The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:40am. The following members were present: Rhea Law, John Ramil, Lee Arnold, Sherrill Tomasino, Jan Smith, Judy Genshaft, Brian Keenan, Stephanie Bryant, Gary Patterson. Also present was Gene Engle.

Chair Law made the following introductions: Jan Smith, Trustee, new Finance & Audit Workgroup member; Dr. Stephanie Bryant, new faculty liaison to the workgroup; Gene Engle, new BOT member.

**Action Items for Approval:**

I. 2008-2009 **Tampa** 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

Jennifer Meningall presented the 2008-09 Tampa Housing rental fee proposal. The increase is 4% to 8% depending on the location; 7% average increase. The proposed rates are comparable to the SUS market and the local Tampa market.

The increase will be used to: 1) continue basic operations consistent with the past year and augment with a “cost of living” increase; 2) increase Debt Retirement Payment to cover increase in interest rates; 3) continue to maintain a solid financial base with a 1.3 debt ratio to allow for planned renovation and construction of residence halls; and 4) begin developing a strong financial base for operating and maintaining reserves for Magnolia Hall, scheduled to open July 2009.

Chair Law asked are we still on the low side in the local market. Dr. Meningall responded we are still working on this – local market varies.

Trustee Arnold asked will the increase cover our maintenance issues. Dr. Meningall responded yes – covers maintenance as well as debt.

Fell Stubbs noted 7% will maintain required coverage ratio. St. Petersburg is breaking even but coming along. St. Pete is considered part of the USF Housing System. St. Pete will present their proposed rate increase at the February meeting. St. Pete has an occupancy issue.

Trustee Arnold made a motion for approval of the proposed housing fee structures and revisions to regulation. Trustee Tomasino seconded the motion. The motion passed.

II. Off-Campus Student Health Fee

   **Action:** Approve amendment to Regulation 4.0102, Tuition and Fees, to apply the health fee to all students enrolled in credit courses

Dr. Meningall presented the off-campus student health fee item. Currently the health fee is not
being charged to students taking classes online. A&S fee and Athletic fee are charged for online classes. The proposal is to charge the student health fee to all students enrolled in credit courses. This is consistent with other SUS universities. The students brought this issue forward.

**Trustee Smith made a motion for approval of the amendment to Regulation 4.0102, Tuition and Fees, to charge the health fee to all students enrolled in credit courses. Trustee Tomasino seconded the motion. The motion passed.**

**Information Items:**

III. Revised version of Code of Conduct for Financial Functions

Dwayne Smith gave an update on the Code of Conduct for Financial Functions. In 2006, the BOT passed a motion to require the document to be signed by all employees with signature authority. A revised version has been approved by the Faculty Senate. The revision still needs to be negotiated with UFF, then will come to the Workgroup for approval to replace existing version with revised version.

IV. Tax Update – New Form 990

Nick Trivunovich introduced the new tax form 990. With this form, DSOs will be providing more information – the form is more complex.

Goals of the form - provide additional transparency; provide additional donor information; compliance with IRS rules and regulations, particularly with tax exempt bonds.

Allison Madden, Assistant Controller for DSOs, provided additional information/details. The results of the changed form are increases in tax service fees and staff time.

Mr. Trivunovich noted new form 990 effective 2008 tax year.

Chair Law asked if any mechanisms needed to be put in place to collect the information from the DSOs. Mr. Trivunovich responded this would be a burden for the DSOs but the DSOs are getting ready for this.

Mr. Trivunovich expects these changes will get added to the 990T form as well. The 990 is for private hospitals and universities. The 990T is for public hospitals and universities.

Chair Law commented that we need to start early to be ready for this.

Trustee Smith requested a list of the DSOs and their descriptions. Dr. Visot will provide this information to all Trustees.

V. Capital Markets

Dr. Carlucci reported the turmoil in capital markets impacts USF in several ways, particularly state revenues.

Mr. Stubbs explained that decreasing home prices, decreasing revenues, and increasing oil prices are adversely affecting the economy in Florida and will therefore impact USF investments and USF debt. USF has no direct exposure to high risk mortgage investments or decreases in investment portfolio returns. USF debt is about $475M. Most is fixed rate debt. USF has $175M in ARS (auction rate securities). ARS will not recover from this. USF will change out of ARS to VRDOs (variable rate demand obligations). USF already has $70M in VRDOs which are currently performing well. Conversion costs will be around $250 – 650K.
Dr. Carlucci noted the investment committee will meet next month to look at where we will invest our money. The committee will be looking for high yield and low risk. The university does not have plans to move back into the state pools. Pools are attractive because of liquidity. The investment committee will report back to the Trustees.

Trustee Arnold asked why we need a letter of credit to refinance bonds and why wouldn’t our bank do this. Mr. Stubbs responded we need a back up to convert the ARS bonds in case the bonds get put back. He also noted the two health bonds were with a line of credit.

Trustee Arnold requested a copy of Mr. Stubb’s notes for his report. Mr. Stubbs will share his notes with all the Trustees.

Trustee Arnold also requested investment status reports until the market stabilizes – this can be a one page report.

VI.  Budget Update

Dr. Carlucci reported state revenue collections for November and December were down approximately $100M. This is a 7.4% aggregate reduction. President Genshaft has asked the Cabinet to come up with plans for a 15% programmatic reduction.

Mark Walsh commented that sales tax is the biggest driver of general revenue for the state.

President Genshaft announced she will begin a series of web casts on the current budget condition.

VII.  New BOG Regulations

Dr. Carlucci reported the BOG staff has been presented recommended changes to the regulations (everything except tuition and fees) for the meeting on January 23. BOG states they will set the rates for tuition and fees.

VIII.  Differential Tuition

Dr. Carlucci explained tuition collections are important as we try to preserve our base funding. Differential tuition issues to be decided: definition of “continuing student” and will the tuition differential apply to all campuses.

IX.  Audit Update

Trustee Ramil reported that he met with Debra Gula on January 14 and went over current audits and investigations. Trustee Ramil stated we need to continue to improve our oversight and increase the skills of those managing contracts. He continues to be pleased with the compliance hot line. He is seeing a changing culture – audit is not perceived as a threat but as a way to help us get better.

Other

Chair Law asked if there was any other business.

Chair Law thanked the new members and looks forward to their participation.

Having no further business, Chair Law adjourned the Finance and Audit Workgroup meeting at 12:25pm.