The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:32am. The following members and liaisons were present: Rhea Law, John Ramil, Lee Arnold, Gene Engle, Sherrill Tomasino, Judy Genshaft, Stephanie Bryant, Christopher Davis, Richard Gitlin, and Brian Keenan.

Chair Law announced the Board of Trustees will have a retreat on December 3rd from 9:00am to noon, followed by a full board meeting from 12:30pm to 2:00pm.

Trustee Debbie Sembler and President Genshaft were recognized by the Anti-Defamation League (ADL) at a dinner last week. President Genshaft gave a great speech.

**Action Item:**

I. Facilities & Equipment Fees
   Action: Approval

Mr. Hyatt introduced the Facilities & Equipment Fees item. USF Tampa and USF St. Petersburg have new fees and fee revisions for Fall 2010. USF Sarasota-Manatee presented their new fee requests at our October meeting. The University cap for Facilities & Equipment fees is $100 per course. None of the new fee requests or fee revisions exceeds the $100 per course cap.

   a. USF Tampa

   Kevin Toso presented the facilities and equipment fees request for USF Tampa. USF Tampa is requesting a range of fees, as the actual fee will depend on the number of students and the number of courses in each lab each semester. Currently USF Tampa has approximately 120 labs/classrooms with an estimated annual cost of $1,242,000. In 2008-09, $714,179 was recovered by the Facilities & Equipment Fees. This is the fourth semester for charging these fees.

   **Trustee Tomasino made a motion to approve the facilities & equipment use fee request for USF Tampa as presented. Trustee Arnold seconded the motion. The motion passed.**

   b. USF St. Petersburg

   Dr. Margaret Sullivan presented the facilities and equipment fee recommendation for USF St. Petersburg. Dr. Norine Noonan noted the fees are calculated like all the other campuses and are cost-recovery only.

   **Trustee Engle made a motion to approve the facilities & equipment use fee recommendation for USF St. Petersburg as presented. Trustee Arnold seconded the motion. The motion passed.**
Information Items:

II. **USF St. Petersburg Fee for Multipurpose Student Center**

Dr. Sullivan introduced the USF St. Petersburg Fee for Multipurpose Student Center. Dr. Kent Kelso indicated that he is speaking on behalf of the USF St. Petersburg students who for 5 years have been pursuing this plan. The students want a residential campus with a student center and more housing. One hundred and thirty requests for housing went unmet this year at USF St. Petersburg. The students also want a medical/health facility.

Dr. Ashok Dhingra stated that upon legislative authorization, a fee of $13 per student credit hour will be proposed to be used for the construction and operation of a new facility. The proposed fee will also fund the renovation of space in the existing Campus Activities Center (CAC). Legislative authorization is needed to exceed the 5% increase limit per year. The $13 fee will still be within the 40% cap (the sum of activity and service, health and athletic fees shall not exceed 40% of tuition and within that cap cannot increase more than 5% per year unless specifically authorized in law or the General Appropriations Act). Once approvals have been obtained, USF St. Petersburg will come back to the Finance & Audit Workgroup for approval of the fee. This presentation is for information now.

This proposed Multipurpose Student Center will include student residence facilities (196 beds in phase 1). The new and renovated space for this project is 101,500 GSF which includes the student center (35,000 GSF), student housing (47,500 GSF) and CAC renovation (19,000 GSF). The total cost of the project is $21 million, $16 million of which will be bonded. A 1½% inflation factor has been included in the project costs. This item will also be presented to the ACE Workgroup later today to modify the Master Plan to change the structure from 3 levels to 6 levels.

Chair Law reported that the USF St. Petersburg students are working with legislators for authorization of the fee.

Trustee Engle asked when the project will begin. Dr. Dhingra stated USFSP has $2 million in CITF available now. Dr. Sullivan stated the students are moving forward with the fee and receiving positive response.

Trustee Ramil asked how much funding will come from the student fee. Dr. Dhingra responded $1.3 million will come from the student fee. Housing revenue will appear in year 3 (2012-13).

