The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:34am. The following members and faculty liaisons were present: Rhea Law, John Ramil, Lee Arnold, Gene Engle, Sherrill Tomasino, Stephanie Bryant, Christopher Davis, and Richard Gitlin.

Chair Law introduced new faculty liaison Christopher Davis, Associate Professor, Information Systems & Decision Sciences, USF St. Petersburg.

Athletic Director Doug Woolard spoke about tonight’s football game vs. University of Cincinnati. He is expecting a crowd of over 60,000. USF will have the largest student section in the Big East at 12,501. An additional 2,000 student tickets have been allocated for tonight’s game for a total of over 14,000 students. Mr. Woolard thanked the Trustees for their support of USF Athletics.

Chair Law noted the security issues that occurred on the Tampa campus last week, indicating that the issues are currently being addressed and will have the best response possible in these situations. Jim Hyatt stated the University Police did an outstanding job. Dr. Cindy Visot, Chief of Staff, and Alana Ennis, Assistant Vice President for Public Safety, are working on messaging and communications (quicker and clearer messages). Dr. Visot reported that their team tested a new conference call system which worked well. Testing will continue. The team is also working on templates for communications. Security experts will review our messages and provide feedback. There are some dead spots on campus (i.e. Library basement) where messages/ communications are not received. Michael Pearce is working with telecommunications providers to address and correct these areas.

Mr. Hyatt reported that the Emergency Management Committee (which includes students) has been meeting. They will be testing what to do in an emergency.

Chair Law stated that we will continue to safeguard our students, faculty, and staff. Trustee Arnold noted the University has come a long way in building our current systems and he is very pleased with where we are.

Dr. Bryant asked if the Emergency Management Committee will have recommendations for faculty in classes and what to do in these situations. Mr. Hyatt responded that there will be written procedures.

Chair Law reported that President Genshaft, Provost Wilcox and Dr. Klasko are currently in South Korea, having a very productive trip.

**Action Items:**

I. Local Fees (All Campuses)

   **Action:** Approval

Mr. Hyatt reviewed the fee cap analysis which shows the maximum allowable increase for all three types of fees (A&S, Athletic, and Health) as well as the requests for each campus.

a. Activity & Service (A&S), Student Health, and Athletic Fee Increases
1. **USF Tampa**

Dr. Jennifer Meningall presented the fee increase request for USF Tampa. She stated campus life and student activity is very positive and enhances student success. A&S (Activity & Service) addresses out-of-classroom activities. The maximum allowable increase for USF Tampa for all three fees is $1.54. The recommendation from the Committee on Student Fees is to raise student fees by $1.54 (maximum allowable increase for USF Tampa) in the following amounts:

- Activity & Service Fee $0.68
- Student Health Fee $0.24
- Athletic Fee $0.062

The fee increases have been vetted very thoroughly. Students and administrators participate in the process.

Trustee Arnold made a motion to approve the student fee increases for USF Tampa as presented. Trustee Tomasino seconded the motion. The motion passed.

2. **St. Petersburg**

Dr. Margaret Sullivan, Interim Regional Chancellor, introduced the fee increase request for USF St. Petersburg. Dr. Kent Kelso presented the fee increase noting USFSP goes through a similar fee increase process as USF Tampa. Student government passes a resolution to make a recommendation to the Student Fee Committee. USFSP is requesting to raise student fees by $0.68 (maximum allowable increase for USF St. Petersburg) in the following amounts:

- A&S – Student Government $0.10
- Athletics $0.10
- Health Services $0.38

The increase to the Athletic fee indicates student support of the Sailing Program and continued interest in access to USF Athletic events. Students want it noted that the decision to increase the fee came before USF beat FSU.

The significant increase to the Health fee reflects the students’ desire to fund a health clinic in the future.

Trustee Tomasino made a motion to approve the student fee increases for USF St. Petersburg as presented. Trustee Arnold seconded the motion. The motion passed.

