

Prior to adjournment Senator Dial reminded Board member of a reception at 6:00 p.m. honoring Commissioner Karl Benson.

With no further business to come before the Board, Senator Dial adjourned the meeting.



Jack Hawkins, Jr., Ph.D.
Chancellor and
Secretary of the Board of Trustees
Troy University



Gerald Dial
President pro tempore,
Board of Trustees
Troy University