MEETING NOTES
USF BOARD OF TRUSTEES
Workgroup on Fiscal Affairs and Executive Committee

Tampa Campus – Marshall Center 296
May 9, 2005
9:00am – 12:00 pm

Members:
Dick Beard
Lee Arnold
Margarita Cancio
Rhea Law (phone)
John Ramil

Judy Genshaft, Corporate Secretary (ex officio)
Carl Carlucci, Executive Vice President and CFO (ex officio)

Faculty Liaisons:
Professor Jacqueline Reck
Professor M. Dwayne Smith

Chairman Beard called the meeting to order at 9:16am and welcomed Maxim Victor, Student Body President and Trustee. Announcements: Cheryl Tomasino is the newest member of the board; Bijal Chhadva is the newest alumni.

Dr. Carlucci reported that items are on the agenda due to BOG requirement – BOG schedule requires action now for BOG to act during summer. Same format as prior years. The materials presented today are not in final format as we have not received final forms from the BOG. Some items contain placeholders so we can make adjustments later.

Action Items:

I. Continuation Operating Budget

Action: Approval & Authorization of Changes

Bertha Alexander presented the 2005-06 Preliminary Operating budget (continuation operating budget). Tuition is back in appropriated funds - state has reinstated budgetary authority over tuition. We collect and deposit cash but can only spend the state designated amount - $122.9M for the USF System. Should we have over collections, we would have to submit budget amendment to spend additional authority. President Genshaft and Chairman Beard do not want to operate with this rule - other universities are not going to operate this way. Dr. Carlucci noted our number is understated. Chairman Beard proposes we operate like we have in the past. Ms. Alexander stated if a university does not abide by the tuition rule, the state will withhold general revenue. Dr. Carlucci reported we have the following options: revise the state number upward to be more in line with what we think the numbers will be (bring this to the board on May 19); or move tuition to below the line in non-appropriated funds. Trustee Arnold requested that we show their number in appropriated and our difference in non-appropriated so we can move forward on programs we need. Trustee Law would like to do budget amendment up front. Chairman Beard stated that the issue is who has the authority. Trustee Arnold asked
what is the amount that the number is under our estimates. Provost Khator suggested we put in our number and asterisk to note the number includes state number plus overcollection. Trustee Law would like us to show the total amount on expenditure side too. Ms. Alexander will build our number into the budget and begin amendment process on 8/17 when budget is due. Trustee Ramil proposed the same as Trustee Law. Provost Khator stressed the $5M difference is very important to us. Trustee Law directed we put the amendment in top line under the $122M. Ms. Alexander reminded the group that this document is internal - we build budget from this document then BOG approves the budget. Chairman Beard wants to know what UF and others are doing. Trustee Law would like us to show our intent up front so we get every dollar. Dr. Carlucci responded that we will go back and do calculations and see what the others are doing and bring final recommendation to the BOT on 5/19.

Chairman Beard stated that we should not be talking to BOG staff - we should go directly to the BOG.

2005-06 Preliminary Operating Budget deferred – additional information needed. Tabled to full board meeting on 5/19.

II. 2005-06 Fixed Capital Outlay Budget

Action: Approval & Delegation of Authority

2005-06 FCO Budget was approved in the budget (included in legislative bill) - needs approval by BOT to spend. The proposed action of authorizing the President to make necessary adjustments to the 2005-06 Fixed Capital Outlay Budget would be limited to adjustment of numbers – will not add or delete items. Capital improvement fees are levied by state against all students – money is bonded and proceeds allocated. PECO projects are subject to veto. Projects listed under Construct/Acquire by a DSO, Construct/Acquire from proceed from Sale of Bonds, DOE/Public Broadcasting/Administered by USF are back of the bill items – we are asking for authority.

Trustee Law made a motion to approve the 2005-06 Fixed Capital Outlay Budget and authorize the President to make necessary adjustments. Trustee Cancio seconded the motion. The motion passed.

III. 2006-07 Legislative Budget Request

Action: Approval

Dr. Carlucci presented the 2006-07 Legislative Budget Request (LBR). Items have to meet BOG guidelines and goals. The items are from all campuses and system-wide. There are 32 items, totaling $52M. Any item that did not go through workgroup approval should be deleted from list. Dr. Carlucci and Chairman Beard want to make sure that all items are appropriate and have gone through approval process. PO&M and enrollment requests are not appropriate. Trustee Law asked if teacher training in autism is coordinated with FMHI (Florida Mental Health Institute). Dr. Karen White, St. Petersburg Campus Regional Chancellor, responded that the training is sponsored by a grant and is coordinated with FMHI.

