

MINUTES
BOARD OF TRUSTEES' MEETING
TROY UNIVERSITY
Adams Administration Building, Troy University Campus
July 27, 2018, 1:30 p.m.
Troy, Alabama

The Troy University Board of Trustees convened at 1:30 p.m. on July 27, 2018, in the Chancellor's Conference Room, Adams Administration Building, on the Troy University Campus, Troy, Alabama.

I. Call to Order

Board President Pro-tem Gerald Dial called the meeting to order. Senator Dial welcomed everyone to the meeting and asked for a roll call. Upon roll call, the following members, comprising a quorum, answered present:

Senator Dial, Mrs. Karen Carter, Gen. Ed Crowell, Mr. John Harrison, Dr. Earl Johnson, Mr. Lamar P. Higgins, Mr. Forrest Latta, Mr. Charles Nailen, Mr. Gibson Vance, Mr. Allen Owen, and Mr. Gus McKenzie, SGA President (non-voting member). Absent: Governor Kay Ivey and Dr. Roy H. Drinkard.

Following roll call, Mr. Higgins opened the meeting with prayer.

III. Approval of Minutes

A draft copy of the minutes of the May 11, 2018 meeting was provided to the Board members prior to the meeting. Gen. Dial called for a motion to approve the minutes as presented.

ACTION: MR. CROWELL MADE A MOTION TO ACCEPT THE MINUTES FOR THE MAY 11, 2018 MEETING AS PRESENTED. THERE WERE NO CORRECTIONS OR ADDITIONS BROUGHT FORWARD, AND FOLLOWING A SECOND BY TRUSTEE HARRISON, AND WITH NO FURTHER DISCUSSION, THE MOTION CARRIED. THE BOARD ADOPTED THE MINUTES AS PRESENTED.

IV. Reports

A. Chancellor

Chancellor Hawkins presented the following report:

Agenda

The Chancellor outlined the agenda before the Board noting that action items include approval of the FY 2019 budget and approval of the revised Troy University Reserve Policy. The Chancellor noted that following adjournment, a tour of the new North End Zone building will be provided to all interested trustees.

Campus News/Achievements

- TheBESTSchools.org rankings:
 - Online bachelor's in Sport Management 1 in US
 - Online master's in Sports Management #11 in US
 - Online master's in Management #6 in US
- 23 accepted into medical school for fall 2018
 - Alum Blake Swicord lands internship at Harvard Medical School—only six chosen worldwide
- AFROTC cadet Mason Dubose chosen for summer flight internship at U.S. Air Force Academy
- Network of International Business School (NIBS) Accreditation—only 65 universities in the world/9 in US have this designation. Dr. Memo Diriker, Chair of NIBS visiting team, said: "Troy University is the most international of any university we have visited."
- Rosa Parks Museum:\$119k grant from Institute of Museum and Library Services to create two traveling exhibits honoring women of the Montgomery Bus Boycott
 - Gen Crowell to chair new Board of Governors for Museum. Mr. Higgins will also serve on the Board of Governors.

--Mission: Provide direction and vision, serve as advocacy council, help raise extramural funding, recommend policies for operation

- Owning our Backyard—numbers shared of most popular in-state school by county where Troy University has the most students.
- Shared information about recent graduation in China—strong network and great potential. Banner year for 1+2+1 program—in 2011 44 new students and expecting 134 in 2018
- Trojans performed in Carnegie Hall
- Group of dance/theater/music students returned to Italy and performed in Pietrasanta and we continue to forge ahead with partnerships with that city
- Dr. Dionne Rosser-Mims took a study abroad group to Uganda and Costa Rica
- The Fitness Center is moving forward.

Challenges in Higher Education

- US High Education enrollment has declined six consecutive years
- US entering “period of stagnation” in number of high school graduates
--Prediction—15% decline in high school graduates by 2026
- Budget cuts/rightsizing continue
- Troy University succession planning and right-sizing initiatives shared. Reorganization plan shared and a strategy will be developed that repositions the University to be more competitive with the military
- Announced the retirement of Dr. Earl Ingram, Senior Vice Chancellor (SVC) for Academic Affairs, effective January 1, 2019. Dr. Lance Tatum will serve an interim SVC for Academic Affairs upon Dr. Ingram’s departure. Other personnel changes announced were Dr. Dionne Rosser-Mims as Interim Dean of the College of Education; and Mr. Ray White, Interim Vice Chancellor of the Montgomery Campus.

