The Finance Committee of The Board of Trustees of The University of Alabama met on Thursday, September 12, 2013, in Sellers Auditorium in the Bryant Conference Center on the campus of The University of Alabama. Trustee William Britt Sexton chaired the meeting. Michael A. Bownes served as Secretary.

On roll call, the following Committee members were present:

The Honorable Harris V. Morrissette, Trustee from the First Congressional District

The Honorable W. Davis Malone III, Trustee from the Second Congressional District

The Honorable James Wilson III, Trustee from the Third Congressional District

The Honorable William Britt Sexton Trustee from the Fifth Congressional District

The Honorable Vanessa Leonard, Trustee from the Sixth Congressional District

The Honorable John J. McMahon, Jr., Trustee from the Sixth Congressional District

The Honorable Karen P. Brooks Trustee from the Seventh Congressional District

The Honorable John H. England, Jr., Trustee from the Seventh Congressional District

Other Trustees in attendance:

The Honorable Marietta M. Urquhart, Trustee from the First Congressional District

The Honorable Joseph C. Espy III, Trustee from the Second Congressional District
The Honorable Kenneth L. Vandervoort, Trustee from the Third Congressional District

The Honorable Paul W. Bryant, Jr., President pro tempore and Trustee from the Fourth Congressional District

The Honorable Finis E. St. John IV, Trustee from the Fourth Congressional District

The Honorable Ronald Gray, Trustee from the Fifth Congressional District

The Honorable Andria Scott Hurst, Trustee from the Seventh Congressional District

The meeting was also attended by Chancellor Robert E. Witt, Executive Vice Chancellor for Finance and Operations Ray Hayes, UA President Judy Bonner, UAB President Ray Watts, and UAHuntsville President Robert Altenkirch, as well as support staff from the UA System Office, UA, UAB, and UAHuntsville.

Kellee Reinhart introduced the press: Jennifer Edwards and Jerome Davis from WVUA; Lauren Ferguson from The Crimson White; Ed Enoch from The Tuscaloosa News; Melissa Brown from Al.com; and Meredith Armstrong from Channel 13.

Chairman Sexton called for a motion to approve the minutes of the June 14, 2013, meeting. On motion of Trustee Malone, seconded by Trustee England, the minutes were approved.

Chairman Sexton called on Executive Vice Chancellor for Finance and Operations Ray Hayes to introduce the resolution approving Operating Budgets for UA, UAB, University Hospital, UAHuntsville, and UA System for 2013-2014. The resolution was sent under separate cover.

Mr. Hayes showed strategic budget goals that the Board had seen since 2008, but were still valid. He said they would be looking at a multi-year budget tuition strategy. A five-year change in State appropriations for higher education (FY 2008-2013) yielded a 28.4% loss for Alabama which is in the bottom 10% of the change in State funding.

Mr. Hayes said that State appropriations increased by $7.476 million from FY 2013. The Teachers Retirement System employer costs are increasing by $26.877 million and PEEHIP costs for retirees are increasing by $1.563 million.
With scholarship support for students being a high priority, the campuses have increased that support from $122.9 million in FY 2008 to a projected $250.3 million in FY 2014, which is a 103% increase in support for our students. Each campus is committed to keeping and rewarding faculty and staff with a merit pay program. Approximately 11,299 on-campus student jobs are being provided across our three campuses. In summarizing revenue changes, Mr. Hayes noted that the sources of our revenue have changed with the largest shift being more dependent on tuition and less dependent on State funding. Mr. Hayes said the campus chief financial officers would present their budget recommendations.

Vice President for Financial Affairs Dr. Lynda Gilbert presented the 2014 budget recommendation for UA. Dr. Gilbert discussed funding required to meet the needs of students and faculty. Those needs include: compensation increases for employees; increasing the number of faculty; new graduate assistants; scholarship funding; and the increased TRS employer cost. Dr. Gilbert showed the change in the total budget from FY 2013 to FY 2014 with revenues increasing under $36 million and expenses increasing by $33.4 million. The State appropriations portion of the UA budget remains stable at 18% of the total funding and tuition continues to be a major component of the budget at 43%. There were no questions.

Vice President for Financial Affairs and Administration Richard Margison presented the 2014 budget recommendation for UAB. Mr. Margison said this fall UAB will have a record enrollment of 18,500 students, with increases in freshmen class enrollment of 5% and 9% for the masters' degree program. Priorities identified by the campus leadership include maintaining student enrollment without compromising quality; retaining and recruiting funded faculty investigators; launching a major capital campaign; and covering mandated cost increases. UAB’s proposed operating budget shows a decrease over the approved 2013 budget due to a change in the origin of funds that flow from the clinical enterprise to support programs in the School of Medicine. Funds formerly called “Other Operating Revenues” will be called “Intergovernmental Transfers” in the FY 2014 budget. UAB anticipates their State appropriation will be 23% and the remaining 77% will come from funds that are self-generating activities. There were no questions.

Chief Financial Officer John Faulstich presented the 2014 budget recommendation for University Hospital. Mr. Faulstich said health care is going through rapid changes in delivery and in funding. The most significant change is the implementation of a new funds flow system, which is a continuation of how UAB supports faculty and clinical missions. While quality and patient safety are always areas of major concern, reimbursement is becoming more significantly impacted on how those objectives are achieved. University Hospital is challenged to see the number of patients who are trying to enter the hospital and is working on initiatives to be able to intake more patients. Average bed capacity will increase to 4.8% with about 1109 beds; volumes will increase
4% on the inpatient level, and increase 10% on the outpatient level. There were no questions.

