The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:36am. The following members were present: Rhea Law, John Ramil, Lee Arnold, Sherrill Tomasino, Judy Genshaft and Brian Keenan.

I. Updates from Previous Meeting

Mr. Hyatt previously provided to the Trustees the following follow-up and/or requested information from our last workgroup meeting: Fell Stubbs’ notes for agenda item I – Capital Markets, as requested; University and DSOs - Operating Profit for the six months ended December 31, 2008 and forecasted for the current fiscal year; Report on building occupancy and cash flows in the Research Park; Summary of Foundation’s Investment Performance as of December 31, 2008; and USF Investment Portfolio Balances as of December 31, 2008. Mr. Hyatt asked if there were any questions on the materials – there were none.

Action Items:

II. Parking Regulation

Action: Approve revisions to the regulation and the referenced 2009-2010 campus parking brochures

Mr. Hyatt introduced the Parking Regulation item. Changes in parking fees and fines are captured in the regulation. The parking brochures for each campus are incorporated by reference. Increases in existing rates and revisions to the general information are proposed in the 2009-10 Tampa Campus, St. Petersburg Campus, and Sarasota-Manatee Campus parking brochures.

Jeff Mack presented the information for Tampa. After several years of minimal or no increases, permit rates were increased by 20% for FY2006-07 and FY2007-08. Rates were expected to increase at a rate of 20% each year for five years (2007-2011) to fund the debt service on additional parking garages. Garage V was not placed on the building schedule, so rates were increased by 3% for FY2008/09 to grow debt coverage ratios to encourage positive rating and lower rates on future debt. For FY2009/10, the following rate proposal is presented: a permit increase of 3% (rounded to the nearest dollar); daily permits are proposed to increase from $4.00 to $5.00; short term parking (by the hour) will be available by individual parking meters; and Park-n-Ride (Y) permits are 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. Additional revenue will be committed to: cover expected utility increases and lighting replacement in the garages and additional costs for processing credit cards in parking permit machines; build-up reserves for the pay-down on the next parking garage, reducing the need for a large increase (20%) in rates (as originally projected); and grow debt coverage ratios to encourage positive ratings and lower rates on future debt.
Trustee Arnold made a motion for approval of the revisions to the parking regulation and the Tampa campus parking brochure. Trustee Tomasino seconded the motion. The motion passed.

Dr. Margaret Sullivan introduced the St. Petersburg parking changes noting they are trying to equate St. Petersburg rates to Tampa rates. Dr. Ashok Dhingra stated for 2009/10 the proposal is that permit rates would increase by 3% for costs associated with operating expenses, and for increases in debt service, management fees and operation of the Parking Facility.

Trustee Tomasino made a motion for approval of the revisions to the St. Petersburg campus parking brochure. Trustee Arnold seconded the motion. The motion passed.

Ben Ellinor presented the parking proposal for Sarasota-Manatee. 10% increase in rates for most permits to provide enough savings for the construction of a parking garage in 10 to 15 years (per master plan). Over 10 years, this will create a reserve of $500K. Sarasota-Manatee is creating a special staff permit. After receiving input from staff, a new permit will be created for employees who earn less than $30K per year - these are generally adjunct faculty teaching 1-2 courses, temporary workers, or part-time staff. The cost of the special permit will be $25.

Trustee Tomasino asked about the implication on other campuses. Trudie Frecker stated that this isn’t the first time we have had differences on campuses. Mr. Ellinor also noted that the special permit can only be used on the Sarasota-Manatee campus – cannot be used on the other campuses.

Trustee Arnold made a motion for approval of the revisions to the Sarasota-Manatee campus parking brochure. Trustee Tomasino seconded the motion. The motion passed.

III. 2008-2009 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

- Tampa
- St. Petersburg

Mr. Hyatt introduced the housing rental fees item. Both Tampa and St. Petersburg are proposing rate increases for 2009/10.

Dr. Jennifer Meningall presented the increase proposal for Tampa. A room rate increase is requested in the amounts of 0-8% for on-campus residences. Included in the increase proposal materials are rate comparisons to the other Florida public universities and local competition. The proposed residence hall fee structure covers: (1) Continued level of services to residents consistent with the past year; (2) Anticipated increase in operating costs due to the opening of the new 1,050-bed Magnolia Suites Project; (3) Increase in the Housing System debt service payments; and (4) Increase in cost of utilities. There is also a proposed approximate 8% rate increase in Summer, 2009 for daily rental rates and a housing application fee increase from $25 to $50 for 2010-2011.
Trustee Arnold made a motion to approve the proposed USF Tampa Housing and Residential Education Rate increase for 2009-2010. Trustee Tomasino seconded the motion. The motion passed.

Dr. Sullivan presented the increase proposal for St. Petersburg. The proposed increase is 10%. St. Petersburg is a high cost area and the campus does not have food service. Therefore the apartments are top of the line which translates to high housing costs.