3. **USF Polytechnic**

Dr. Jan Lloyd presented the fee increase request for USF Polytechnic. The recommendation of the Student Fee Committee is to raise student fees by the allowable five percent or $0.43. The entire increase will be allotted to the Health fee to help get health services for the new campus. Watson Clinic will provide a nurse practitioner three days a week for urgent care.

Trustee Arnold made a motion to approve the health fee increases for USF Polytechnic as presented. Trustee Tomasino seconded the motion. The motion passed.

Chair Law noted that USF Sarasota-Manatee has proposed no student fee increases.
b. Material & Supply Fees

Mr. Hyatt introduced the material & supply fee item. The controller’s office monitors material & supply fees for appropriateness.

1. USF Tampa

Kevin Toso presented the material & supply revisions for USF Tampa. Materials and supplies for specific courses are charged to students in advance so all materials are provided. The university fee cap is $75 per course.

Trustee Arnold made a motion to approve the material & supply fee revisions for USF Tampa as presented. Trustee Engle seconded the motion. The motion passed.

2. USF St. Petersburg

Dr. Sullivan presented the material & supply fee recommendation for USF St. Petersburg. The fees are the actual costs of materials divided among the participants.

Dr. Bryant asked about the testing assessment for GEB. Dr. Sullivan responded that USFSP has been paying for this up to now and is now passing the cost to the students (what ETS charges USFSP). The tests assess the undergraduate and graduate business students’ knowledge and skills through a standardized test developed by Educational Testing Service (ETS). The results are compared with other undergraduate and graduate business students across the country in order to make continual improvements to the USFSP College of Business programs.

Trustee Arnold made a motion to approve the material & supply fee recommendation for USF St. Petersburg as presented. Trustee Tomasino seconded the motion. The motion passed.

3. USF Sarasota-Manatee

Ben Ellinor presented the new material & supply fees for USF Sarasota-Manatee. USFSM is also seeking fees for testing assessments for business courses as well as fees for materials and supplies for an education course.

Trustee Tomasino made a motion to approve the new material & supply fees for USF Sarasota-Manatee as presented. Trustee Arnold seconded the motion. The motion passed.

c. Facilities & Equipment Fees – USF Sarasota-Manatee

Mr. Ellinor presented the facilities and equipment use fee recommendation for USF Sarasota-Manatee. Four classrooms on the USFSM campus have intensive equipment. USFSM has identified courses that will use this equipment more than 50% of the course time per semester.

Mr. Ellinor noted that USF Tampa and USF St. Petersburg already have these fees in place (approved last year for Fall 2009).
Trustee Ramil made a motion to approve the facilities & equipment use fee recommendation for USF Sarasota-Manatee as presented. Trustee Arnold seconded the motion. The motion passed.

II. **DSO/CU 2010 Financial Plans and Strategy Statements**

**Action:** Approve DSO/CU 2009-10 Financial Plans

Fell Stubbs introduced the agenda item and noted that the financial plans include overviews of business strategies as well. Mr. Stubbs then asked the representatives from each of the DSOs to make comments on their plans.

a. **USF Foundation, Inc.**

Rob Fischman presented the 2010 financial plan and strategy statements for the USF Foundation. The Foundation is implementing a comprehensive campaign to raise funds to attract world-class scholars and students, build state-of-the-art academic and athletic facilities, and support groundbreaking research activities. This is a revenue growth strategy. The public phase of the campaign will kick-off next week, with the main kickoff on October 20, an event for faculty, staff and students on October 19, and then events on the regional campuses. During the last year, the Foundation’s investment committee took action to better position the Endowment’s asset allocation and replaced several investment and money managers.

Trustee Arnold expressed his concern about the Foundation’s 5-year average spending policy (the Foundation averages the value of earnings over five years - as the market fluctuates, the Foundation can provide spending that’s consistent at an average market level) and with the Foundation being upside down with its portfolio – the Endowment is subsidizing operations. Trustee Arnold suggested that the Foundation send out a formal letter communicating an anticipated decrease due to the 5-year spending average decrease. Mr. Fischman stated the Foundation did send out a letter in March to this effect. He further stated this is a rolling average and the Foundation has tried to keep spending steady so the impact won’t be large.