Dates to Remember:

- August 12—Odyssey Convocation for new students
- August 31—North End Zone Ceremony
- September 1—Football opener Boise State and dedication of Rushing Hall
- September 14-15—Board of Trustees football trip to Nebraska
- December 14—Troy Commencement
- December 16—Dothan Commencement
- December 17—Montgomery Commencement

Leadership Retreat Update

- At the Chancellor’s request, Dr. Hank Dasinger, Chief of Staff and Senior Vice Chancellor for Student Services and Administration, provided an update to the trustees on the Troy University Leadership Retreat scheduled for July 30-31 in Eufaula. The theme for the retreat is "Student Access AND Success." Dr. Dasinger elaborated on program details for the retreat. He noted that Dr. Jim Purcell, Executive Director of the Alabama Commission on Higher Education, will serve as dinner keynote speaker.
- Following Dr. Dasinger’s presentation, he called upon Mrs. Samantha Johnson, Director of Marketing at Troy University. Having worked with Movie Gallery, Mrs. Johnson was asked to share with the Board her perspective on marketing in higher education compared to the corporate world. Following her presentation, Mrs. Johnson responded to comments.

B. Board Committee Reports

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

Mrs. Carter gave an update on the Academic Affairs Committee and stated that Dr. Earl Ingram will provide a report to the Board on what the University has been doing on building its programs. Mrs. Carter called on Dr. Ingram to update the trustees on new academic programs.

○ **Report on New Academic Programs—Dr. Earl Ingram**

The following is an outline of Dr. Ingram's report on program changes for the period 2008 to 2018:

- 28 new degree programs added
 - 16 undergraduate
 - 12 graduate (9 in past 5 years, including the PhD)
 - 19 new program approved for TROY Online
 - 10 existing programs extended to TROY Online in past 5 years
- 58 minors added
- Significant revision of the General Education Component
- Most recent additions 2017-2018
 - BS in Interdisciplinary Studies
 - BS in Occupation Education
 - BS in Applied Health Sciences
 - BS in Health Promotion
 - BS in Electronics Engineering Technology
 - BS in Cyber Security
- Emphasis this Academic Year
 - Migrating programs to TROY Online and
 - Preparing a proposal for the third doctoral program

Following Dr. Ingram's presentation, Mr. Higgins asked for clarification as to how the new programs added would help us tie in with packaging Troy University as "Alabama's International University." Dr. Ingram responded that the two programs added this year—Cyber Security and Electronics Engineering Technology—would appeal to international student population. Discussion continued as Dr. Ingram addressed Mr. Higgins comments about ways to help TROY identify as "Alabama's International University."

Mr. Latta expressed concern about the General Studies direction in all of higher education re the trend of watering down the core curriculum of what students are getting at colleges and universities. He added that he thinks we need to stick to the fundamentals and expressed his concern about the Interdisciplinary Studies major, adding that he understands the business part of it but that it is a broad brush of multiple things. Mr. Latta added that another concern of his is that our College of Arts and Sciences does not offer English, which has been moved over into another college. Dr. Ingram responded to Mr. Latta's concerns and discussion followed.

• **Finance Committee, Honorable John Harrison**

Mr. Harrison gave an update on the Finance Committee meeting held on July 12, 2018. He stated that in the May Board meeting the tuition and fee structure was increased with the understanding that Dr. Bookout would come back to this meeting to present the budget. Mr. Harrison called on Dr. Bookout to give the financial report and present the proposed budget.

○ **Financial Report—Dr. Jim Bookout**

The following is an outline of Dr. Bookout's report.

2018 Progress to Date

As of June 30, 2018 80% of revenue has been generated compared to 81% last year. The difference is that the budget is about \$9M higher this year over last year but we are in good

shape at this point as compared to last year. Gross tuition is up about \$2.8M. Credit hours are up 1.92% going into the fall.

2019 Revenue Considerations

Dr. Bookout noted that the Board at its May meeting approved an increase of 2.84% in tuition. Undergraduate tuition will increase to \$325 per credit hour (up from \$316) and graduate tuition rates will increase from \$417 to \$425 per credit hour. A report was shared on where TROY stands concerning tuition increases compared with other universities across the state. It was noted that TROY remains in the lower rankings for tuition increases. Dr. Bookout briefly addressed the fee structure. A comparison with other universities was shared reflecting cost of attendance per semester and TROY ranks number 11 out of 13 in lowest tuition cost.