Trustee Arnold asked where St. Petersburg is on absorption. Dr. Kent Kelso responded that they were at full occupancy in the Fall and had a 5% drop in the Spring which is above the pro forma and they are meeting debt coverage.

Trustee Tomasino made a motion to approve the proposed USF St. Petersburg Housing Fee structure for 2009-2010. Trustee Arnold seconded the motion. The motion passed.

IV. Audit Committee Roles & Responsibilities

**Action: Approval**

Trustee Ramil presented the final wording of the audit committee roles and responsibilities noting the two yellow highlights which were new since the last meeting.

Trustee Ramil made a motion to approve the revisions to the Finance & Audit Workgroup roles and responsibilities. Trustee Tomasino seconded the motion. The motion passed.

V. Amended 2009-2010 Through 2013-2014 Five Year Capital Improvement Plan (CIP-2) and Legislative Budget Request

**Action: Approval**

Mr. Hyatt presented the amendment to the USF System Five-Year Capital Improvement Plan 2009-2010 through 2013-2014. The plan has been realigned based on BOG action. Items 1-6 are now as appears on the BOG 3 Year PECO list. Items 7-13 are Courtelis matching projects updated based on private funds on deposit with the USF Foundation on December 31, 2008 and placed in order reflecting USF system priorities. Items 23 and 41 are new for USF Polytechnic.

Trustee Arnold made a motion for approval of amendment to the USF System Five-Year Capital Improvement Plan. Trustee Tomasino seconded the motion. The motion passed.

**Information Items:**

VI. Budget Update

Mr. Hyatt gave a budget update. The Governor’s budget came out last week – it relies heavily on stimulus package, no cuts to university system. The budget will be considered during the legislative session next week. Revenue shortfalls still need to be addressed. It has not yet been determined if the shortfalls will be addressed with non-recurring or base budget cuts.
Trustee Arnold believes this may be overly optimistic. USF should take a position that is less bullish. USF needs to make sure that any expenditure we have planned for next year does not eat into our reserves. We already are into our reserves this year. USF needs to address where we are using our reserves.

Mr. Hyatt stated the campus has taken actions both to reduce expenditures and to minimize an excess draw down of reserves. The President has taken action to do this – both with expenditure and hiring freeze, etc.

Trustee Arnold responded that we should plan for this (impending reduction) and we have to be sure we are not spending more than we are bringing in and not eating through our reserves and into our operating capital.

Provost Wilcox stated that while we had reductions, students did not go away. We still have a commitment to provide quality instruction to the students. We had to use cash reserves to fund this. This will be the case again next year unless we cut enrollment. Our enrollment hasn’t grown, but we haven’t reduced or restricted enrollment.

President Genshaft indicated that USF Health has closed programs that are not sustainable. Mr. Hyatt reported administration is consolidating programs to achieve efficiencies and reduce costs. Dr. Meningall reported Student Affairs has had to use carry forward to provide programs/services to students and are trying to streamline expenditures.

Trustee Arnold stated that USF needs to understand what the burn rate is and this is what is necessary. We do not have any options when our money runs out. We should be on red alert. Chair Law wants a priority plan indicating what would be cut first in an adverse situation.

Chair Law and Trustee Arnold requested the following reports before the next Workgroup meeting:

- Status of carry forward balances
- Burn rate of carry forward funds
- Priority plan for taking additional reductions
- Implications/ramifications of decisions.

VII. FY 07-08 USF Financial Statements (final)

Nick Trivunovich reported that the state auditors have not yet provided final statements – we should receive these in the next few days then will distribute them to the Trustees. We received an unqualified opinion – it was a clean audit. No significant changes to the draft statements distributed previously.

VIII. Internal Audit Update

Debra Gula gave an update on Ethics Point, as requested. There have been 22 reports this year. Of these, 9 were in the last two months. 9 have been closed out, resolved. 13 are still open. There is a shift away from employee-type issues; more university-type issues (proper spending of university funds, p-card usage, etc.). The compliance officer in UAC monitors these reports.
Trustee Ramil distributed “The Audit Committee: Internal Audit Oversight” (a publication from the Institute of Internal Auditors). He drew attention to the 10-point Oversight checklist, noting this is a handy tool.

Trustee Arnold is concerned about the size of the frauds and suggested that the Trustees be notified of anything over a certain dollar amount (establish a threshold).

Trustee Ramil responded that no dollar threshold has been set but the Trustees will be notified of anything significant – anything over a few thousand dollars would warrant notification.

Trustee Ramil remarked that we have made significant improvements in our controls and oversight. Must have controls in place.

Chair Law thanked Trustee Ramil for his role in this area.

**Other**

Having no further business, Chair Law adjourned the Finance and Audit Workgroup meeting at 11:19am.