The meeting of the Finance and Audit Workgroup was called to order by Vice Chair John Ramil at 10:42am. The following members and liaisons were present: John Ramil, Lee Arnold, Gene Engle, Sherrill Tomasino, Judy Genshaft, Stephanie Bryant, Christopher Davis, and Richard Gitlin.

Vice Chair Ramil announced that he will chair today’s meeting in Chair Law’s absence.

Vice Chair Ramil referenced the most recent USF newsletter and noted the following: the good work being done by faculty, staff and students in Haiti; current environmental research; USF students participating in the Winter Olympics; and the competitiveness of the men’s basketball team. Vice Chair Ramil also noted that Brian Keenan, the workgroup’s Foundation liaison, was the guest head coach at the Cincinnati game in which the Bulls won.

**Action Items:**

I. **Parking Regulation**

**Action:** Approve revisions to the regulation and the referenced 2010-2011 campus parking brochures

Jim Hyatt introduced the parking regulation item. USF Tampa, USF St. Petersburg, and USF Sarasota-Manatee are proposing parking rate increases for 2010-2011.

a. **USF Tampa**

Jeff Mack, Assistant Vice President for Campus Business Services, presented for USF Tampa. Minor revisions are proposed to the brochure text to correct dates and clarify information. A 3% increase in parking rates is also proposed. In 2006, the 5 year plan for parking called for an increase in the number of parking garages. To fund debt service on the additional garages, the plan called for a 20% increase in rates for each of the next 5 years. Parking rates increased 20% in years 1 (FY 2006-07) and 2 (FY 2007-08). Additional garages were not placed on the active building schedule, so rates were increased by 3% in year 3 (FY 2008-09) and 3% in year 4 (current year, FY 2009-10) in order to grow debt coverage ratios to encourage positive rating and lower rates on future debt. For 2010-2011 (year 5), a 3% increase is again proposed. The increase will be used for utility increases, maintenance on existing garages, credit card processing fees for parking permit machines, and to build reserves.

Park-n-Ride permits are still available at the lowest rate and space is expected to be available in Park-n-Ride lots with access throughout campus on the Bull Runner Transit. A vehicle location system has been installed in the buses to predict arrival at a particular spot.

Trustee Arnold asked about the rail stations that are planned for USF Tampa. President Genshaft stated that USF is an active participant in the light rail project and is represented on the Mayor’s committee. Manuel Lopez, Director of Parking & Transportation Services, noted USF is in the middle of this project. Mr. Hyatt stated we will support a metro station on campus as it is a revenue
generator/economic boost for the campus. Trustee Engle added this is important for the entire I-4 corridor and we need to show we are involved and the importance of this.

**Trustee Arnold made a motion for approval of the revisions to the parking regulation and the USF Tampa parking brochure including the proposed parking rate increase. Trustee Tomasino seconded the motion. The motion passed.**

b. **USF St. Petersburg**
Dr. Margaret Sullivan introduced the parking item for USF St. Petersburg and Dr. Ashok Dhingra presented the parking proposal. USF St. Petersburg is proposing a 7% increase in parking permit rates for 2010-2011 for costs associated with operating expenses including utilities, personnel costs, debt service and management of the Parking Facility. The increase will generate $38,000. The USF St. Petersburg Parking Brochure for 2010-11 was presented and unanimously approved by the USF St. Petersburg Campus Board at its January 25, 2010 meeting.

**Trustee Arnold made a motion for approval of the revisions to the USF St. Petersburg parking brochure and proposed rate increase. Trustee Engle seconded the motion. The motion passed.**

c. **USF Sarasota-Manatee**
Ben Ellinor presented the parking proposal for USF Sarasota-Manatee. Last year, the BOT approved a plan for USF Sarasota-Manatee that called for 10% increases to provide enough savings for the construction of a parking garage in 10 to 15 years. A 10% increase is proposed for 2010-11. The USF Sarasota-Manatee Parking Brochure for 2010-11 was presented and unanimously approved by the USF Sarasota-Manatee Campus Board at its January 19, 2010 meeting.