2019 Proposed Operating Budget

Dr. Bookout shared that the 2018 budget reflected \$239M, which represented \$3.3M out of balance budget. However, Dr. Bookout added that the budget was scrubbed and reductions were made to balance the budget. He expressed his thanks to his colleagues for their efforts in achieving a balanced budget. In summary, Dr. Bookout stated that there will be little change reflected in the proposed budget.

Funds Held for Investment

Dr. Bookout reported that the Funds Held for Investment performance summary reflects the investments through the Foundation has generated \$18M since 2012. Annualized percentage rate of return to date is 8.96%.

Reserve Spending

Dr. Bookout noted that the Reserve Policy is on the agenda for today's meeting. He shared examples of funded projects from the reserve funds to include \$1.82M on the North End Zone scoreboard and \$1M on new parking lot. Dr. Bookout concluded by stating that we are in good shape if we put back some monies this year. This will be discussed later in the meeting during the presentation of the resolution on Reserve Funds Policy.

Facilities Update

- **Projects In Planning**
 - Coleman Center**: Plans are with the Building Commission. Projected completion date August 2019.
 - Janice Hawkins Cultural Arts Park Trail Grant**: Phase I will include improvements from Luther Drive to the Lagoon. Phase II will involve improvements from the Chancellor's Home to the Lagoon.
- **Projects in Progress**
 - Memorial Stadium North End Zone Complex**
 - Trojan Fitness Center**
 - McKinley Drive (ATRIP) Improvements**
 - Trojan Center East Parking Lot**

Reserve Policy

- Reserve Balances -- \$60,000,000
- Dr. Bookout noted that the resolution today on the Reserve Policy will clarify how funds are replenished which will be through surplus of the previous year.

o **Resolution #1—Approving the Fiscal Year 2019 Budget**

ACTION: FOLLOWING DR. BOOKOUT'S PRESENTATION, DR. JOHNSON MADE A MOTION TO ADOPT THE 2019 BUDGET AS PRESENTED IN RESOLUTION NO 1. MR. VANCE PROVIDED A SECOND TO THE MOTION. WITH NO FURTHER DISCUSSION RESOLUTION NO. 1 WAS ADOPTED.

Resolution No. 1

Approving the Fiscal Year 2019 Budget

WHEREAS, the administration of Troy University has developed and recommended the Troy University budget for FY 2018-2019; and

WHEREAS, as the Chancellor has reviewed the revenues and expenditures within the proposed budget and has determined that the proposed budget is fiscally sound; and

WHEREAS, the Board members were briefed on various new revenues during the Board meeting in May 2018; and

THEREFORE, BE IT RESOLVED by the Board of Trustees on the 27th day of July 2018 that the budget for 2018-2019 fiscal year is approved with the understanding that the Chancellor is authorized to make such changes from time to time as, in his judgment, may be necessary, and that the Board of Trustees will be notified when substantial changes are made or there is a significant deviation from the approved budget that results in an increase of ten percent (10%) or higher; and

BE IT FURTHER RESOLVED that the Board of Trustees, due to continued volatility in enrollment trends and certain budgeted cost considerations, authorizes the flexibility for the Chancellor to adjust compensation to faculty, staff and classified employees of the university should it be determined funds will be available for the forthcoming year; such determination shall be concluded at a later date.

o **Resolution #2—Approving the Revised Troy University Reserve Policy**

Mr. Harrison advised that the Finance Committee with the changes reflected voted unanimously to recommend Resolution No. 2 to the full Board.

ACTION: ON A MOTION FROM MR. HARRISON WITH A SECOND FROM MR OWEN, RESOLUTION NO. 2 WAS ADOPTED WITH NO FURTHER DISCUSSION.

Resolution No. 2

Approving the Revised Troy University Reserve Policy

WHEREAS, maintaining adequate reserves is essential to establishing financial stability for future years in order to ensure long-term viability and sustainability of the programs Troy University ("the University") provides; and

WHEREAS, the Finance Committee and the administration of the University have developed a Reserve Policy to be implemented in conjunction with the other financial policies of the University and to support the goals and strategies contained in those related policies and in strategic and operational plans; and

WHEREAS, the Reserve Policy establishes accounting practices for reserve funds as well as reserve fund categories to fund contingencies, capital improvements and construction, non-capitalized renewals and replacements and deferred maintenance and repair needs; and

WHEREAS, the use of these reserves and the reserve balance report will be presented to the Finance Committee and Board of Trustees at the annual July meeting. The Contingency reserve fund will be maintained at a target amount that is equal to at least three months of operating expenses. Spending from Contingency Reserves that will reduce the balance below the target amount shall require the approval of the Board of Trustees; and

WHEREAS, the Policy shall be reviewed by the Finance Committee of the Board of Trustees at the annual July meeting. Any changes to the Policy will be recommended by the Finance Committee to the Board of Trustees.