Vice President for Finance and Administration Ray Pinner presented the 2014 budget recommendation for UAH. Mr. Pinner showed key areas of their new strategic plan, some of which included enrollment growth, diverse student body, outstanding and diverse faculty and staff, and leadership in selected areas of education and research. Mr. Pinner said major initiatives that most directly impact their students are: scholarships; health and wellness programs; IT infrastructure and wireless system; the new Charger Union Student Center; website redesign; and joining the WCHA Hockey Conference. Their 2014 budget priorities are: renovating the Nursing Building; new faculty positions; a faculty early retirement program; expanding the distance learning program; continuing UAH’s growth trend; and a merit-based salary pool for faculty and staff. The categories of revenue remain stable with State appropriation at 22%; grant and contracts at 42%; tuition and fees at 28%; and auxiliary and others at 8%. There were no questions.

Executive Vice Chancellor Ray Hayes presented the 2014 budget recommendation for the UA System. Mr. Hayes said the System developed a three-year operating budget plan and they are in year two of that plan. There is a 3% merit pool for employees. There were no questions.

Chairman Sexton called for a motion to approve the resolution. On motion of Trustee England, seconded by Trustee Wilson, the resolution was approved.

**RESOLUTION**

WHEREAS, The Board of Trustees of The University of Alabama has reviewed the proposed operating budget for The University of Alabama System and each of its units: The University of Alabama, The University of Alabama at Birmingham, The University of Alabama Hospital, The University of Alabama in Huntsville, and The University of Alabama System Office, for the fiscal year 2013-2014;

NOW, THEREFORE, BE IT RESOLVED by The Board of Trustees of The University of Alabama that the proposed Operating Budgets for FY 2013-2014 for all units of The University of Alabama System, presented to the Finance Committee and distributed to all Board members, and to be maintained on file with the Secretary of the Board of Trustees, are hereby adopted.
Chairman Sexton called on General Counsel Cooper Shattuck to introduce the resolution approving Revisions to Board Rule 202. Non-resident Tuition Policy. The resolution is found on pages 5-22 of the Finance Book.

Mr. Shattuck said the last legislative session created House Bill 424 which became Act 2013-423, creating different categories for non-resident tuition, particularly for veterans. The proposed changes to Board Rule 202 will mirror those changes in House Bill 424.

Chairman Sexton called for a motion to approve the resolution. On motion of Trustee Malone, seconded by Trustee England, the resolution was approved.

RESOLUTION

WHEREAS, proposed changes to Board Rule 202. Non-resident Tuition Policy is necessitated by Act 2013-423 (HB424) which was passed by the Alabama Legislature and signed into law in 2013;

NOW, THEREFORE, BE IT RESOLVED by The Board of Trustees of The University of Alabama that it approves the revisions to Board Rule 202. Non-resident Tuition Policy. (Exhibit A)

Chairman Sexton called on Executive Vice Chancellor Hayes to introduce the administrative item found on pages 23-49 of the Finance Book.

Mr. Hayes said that the administrative item updates all of the depositories for UAB and the Hospital. He recommended approval.

Chairman Sexton called for a motion to approve the resolution. On motion of Trustee Brooks, seconded by Trustee Malone, the resolution was approved.

RESOLUTION

WHEREAS, The University of Alabama at Birmingham desires to close four (4) accounts for certain funds under its control, as hereinafter described in Exhibit B; and

WHEREAS, since Wachovia Bank has been acquired by Wells Fargo Bank, N.A., The University of Alabama at Birmingham desires to
change the name from Wachovia Bank to Wells Fargo Bank, N.A. on Exhibit C; and

WHEREAS, since Compass Bank has been acquired by Banco Bilbo Vizcaya Argentaria, The University of Alabama at Birmingham desires to change the name from Compass Bank to BBVA Compass Bank on Exhibit C; and

WHEREAS, The University of Alabama at Birmingham desires to create, maintain, and establish an account with The PNC Financial Services Group for the deposit of certain funds under its control; and

WHEREAS, it is desired that The PNC Financial Services Group be approved as a depository for University funds by resolution of The Board of Trustees of The University of Alabama and, as such approved depository, agrees to and accepts the creation, maintenance, and administration of the account described in Exhibit B, attached, upon the terms and conditions therein specified; and

WHEREAS, The University of Alabama at Birmingham maintains with the approved depositories designated in Exhibit C (which consists of 17 pages), those accounts identified therein; and

WHEREAS, Board Rule 406 requires that each University official authorized to effect transactions involving those accounts, including those authorized to sign checks, initiate wire and automatic transfers, or otherwise withdraw funds from these authorized depositories, must be designated by Resolution of the Board; and

WHEREAS, Board Rule 406 further requires that such authority to effect transactions may not be delegated by the persons so authorized; and

WHEREAS, Board Rule 406 further requires that, for each division of the University, all individuals with authority to effect such transactions be identified in a single Resolution, which shall be revised in its entirety when any change in persons so authorized is made so that the most current Resolution listing those persons so authorized can be readily verified by the Secretary of the Board;

NOW, THEREFORE, BE IT RESOLVED that The Board of Trustees of The University of Alabama does hereby authorize the opening and closing of the accounts listed in Exhibit B, attached.
BE IT FURTHER RESOLVED that the individuals identified on Exhibit C are authorized to effect the transactions specified therein on behalf of The University of Alabama at Birmingham until this authorization is removed by official action of the Board. This Resolution supersedes any prior Resolutions granting such authority to act on behalf of The University of Alabama at Birmingham to any individual or individuals.

There being no further business to come before the Committee, the meeting was adjourned.

C. Ray Hayes
Executive Vice Chancellor
for Finance and Operations

Michael A. Bownes
Secretary of the Board of Trustees