**Trustee Arnold made a motion for approval of the revisions to the USF Sarasota-Manatee parking brochure and proposed rate increase. Trustee Tomasino seconded the motion. The motion passed.**

II. **2010-2011 Housing Rental Fees and Proposed Revisions to Regulation USF4-0107 "Special Fees, Fines and Penalties" Section (1)(aa), Housing Rental Rates**

**Action: Approve proposed housing fee structures and revisions to regulation**

a. **USF Tampa**
Dr. Jennifer Meningall introduced the housing rental fees item for USF Tampa. Ana Hernandez, Dean for Housing and Residential Education, presented the information. USF Tampa is requesting an average 6% increase in housing rates for 2010-11. The proposed increase covers: (1) continue level of services to residents consistent with the past year; (2) increase in operating costs due to the opening of Juniper-Poplar Suites in August 2009; (3) increase in the Housing System debt service payments; (4) increase in cost of utilities; and (5) increase in cost of facility infrastructure needs. This is a lower increase than the last three years. The increase has been presented to and discussed with residence hall and student government leaders and shared with the Oracle (campus newspaper) during February 2010. Student Government had some reservations as current students would be paying for deferred maintenance they may not see.
President Genshaft stated students are more concerned with the high cost of food contracts (Aramark) – they are expected to pay for more than they can eat. This is a recurring issue in the President’s lunch-and-learn meetings with students as well as with students and parents. Dr. Meningall reported that they are looking at modifying the restrictions on food contracts as this is a retention issue (total cost of attendance).

Mr. Mack stated that first-time-in-college students who live on campus are required to purchase a meal plan. His area is looking at this as well. Plan pricing is based on the cost of the food. There have been changes in the food service/facilities (improvements). Trustee Engle asked how often we look at the food contract. Mr. Mack replied the food contract is reviewed each year. We currently have a 5-year contract with Aramark which is amended each year. Two years remain on the current contract. Trudie Frecker stated we now have more dining locations than any other campus and there is a cost to this. Mr. Mack also noted the new facility in Juniper/Popular for which there is debt service.

Trustee Arnold requested a presentation on coverage ratios for debt service to be sure the increase is consistent with what is needed. This information should be in these requests going forward.

Trustee Arnold made a motion for approval of the revisions to regulation USF 4.0107 and approval of the proposed USF Tampa Housing and Residential Education Rate increase for 2010-2011. Trustee Tomasino seconded the motion. The motion passed.

Trustee Engle asked how often we look at the food contract. Mr. Mack replied the food contract is reviewed each year. We currently have a 5-year contract with Aramark which is amended each year. Two years remain on the current contract. Trudie Frecker stated we now have more dining locations than any other campus and there is a cost to this. Mr. Mack also noted the new facility in Juniper/Popular for which there is debt service.

Trustee Arnold requested a presentation on coverage ratios for debt service to be sure the increase is consistent with what is needed. This information should be in these requests going forward.

Trustee Arnold made a motion for approval of the revisions to regulation USF 4.0107 and approval of the proposed USF Tampa Housing and Residential Education Rate increase for 2010-2011. Trustee Tomasino seconded the motion. The motion passed.

Vice Chair Ramil suggested President Genshaft bring Aramark in to hear student issues.

b. **USF St. Petersburg**
Dr. Sullivan introduced the housing fee item for USF St. Petersburg. Dr. Kent Kelso presented the information. USF St. Petersburg is requesting a 10% rate increase in residential housing rates for 2010-2011. The proposed rental rate increase is necessary to pay debt service, fund reserve requirements, maintain operating and maintenance/custodial services costs, utility increases and other anticipated cost of living increases. USF St. Petersburg has one residence hall. Market analysis shows that USF St. Petersburg is competitive: 102% occupancy in Fall 2009; full occupancy in Spring 2010 (now). USF St. Petersburg collects 95% of occupancy; budgets 92% of occupancy. 60% of occupants are freshmen; had a significant waitlist last year; 40-50% choose to return.