WHEREAS, the Finance Committee recommends the Board of Trustees accepts the proposed changes to the University Reserve Policy as outlined in the attachment.

THEREFORE, BE IT RESOLVED the Board has reviewed the revisions to the University Reserve Policy and the revisions have been accepted as reflected below.

TROY UNIVERSITY
Reserve Policy



Troy University
RESERVE POLICY

DISCUSSION

The Reserves Policy prescribes the manner in which reserve balances will be categorized and calculated at the end of each fiscal year, utilizing existing financial reporting guidelines. The policy outlines an appropriate reserve threshold to guide Troy University in its fiscal planning. Reserves are meant to protect the institution in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses. Maintaining adequate reserves is essential to establishing financial stability for future years in order to ensure long-term viability and sustainability of the programs the University provides. In addition, the level of current reserves is reviewed by SACS, Moody's and Standard & Poor rating agencies as part of the fiscal component of the accreditation process and as an indicator of financial stability.

PURPOSE

The purpose of this Reserve Policy for Troy University is to build and maintain an adequate level of unrestricted net assets to support the organization's mission and strategic plan and to ensure the financial health and stability of Troy University by balancing prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner. Reserves may be called upon in cases where other reasonable methods have been insufficient to maintain a balanced budget; to protect the University in cases of sudden shortfalls in revenue, (e.g., unforeseen enrollment declines or a reduction in state appropriations); to cover unanticipated expenses and/or cash outflows (e.g., major disasters, significant repairs, renovations and deferred maintenance items); and to provide for extraordinary investments in new facilities. Reserves are not funds set aside for specific annual operating expenditures or commitments, but may serve as an operating contingency. Reserves also aid in the management of the University's cash flow to meet daily expenditure needs (e.g., Federal Financial Aid disbursements to students).

The ability to generate reserves varies, making the application of a blanket reserve policy significantly challenging. The reserve policy outlined below is based on a comprehensive review of guidelines, policies and procedures from other educational and business sources, including NACUBO (National Association of College and University Business Officers) and GFOA (Government Financial Officers Association).

The Reserve Policy ensures that:

- The University will have the necessary flexibility to manage program revenue accounts to meet financial commitments, plans, and goals.
- Reserves will be used to resolve timing problems but not to address structural deficits or to cover over-spending.
- Reporting of reserves provides the Board of Trustees with a complete, consistent, and transparent understanding of periodic reserve balances.
- The University is incentivized to continue to invest in and cultivate creative academic programs to reach all students seeking higher education.
- The University is incentivized to invest in facilities that provide a world-class education.

The University intends for the reserves to be used and replenished within a reasonable period of time. This Reserve Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

ACCOUNTING FOR RESERVES

The Reserve Funds will be held in the financial records in the unrestricted net assets general fund as designated reserves. Reserves will be commingled with the general cash and investment accounts and may be transferred to the Troy University Foundation's long term investment pool.

Reserves will be funded with the surplus of net unrestricted assets. The amount of a reserve fund target minimum and fiscal viability will be reviewed annually and calculated after approval of the annual budget. The use of reserves will be reported to the Finance Committee/Board of Trustees at the July meeting. The Board of Trustees recognizes there are many instances where accumulation of balances beyond a reserve level is a prudent practice in order to achieve strategic priorities over a multi- year period (establishing new academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.).

RESERVE FUND CATEGORIES:

Contingency Reserves:

A reserve of approximately three months of budgeted operating expenditures that should be used only in emergency or catastrophic situations and must not be viewed as a source of flexible spending for new opportunities.

Reserve for Capital Improvements and Construction:

The capital funding framework supports the University's need to self-fund future capital projects. Capital Planning, Design and Construction meetings are held periodically during the year to estimate the needed reserve level for major capital repair and maintenance items, major renovations of existing facilities, supplemental funding for new construction initiatives and the acquisition of land and buildings.

Reserve for Current Renewals and Replacements:

This reserve is intended to provide a ready source of funds for current and unplanned repairs, equipment, furniture and fixtures necessary for the effective operations.

Reserve for Deferred Maintenance and Repair:

While the primary purpose of the Maintenance and Repair reserve is for deferred maintenance, it may also be leveraged for future capital renovation or construction projects as appropriate.