All items listed under USF St. Petersburg are extensions of current projects. On the USF Sarasota/Manatee list, Enrollment Growth and PO&M for New Academic Facility are not appropriate items. On the USF Lakeland Campus list, New Degree Program in Dietetics should be deleted per President Genshaft and Trustee Ramil.
The Workgroup is sending the 2006-07 LBR back for additional information and adjustments.

IV. Five Year Capital Improvement Plan (2006-07/2010-11), includes Facilities Challenge Grants Projects

   Action: Approval

Dr. Carlucci presented the Tampa five year Capital Improvement Plan (CIP). Tampa added non-PECO items to the list to request operating funds - other Universities are doing this and we want to get it on the list. Items approved by legislature this year (05/06) would disappear from list or move up /advance in the process. Chairman Beard stated that for 2010/2011 only 2 academic buildings are on the list – engineering and business. He asked is this enough and are the buildings big enough. Vice Provost Wilcox replied that this probably is not enough. Chairman Beard wants us to ask for more based on our projections and wants us to look at all campuses. Dr. Carlucci responded we can add projects to 2010/2011 and we will come back with this. Will ask the Provost about academic needs.

Net assignable square feet (NASF) and gross square feet (GSF) are formula driven. The general classroom building is 120K NASF and 180K GSF. Chairman Beard noted this is 30% efficiency. He asked is 120K big enough. Dr. Carlucci responded this is what has typically been approved and what others are asking. Chairman Beard stated we need to be more dense.

Dr. Carlucci next presented the St. Pete list. Chairman Beard again asked if this was enough for 2010/2011. Dr. White responded all projects are within physical confines of campus - will need additional property for additional buildings/projects. Chairman Beard commented that we need to address our goals and where we need to be. Trustee Arnold agreed. Chairman Beard added that St. Pete needs to go back and include projects to address growth/goals. Dr. White indicated that St. Pete will adjust their list prior to the BOT meeting on 5/19.

Dr. Carlucci presented the Sarasota-Manatee list. Ben Ellinor reported that this will accommodate Sarasota-Manatee for the next 5 years. Will have additional request/needs in 2011/2012. Mr. Ellinor indicated Sarasota-Manatee is looking to purchase Ramada Inn and 2 parcels for hotel program (attached map). Sarasota-Manatee list is okay as is – no adjustment necessary.

Dr. Carlucci presented the Lakeland list. Chairman Beard asked if the ratio of useable space (net assignable square feet/gross square feet) is low – looks inefficient. Trustee Arnold stated ACE will look into this – new stuff is mostly non-teaching (ADA accommodations, etc.). Chairman Beard wants us to try to get 10% more efficiency. The Lakeland CIP was approved by the Lakeland Campus Board and will go forward as is.

President Genshaft asked should we have one large building instead of multiple small buildings. Dr. Carlucci responded we will ask in master planning process. Trustee Arnold remarked with only 50-60 acres left on campus, we need to go vertical. University of Tampa is a good example.

This item was deferred – workgroup requested additional information. Dr. Carlucci stated the lists will be revised based on discussions and get back at full BOT
meeting. Will look at strategic plan/goals to determine what we need – focus on out years 2009/10 and 2010/11.

V. 2006-2007 Fixed Capital Outlay Projects that Require Legislative Approval
   a. Approval to Sell Bonds
   b. Approval of Projects to be financed and constructed by a DSO
   c. Authorization for Non-State Funded Projects and General Revenue Funds to Operate and Maintain
   d. Revision to previous appropriations

   Action: Approval

Dr. Carlucci reported these are projects to be funded by DSO or constructed with outside funds. The Tampa list includes new and repeat items including 3 parking items. Chairman Beard asked if there is DSO bonding language in the legislature. Dr. Carlucci responded the language says projects have to go to legislature. To use appropriated funds is prohibited. DSO revenue should be okay. Still need final interpretation. We believe it does not affect DSO bonded projects, but will affect where we have tuition/state appropriated funds to pay down debt.

Trustee Arnold asked if our request for changes in previous appropriations (Required Change: Redirect Tampa Campus 2005-06 Capital Improvement Fee appropriation for the Marshall Center Enhancements project in the amount of $13,063,536 to alternate student service renovation and expansion projects) takes away money from the Marshall Center. Dr. Carlucci replied no. Trustee Arnold stated we need the $13M for MC. Dr. Carlucci responded we want to use other funding and not have a state dominated funded building.

Trustee Arnold made a motion for approval. Trustee Law seconded the motion. The motion was approved.

