

MINUTES
Board of Trustees
Finance and Facilities Committee
July 17, 2015, 10:30 am

MEMBERS PRESENT: Garth Lovvorn, Mike McCoy, Ronnie Chronister, Macke Mauldin, Dr. Robert Glenn, and Barbara Ferguson, reporting.

MEMBERS ABSENT: Cathy Dickens, Senator Arthur Orr, Dwight Lovell, Dr. Ed Nichols, John Berzett

Mr. Macke Mauldin served as committee chair for the meeting for the absent Ms. Dickens. Mr. Mauldin called the meeting to order at 10:38 am. After roll call, Mr. Mauldin addressed the first item of old business; the proposed budget. Mr. McCoy discussed that the budget will be presented to the full board for approval at this afternoon's meeting. Mr. McCoy explained that the 2016 unrestricted fund budget is \$1.3 million more than the 2015 budget. Specific increases are for salaries and benefits, debt service, and a transfer to the plant fund. He indicated that the budget includes a 2% cost of living increase for all employees. He also stated that the debt service increase is due to the University structuring financing for Phase II of the ACA over a shorter timeframe to save interest costs. He reminded the committee that last year the plant transfer was decreased in order to balance the budget. The amount he has budgeted for 2016 transfer will help make up for some of the decrease from the 2015 fiscal year. He also indicated that the revenues include a \$364,000 increase to our state appropriation as well as the previously approved tuition increase of 2.8%. Mr. McCoy also briefly covered the other fund budgets; auxiliary, restricted, and plant. On a motion made by Mr. Lovvorn and seconded by Mr. Chronister the committee agreed to accept and recommend the proposed budget to the full board.

The next item of old business was the proposed tuition and fee schedule. Mr. McCoy and Mr. Mauldin discussed that the Executive Committee of the Board previously approved the 2.8% tuition increase on June 3, 2015. Mr. McCoy is providing an update to the committee today. Also, he indicated the tuition and fee schedule will be presented to the full board for approval at this afternoon's meeting. He informed the committee that regular tuition will increase from \$179 to \$184 and distance learning tuition will increase from \$257 to \$264. He also pointed out that the schedule to be approved today includes the graduate tuition rate of \$325. On a motion made by Mr. Lovvorn and seconded by Mr. Chronister the committee agreed to accept and recommend the proposed tuition and fee schedule to the full board.

Under new business, the next agenda item was the financial summary for the period ending 06/30/2015. Mr. McCoy provided a handout showing year to date excess revenues over expenses of just over four million dollars. Mr. McCoy reminded the committee 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. Lovvorn asked about the decrease in scholarship expense. Mr. McCoy indicated that we are making a better effort to stay within the budgeted amount for scholarship awards. Scholarship awards have not been monitored as closely in previous years. He also informed this committee these awards are completely separate from ASU Foundation scholarship awards.

The next item of new business was debt refunding. Mr. McCoy stated that this is going to be an action item for board approval at today's meeting. The action item will allow the University to seek information about refunding the 2007 bond issue through private financing from a local financial institution. Mr. Evan Thornton, Business Manager, informed the committee that the refinancing option will not be available until July 2017. The bond is now \$9.8 million and by July 2017 should be \$9.2 million, the projected amount of the refinance. The current interest rate is approximately 5%. There is a current offer to refinance at 2.4%. An interest rate this low could save the University more than \$1 million over 10 years. Mr. Thornton pointed out that the University will watch interest rates in the coming months to try to refinance before interest rates begin to rise. He discussed that in order to secure a low rate, it might be necessary to owe both the bond and the private loan temporarily, until the bond can be paid off with the loan amount in 2017. Mr. Mauldin stated that if the board approves the action item today, the University can move forward with determining refinance options. When a specific option is identified, the Executive Committee of the Board could approve the specifics of the refinance deal in a timely manner to accommodate the loan closing.

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 11:50 am.