FUNDING OF RESERVES

The Reserve Funds will be funded with surplus unrestricted operating funds. The Chancellor and the Senior Vice Chancellor for Finance and Business Affairs will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Reserve Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

AUTHORITY TO USE OPERATING RESERVES

Authority for the use of the reserve funds is delegated to the Chancellor. The Reserve Fund balances will be reported to the Board of Trustees at its annual July meetings, accompanied by a ~~description~~/list of projects that required the use of Reserve Funds and ~~plans for replenishment to restore the Reserve Funds~~ the transfer of the portion of the previous fiscal years' residual operating funds to the Reserve Funds to be used for future projects and deferred maintenance. However, it has been determined that Contingency Reserves will be maintained at a target amount that is equal to at least three months of operating expenses, currently \$60 million. Spending from Contingency Reserves that will reduce the balance below the target amount will require the approval of the Board of Trustees.

REPORTING AND MONITORING

The Chancellor is responsible for ensuring that the Reserve Funds are maintained and used only as described in this Policy. Upon approval of the use of reserve funds, the Senior Vice Chancellor for Finance and Business Affairs (SVCFBA) will maintain records of the use of funds and plan for replenishment. The SVCFBA will provide regular reports to the Chancellor of reserve funds usage as well as progress to restore the fund to a predetermined amount. The Chancellor and Senior Vice Chancellor for Finance and Business Affairs will annually discuss what additional risk factors might be considered for the University and the impact the budget could have on reserve levels.

REVIEW OF POLICY

This Policy will be reviewed by the Finance Committee of the Board of Trustees every July at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Trustees. The Finance Committee is established by the Troy University Board of Trustees to recommend financial policies, strategies, and budgets that support the mission, values and strategic plan of the institution. Its purpose is to ensure the financial health and integrity of the organization in pursuit of its mission.

Following the presentation by the Finance Committee, Student Government Association President Gus McKenzie addressed the Board regarding the changes in scholarships and asked that the Board look at the long-term effects of these changes.

- **Athletic Policy Committee, Honorable Allen Owen**

Mr. Owen called on Jeremy McClain, Senior Vice Chancellor for Athletics, to update the Board on athletics.

- **Athletics Report--Mr. Jeremy McClain**

Program Updates

- Raised private funds to purchase two new Sprinter vans for men's and women's golf programs
- Three baseball student-athletes taken in June MLB draft
- Contract extensions for our softball and baseball coaches
- Men's basketball travels to Costa Rica for a foreign tour in August
- Hired Rolando Vargas to lean Men's Tennis Program

Football

- Eleven players selected pre-season All Sun Belt
- Marcus Jones named to Paul Hornung watch list
- Deontae Crumitie named to Outland Trophy and Rimington Trophy watch lists
- Hunter Reese named to Bronko Nagursky watch list

Football Schedule

Sept. 1, 2018	Boise State (Home)
Sept. 8, 2018	FAMU (Home)
Sept. 15, 2018	Nebraska (Lincoln, NE)
Sept. 22, 2018	ULM (Monroe, LA)
Sept. 29, 2018	Coastal Carolina (Home)
Oct. 4, 2018	Georgia State (Home)
Oct. 13, 2018	Liberty (Lynchburg, VA)
Oct. 23, 2018	South Alabama (Mobile, AL)
Nov. 3, 2018	ULL (Home)
Nov. 10, 2018	Georgia Southern (Statesboro, GA)
Nov. 17, 2018	Texas State (Home)
Nov. 24, 2018	App. State (Boone, NC)

National Landscape/Issues

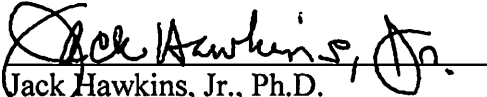
- Concussion/Safety
- Litigation
- Amateurism/Academics
- Paying Student-Athletes
- Viewership
- Sports Betting/Impact

V. New Business

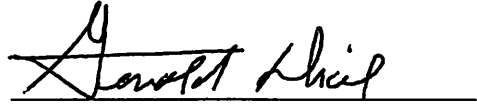
There was no new business to come before the Board.

VI. Adjournment

With no further business to come before the Board, Mr. Higgins made a motion to adjourn. Mr. Crowell provided a second and the motion passed. The meeting adjourned at 3:55 p.m.



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



Gerald Dial
President pro tempore,
Board of Trustees
Troy University