Trustee Arnold asked how USF’s performance compares to other universities in the state. Mr. Fischman responded that USF is in the middle range.

Dr. Bryant asked if there is a requirement to reinvest dividends from ‘underwater’ endowments (endowed funds with a market value below the original amount donated to the fund). Mr. Fischman responded that the Foundation does not want to react too soon – looking at 30% of the total. Dr. Bryant stated if we give it time, we might not need to do this. Mr. Fischman commented that reinvestment is important to grow the Endowment.

Trustee Ramil made a motion to approve the USF Foundation 2009/10 Financial Plan. Trustee Arnold seconded the motion. The motion passed.

b. **USF Alumni Association, Inc.**

Rob Fischman also presented the 2010 financial plan and strategy statements for the USF Alumni Association (USFAA). The University has over 200,000 alumni. Customer growth strategies include outreach; engage students before they are alumni; and advocacy efforts. Revenue growth strategies include auto renewal of memberships; increase the number of license plates (we have passed UCF); increase life memberships; and engage alumni in the
campaign. USFAA continues to monitor costs. USFAA investments are held in the Foundation’s investment pool and uses the same return assumptions as the Foundation. USFAA does not rely on market gains for its operations; instead it relies on the dividends provided by the Foundation under its spending policy. While the spending policy is subject to change, we are anticipating the dividend rate for fiscal year 2010 will remain unchanged.

The decrease in revenue for 2010 is due to not budgeting for major gifts and an anticipated slippage in the membership rate.

Chair Law stated that the $400K from the Foundation to subsidize Alumni was intended to be seed money, but USFAA is internalizing this subsidy (still in budget). How can USFAA get to the next level? Mr. Fischman explained that nationally, alumni associations are subsidized by universities or foundations. There is nothing on the horizon to resolve this issue for USFAA.

Trustee Ramil asked who has the best market penetration. John Harper, Executive Director, responded the USFAA is on track given our age. Holding flat on memberships. We are changing our product mix and marketing. Currently 15,000 members; 1,700-1,800 life members.

Trustee Arnold stated the credit card program is the wild card (Infinity credit card contract expires in 2012). How big a hit could this be? Mr. Harper responded there are 3 years left on the contract – still hard to determine impact at this point. Will have a better idea in a year or two.

Trustee Engle asked is there a steady increase each year in memberships. Mr. Harper responded that USFAA does predict a steady increase. More recent graduates tend to join the alumni association. USFAA is building programs to reach existing students and new students as they enter the university.

Trustee Ramil noted there is a large number of alumni in this area. Mr. Harper reported there are 220,000 alumni; 165,000 in Florida; 135,000 in our 6-county area. Doug Woolard commented that a successful athletics program should help increase alumni association memberships. USF Athletics is working with USFAA on programs.

Dr. Bryant suggested having a kiosk at the football games for the Alumni Association.

Trustee Ramil made a motion to approve the USF Alumni Association 2009/10 Financial Plan. Trustee Tomasino seconded the motion. The motion passed.

c. USF Research Foundation, Inc.

Allison Madden presented the 2010 financial plan and strategy statements for the USF Research Foundation. The Research Foundation promotes, encourages and provides assistance to the research activities of University faculty, staff and students. The Research Foundation performs the following services: research administration, intellectual property licenses, and manages the USF Research Park of Tampa Bay and the Tampa Bay Technology Incubator.

Ms. Madden stated that all private source research contracts (new contracts) will go through Research (for fiscal administration) by the end of the year. This will bring all research into one area for oversight. Private grants tend to be of shorter duration.

Trustee Engle asked about the interest paid on debt item on the financial plan. Ms. Madden indicated that this is for the development of the Research Park. Trustee Arnold asked if the
Research Foundation is meeting coverage ratios on the debt. Ms. Madden responded yes. Trustee Arnold noted there are no pending cash operational issues.

Trustee Ramil made a motion to approve the USF Research Foundation 2009/10 Financial Plan. Trustee Engle seconded the motion. The motion passed.

d. Sun Dome, Inc.