Trustee Engle made a motion to approve the proposed USF St. Petersburg Housing Fee structure for 2010-2011. Trustee Tomasino seconded the motion. The motion passed.

III. **Amended 2010-2011 Through 2014-2015 Five Year Capital Improvement Plan (CIP-2)**

**Action: Approval**

Mr. Hyatt presented the amended Five Year Capital Improvement Plan (CIP-2). Changes to the plan incorporate revenue estimates from December; include a decrease in infrastructure funding for USF Tampa, USF St. Petersburg, and USF Sarasota-Manatee; a
delay in the $20M for the Interdisciplinary Science Teaching & Research Facility (deferred one year); and a delay in the new Undergraduate Classroom and Support Building Phase 1 by one year. Funding for USF Polytechnic I-4 Campus Phase 1 remains unchanged.

Trustee Engle made a motion to approve the amendment to the USF System Five-Year Capital Improvement Plan. Trustee Arnold seconded the motion. The motion passed.

Trustee Arnold asked how far behind we are in our five-year plan. Ms. Frecker responded that we are about three years behind. Trustee Arnold stated we should be complaining about this and we need to show this graphically to send a message to Tallahassee.

IV. Amended 2010-2011 Fixed Capital Outlay Projects that Require Legislative Approval

Action: Approval

Mr. Hyatt presented the amendment to the 2010-2011 Fixed Capital Outlay Projects that Require Legislative Approval. Two projects are being added to the back of the bill: shift of the Suncoast Gerontology Center from Morsani Center to Byrd Alzheimer’s Center; and adding the Center for Advanced Medical Learning & Simulation (CAMLs).

Trustee Engle made a motion to approve the amendment to the 2010-2011 Fixed Capital Outlay Projects that Require Legislative Approval. Trustee Tomasino seconded the motion. The motion passed.

Information Items:

V. Budget Update

Mr. Hyatt gave a budget update. The 12/04/09 revenue projections were positive for the first time in three years. FY 2010/11 revenue was positive also, but demands from Medicaid/Medicare are an issue. PECO and lottery estimates were not as positive. Bertha Alexander reported that committees are meeting weekly and daily. The legislative session begins March 2 and runs for 60 days until April 30. If the session ends on time, we should have a good picture of our budget at that time. Mr. Hyatt noted the Governor’s budget has come out and is positive for higher education; however, the ability to fund it is a question. Ms. Alexander stated the Governor’s budget also includes a 15% differential tuition increase.

Trustee Arnold noted that compensated absences for the University are growing and is of concern. Is there a policy cap? Mr. Hyatt responded there are limits/caps and we are working to get the balances down. Mr. Hyatt expressed concern about this issue as well. Trustee Arnold gave his support to come up with ideas for reducing compensated absences.

Trustee Arnold noted that cash and cash equivalents decreased from $155,000 in Q1 of 2008/09 to $92,000 in Q1 of 2009/10. Nick Trivunovich explained this modest balance was the amount held in our bank operating account; however the University had $116M in a money market fund on September 30, which funds are available on a same-day basis. Operating funds are swept daily to the money market fund. Mr. Stubbs stated that the University also maintains $342 million in a high quality short-term bond index fund; these funds are available to support liquidity needs of the University on a next-day basis. All other investments are composed of marketable investments that can be liquidated if necessary.
VI. **FY 08-09 USF Financial Statements (final)**

a. **USF System**

Nick Trivunovich presented the FY 08-09 final financial statements for the USF System. No material weaknesses or findings were identified. The following two changes were made from the preliminary statements presented in November to the final statements: (1) $681K audit adjustment in due to component units and (2) $51K audit adjustment in due from component units. The University’s assets totaled $1.51B at June 30, 2009. The component units’ assets totaled $950M at June 30, 2009.