Trustee Arnold questioned the modest increase in revenue with the addition of 83 beds in phase II – only $500 thousand. Dr. Dhingra responded that the cost of the 83 beds is $2.5 million. Trustee Arnold stated this looks short – not getting enough revenue for the increase in beds. Trustee Ramil stated the pro-forma indicates $1.6 million for 186 beds. Dr. Dhingra explained that the pro-forma contains very conservative revenue projections as well as conservative occupancy rates. The debt coverage ratio in the pro-forma exceeds the 1.3X target.

President Genshaft noted that the current residence hall does not have food service and the new beds will have food service. The new housing is not the same style as the existing housing. Dr. Sullivan reported that USFSP is the only residential institution in the southeast that does not offer food service or a medical facility.
III. **Center for Advanced Medical Learning Simulation (CAMLs) Update**

Fell Stubbs provided an update on the Center for Advanced Medical Learning & Simulation (CAMLs) on behalf of Dr. Deborah Sutherland who could not attend due to a conflict, though other HPCC representatives are present.

USF Health Professions Conferencing Corp. (HPCC) had a 90 day letter of intent (LOI) with the Beck Group at The Heights location, north of downtown Tampa and I-275. The LOI expired this week. HPCC’s annual board meeting is tomorrow and the board is expected to vote to amend the LOI to extend the term for 60 days and make other changes. The University has been pursuing the CAMLS project for approximately 4 years and it continues to be an important project.

IV. **Finance Issues**

a. **Preliminary University 2009 Annual Financial Reports**

Nick Trivunovich presented the Preliminary University 2009 Annual Financial Reports. These are unaudited financial statements. The audit is underway now. The audited (final) financial statements will be discussed at the February Workgroup meeting.

Attachment D-1 is the income statement. Net Student Tuition and Fees increased $20 million or 14.7% over the prior year due to the 15% (including differential tuition) tuition increase for in-state undergraduate students and an increase in student credit hours (SCH). Sales and Services of Auxiliary Enterprises increased $10.9 million or 13.7% over the prior year due primarily to increases in the sales of Housing, Athletics, Study Abroad Operations, and Computer Store sales. Scholarships, Fellowships and Waivers increased $9 million or 12.6%. This category usually increases with tuition. State Appropriations decreased $22.4 million or 6.9% due to the reduction of recurring funding from the State. Operating expenses decreased by $2.8 million.

Attachment C-1 is the balance sheet. Unrestricted cash (cash and cash equivalents and investments) increased by $31 million. The University managed to achieve positive investment returns over the past year. Due from State increased $52.8 million or 38.7% due to new funding from the State for construction which was not drawn down by the end of the fiscal year as well as 2008-09 lottery funds that were not received until 2009-10. Total Assets increased $109 million over the prior year.

b. **2009-10 Operating Budget**

Bertha Alexander presented an overview of the 2009-10 operating budget. Ms. Alexander noted that we are required to provide an operating budget by funding source so there is some duplication due to transfers. The operating budget does not include capital projects and DSOs (except the Faculty Practice Plan, which is included). Revenue increased 12.5% over the prior year and expenditures (include transfers and carry forward) increased 4.3% over the prior year. Auxiliaries and Financial Aid account for the increase in revenue. The Financial Aid increase is due to the Stafford Loan program. The Auxiliary increase is due to residential services, student health services and computer services. In state funding, we had a $43.9 million recurring General Revenue reduction and a $605.6 thousand recurring lottery reduction. Since 2007, the University has experienced a $96 million reduction in funding from the state. The 2009/10 reduction was partially offset by some non-recurring funds including $23.4 million in federal stimulus funding. The reduction was also offset by a 15% undergraduate tuition increase. The budget contains two legislative specials - $5
million for USF Polytechnic and $5 million for medical school funding. The budget also includes a small allocation for PO&M. There are no flexible funds in the budget.