Brett Huebner presented the 2010 financial plan and strategy statements for Sun Dome, Inc. (SDI). SDI manages the arena, the golf course (The Claw @ USF), and certain sports fields (receives management fee) on behalf of USF. The arena is cash neutral, but faces competition from newer venues in the area. The arena operation is challenged by Big East basketball scheduling and the age and condition of the facility.

SDI’s golf course, through its outsourcing partnership with Billy Casper Golf, LLC, recently underwent a greens renovation (completed August 2009). Improved course conditions coupled with a focused and effective marketing plan will directly correlate into customer growth. Invested $100K in the greens project – hope to increase revenue.

A decrease in revenue and expenses for 2010 is due to fields maintenance transferred to Athletics - eliminate pass-through activity and recognize overhead savings. The depreciation item on the financial plan is for the scoreboards and generator.

Trustee Ramil asked if the USF golf teams played their matches at the Claw. Doug Woolard responded that we can, but we’ve had other opportunities to play at other courses. The teams practice at the Claw.

Mr. Huebner stated that if we can sustain the asset (the Claw), revenues should increase.

Trustee Engle asked does the course have intrinsic value. Mr. Woolard responded yes, it has value to students and faculty.

Trustee Tomasino asked whether we market the course. Mr. Woolard responded that Billy Casper Golf markets the course.

Trustee Ramil made a motion to approve the Sun Dome, Inc. 2009/10 Financial Plan. Trustee Arnold seconded the motion. The motion passed.

III. Athletic District/Sports Complex Financing Proposal

Action: Approval

Mr. Woolard presented the Athletic District/Sports Complex Financing Proposal. Needed improvements as part of joining the Big East. First piece is done – Athletic Training Facility. Second piece is also done – complete renovation of track & field complex ($2.8M from the County). Next steps include a basketball training center (men’s and women’s), tennis courts, football practice fields, softball complex, baseball field, soccer stadium. At this time, we will delay soccer and tennis. The project is about $30M and will improve student athletes and improve venues for fans. Two groups are working on this project – facilities (led by Trudie Frecker) and financing (led by Fell Stubbs).

Lee Roy Selmon made a few remarks on Athletics and the proposal. He stated this project will make it easier for those who come after us to be successful.
Mr. Woolard explained that this project will help to enhance the experience of our athletes both academically and athletically.

Mr. Stubbs noted an RFP was issued for long term, fixed rate debt with no covenants; January date expected for construction. Approval will next go to Financing Corp. Board. The Foundation is ready to advance funding for serial payments of large capital gifts. Project approval will then return to the BOT and to BOG in December.

The cost for this project is approximately $30M. The principal long-term source of funding will be private gifts obtained from an athletics capital campaign by the USF Foundation; today, approximately $6.5M in gift agreements have been closed. The remaining balance of the project cost will be funded by a long-term bank loan; today, approximately $23.5M will be needed from the bank. The long-term bank debt is expected to be reduced by future private gifts.

Trustee Arnold stated that $6.5M will be needed at closing. Mr. Stubbs reported that $2M of the $6.5M has already been received in cash – Foundation would loan the remaining $4.5M.

Trustee Tomasino asked if the 35% Build America Bond subsidy from the Treasury is reflected in the financials. Mr. Stubbs responded yes.

Mr. Stubbs stated the pledge of revenues from Athletics (looking at 5-year history) is driving this financing.

Trustee Arnold made a motion to authorize issuance of debt by USF Financing Corporation and request approval by the Florida Board of Governors. Trustee Engle seconded the motion. The motion passed.

Information Item:

IV. Financial Status Update

Mr. Stubbs reported that Standard & Poor’s has issued a credit rating for the University of AA- with stable outlook. This is the best rating for a university in Florida and is comparable to our Moody’s rating. The Standard & Poor’s report will be distributed to the Trustees.

Other

Chair Law referenced ResearchOne (a weeklong celebration of research) that took place last week. Chair Law remarked that we have a lot to be proud of.

Chair Law asked if there was any other business.

Having no further business, Chair Law adjourned the Finance and Audit Workgroup meeting at 12:13pm.