b. **USF Sarasota-Manatee**

Ben Ellinor presented the FY 08-09 final financial statements for the USF Sarasota-Manatee. No material weaknesses or findings were identified. USF Sarasota-Manatee’s assets totaled $44.7M at June 30, 2009. This balance reflects a $3.4M, or 8.2%, increase from FY 07-08. Liabilities increased by $0.7M, or 40.9%, totaling $2.5M at June 30, 2009, compared to $1.7M at June 30, 2008. As a result, net assets increased by $2.7M, reaching a year-end balance of $42.2M. Operating revenues totaled $6.2M for FY 08-09, representing a 31.3% increase from the FY 07-08 due mainly to increases in student tuition and fees and grants and contracts. Operating expenses totaled $21.6M for FY 08-09, representing an 8.6% decrease from FY 07-08 due mainly to decreases in expenses for services and supplies, employee compensation and benefits, and utilities and communications. USF Sarasota-Manatee anticipates a 4.5% increase in FTE next year.

c. **USF Polytechnic**

Josh Bresler presented the FY 08-09 final financial statements for the USF Polytechnic. No material weaknesses or findings were identified. The statements were prepared for the SACS accreditation. SACS requires three years of statements. This is the first year for separate statements for USF Polytechnic; therefore, there are no comparative statements. USF Polytechnic had 913 FTE students for 2008/09. Projected FTE for 2014/15 is 2,222.

Mr. Trivunovich noted that separate statements were not prepared for USF St. Petersburg as they were not required for accreditation. Trustee Ramil asked if we need separate statements for USF Tampa. Mr. Trivunovich responded that this issue is being discussed currently.

VII. **DSO/USF 1st Quarter Financials**

Fell Stubbs presented the financial reports for Q1 for FY 2009-10. USF and all DSOs/Component Units prepare quarterly statements which are presented to the Finance Management Council by the legal entities and carefully reviewed. Highlights:

- USF is forecasting an operating profit of $12.5M for FY 2010.
- UMSA is projecting an operating profit of $4.3M. The receivables issue has been addressed. Revenues are increasing. Received some one-time and additional continuing revenue from TGH.
- The Sun Dome is projecting an operating loss of $188K, which reflects an improvement from FY09’s loss of $449K, due to non-recurring expenditures and year-end accounting entries made in the prior year.

Trustee Arnold requested a presentation from the USF Foundation on how they are handling investment losses.
Trustee Arnold stated CAMLS (Center for Advanced Medical Learning & Simulation) should present itself as a new business, not as a continuing business. CAMLS needs to show how it will support its capital requirements. Trustee Arnold would like a presentation on revenues and is the risks associated with the revenues. USF should treat CAMLS as a new business venture.

VIII. **DSO Financial Statement Audit Findings**
Fell Stubbs presented the DSO Financial Statement Audit Findings. These are reportable findings in the audit opinions – material weaknesses, significant deficiencies or significant findings. Six audits contained new deficiencies in controls. The audits disclosed six repeat findings, noted on the report per Vice Chair Ramil’s request. Vice Chair Ramil stated the Trustees do not like to see repeat findings.

Trustee Engle asked if the workgroup will get a report back when the items are completed as he would like to know that the issues have been corrected. Mr. Stubbs indicated he will report ad hoc as items are completed.

**Other**

Vice Chair Ramil recapped the requests from the Trustees:
- Presentation at the next full board on light rail/high speed rail and USF’s plan and proposed action.
- Update from the USF Foundation for the next workgroup meeting.

Trustee Arnold requests a calendar of when items are presented to the workgroup (reports, etc.).

Having no further business, Vice Chair Ramil adjourned the Finance and Audit Workgroup meeting at 12:22pm.