President Genshaft noted that Iowa is addressing reductions in state funding by changing the mix of students. 50% of Iowa’s students are non-state residential. Iowa receives only $210 million in state revenue.

Trustee Arnold asked for a description of the increase in the Stafford loan program. Billie Jo Hamilton, Director of Student Financial Aid, stated that there has been an increase in borrowing limits for students and also, due to the decrease in Bright Futures, students borrow more.

c. Direct Lending Program

Nick Trivunovich and Billie Jo Hamilton gave a presentation on Direct Lending at USF. Due to the effort by the Federal Government to eliminate the Federal Family Education Loan Program (FFELP) which is the dominant student lending program at USF, the decision was made in May 2009 to convert to Direct Lending for the summer 2010 semester. Under the Direct Loan Program, the funding comes directly from the federal government. Funds for FFEL loans come from a bank, credit union, or other lender that participates in the program. Eligibility rules and loan amounts are the same under both programs. The process for the student will essentially remain the same with the exception that it will be unnecessary for the student to select a lender (which will be the federal government). Direct loan borrowers make payments directly to the federal government. All continuing borrowers (about 25,000 students) will have to sign a promissory note. USF is setting up a separate bank account for the federal program. Controls are in place - there will be two reconciliation processes which will be audited by our outside auditors.

Ms. Hamilton stated there is a communication plan as this can be challenging for continuing students. In February, there will be an email campaign for summer enrolled students. Information/articles will be in the Oracle. In March, notices of financial aid will go to incoming freshmen. In April, notices of financial aid will go to transfer and new graduate students. Information will also appear in the Financial Aid Newsletter. This is for all four campuses and the College of Medicine.

Trustee Arnold asked what is USF’s role in this – are we an administrator receiving a fee, are we a broker or a lender, and do we have a fiduciary responsibility. Ms. Hamilton responded we do have a fiduciary duty once we receive the funds. No administrative fee is received. We determine which students are eligible and how much they should receive. Our role is the same as before. Now, though, we will have to reconcile funds to the penny. Mr. Trivunovich stated we have no underwriting risk – if the student fails to pay, we are not responsible.

Ms. Hamilton stated the federal government has contracted with four servicers for collections. Mr. Trivunovich stated again that we do not have a fiscal risk; we have a compliance risk.

V. University Audit & Compliance – Annual Report

Debra Gula presented the 2008-09 University Audit & Compliance Annual Report. UAC is looking at the right things and getting information to the right people. USF has a $1.6 billion budget and 10 internal auditors. UAC is a risk-based shop. UAC looked at several core processes this year.
UAC tries to follow a 60/40 model for direct services and other activities. Actual hours for 2008/09 showed a 61/39 split. UAC provided 6 consulting services, conducted 8 investigations, and completed 7 audits during the year (this is 2 fewer audits than planned – these 2 will rollover into the new fiscal year). Resources spent on investigations and consulting services increased over the prior year, and the trend is continuing. UAC received 29 reports in EthicsPoint (the USF System’s confidential compliance hotline) this year. Of the 29 reports received, 50% were unsubstantiated.

Trustee Ramil thanked Ms. Gula and her team for their work during the past year. Trustee Ramil is pleased to report that people are reporting issues to UAC – this is how it should be. It is management’s responsibility to follow up on audit issues – the same issues should not appear in a second audit.

Chair Law noted we have come a long way – there is now a culture of compliance.

Trustee Engle asked how UAC selects who/what is audited. Ms. Gula responded that UAC reviews risk assessment/analyses with Trustee Ramil, the President, and other leaders – occasionally issues come from outside areas.

Trustee Arnold thanked Trustee Ramil for his work in this area. Trustee Arnold stated that we need to set a culture of more than a reprimand for those who commit violations/break rules. There need to be consequences for that behavior.

**Other**

Chair Law noted the upcoming Homecoming festivities over the next couple days.

Having no further business, Chair Law adjourned the Finance and Audit Workgroup meeting at 12:08pm.