Information Items:

VI. Tuition Update
Dr. Carlucci stated there will be a 5% tuition increase. Provost Khator introduced Dr. Michael Moore. Dr. Wilcox presented recommendations for tuition pricing at USF for academic year 2005-06. Per the legislature, 5% tuition increase for resident undergraduates. The BOT shall set tuition for all others (graduate, graduate professional, and nonresident students), guided by AAU average rates not to exceed 5%. For graduate out-of-state, we exceed AAU average. For out-of-state full-time graduate tuition, AAU average is $18,155; USF is $21,000. BOT cannot increase this - can decrease. BOT is authorized to waive tuition and out-of-state fees in the context of university mission. Dr. Wilcox presented the following recommendations: consider tuition increases in the broader context of comparable cost-to-produce FTE within the southeastern U.S. and among national peer institutions; increase undergraduate resident tuition by the legislatively-mandated level of 5%; maintain flexibility for consideration of increasing undergraduate non-resident and graduate tuition; and reduce tuition and fees for non-resident graduate assistants (.25FTE) by reclassifying them as Florida residents for tuition and fee-paying purposes only.

Trustee Arnold asked how does California compare. Dr. Wilcox responded for California 73% of student base is resident undergraduate - largest bulk of revenue. USF is lowest in peer group. Dr. Wilcox presented information on how USF compares with the other 50 states, with our peers, and with other SUS institutions. He noted
the difference with UF is largely fees (athletic and transportation). Dr. Carlucci stated local fees should have been netted out as these reflect student choices. Chairman Beard wants a chart of E&G and tuition per FTE for all SUS.

Dr. Wilcox recommended any out-of-state graduate assistant awarded 0.50 FTE graduate assistantship be reclassified as resident for tuition purposes. Chairman Beard stated this is a financial issue. Dr. Carlucci stated the question is what is the impact on gross revenue. Appropriate tuition plus in-state/out-of-state adjustment – USF could lose $2M. Dr. Carlucci noted the student is unaffected – student stays the same. Impact to USF is a net decrease in our growth – approximately 600 students. Approximate per student loss of $3,000. Jeff Muir commented this is not a waiver issue – this is a reclassification issue.

VII. Follow-up: 2005-06 Housing Rates – Tampa Campus
Dr. Carlucci presented information on housing rates and the impact on our debt service ratios per workgroup request. We exceed the 1.25 ratio that Chairman Beard was looking for. We are also looking at fixed vs. variable rate debt. A 1.2 ratio is bond covenant; 1.25 ratio is the Trustees recommendation. Chairman Beard asked what if we take debt on construction projects out of the ratio? Nick Trivunovich replied it depends on how they are funded. Chairman Beard is concerned that our ratio is within 12 points of the minimum coverage factor. Fell Stubbs noted the ratio improves over time. Dr. Carlucci made a correction - the actual covenant ratio is 1.1. Trustee Arnold commented this is tight coverage but not dangerous - proposed housing increase is okay. Dr. Carlucci stated the University’s current risk position is 9% vs. 91% (variable/fixed). New position will be 23% vs. 77%. Chairman Beard asked how does USF’s $262M debt compare to other SUS institutions. Dr. Carlucci responded we rated high with bond raters. We are same as UF, better than UCF, and one below FSU. Trustee Arnold mentioned the cost to refinance is high ($2M-3M cost of issuance). Mr. Stubbs reported NPV (net present value) $657M savings; cost $6M savings. Trustee Arnold asked why don’t we just settle for being A as to AAA. Nick Trivunovich responded 50 bonus points. This is significant over life of bonds.

Other

Jeff Muir gave a report on the legislature. The constitutional battle of the Legislature vs. BOG continues. There will be a 3.6% salary increase effective 07/01/05. Only $44M of $80M for enrollment growth was funded. New funding formula instituted. Very little the governor can veto except PECO.

Executive Committee Action Item:

VIII. Moffitt Affiliation Agreement
Action: Approval

Joann Strobbe stated the current extension expires May14. If we do not get formal approval now, we will have to get another extension. Moffitt Board has tentatively approved agreement. Trustee Law asked if we approve, are all specifics firm or can we approve in spirit and make changes later. Chairman Beard reported that we have been negotiating for a year. President Genshaft, Chairman Beard and Dr. Klasko are our negotiators. Dr. Carlucci stated this should go through the Research Workgroup. Chairman Beard noted we need to do this between now and 5/19. There are master
plan implications. Ms. Strobbe gave a summary/overview of the agreement. Good affiliation agreement for both USF and Moffitt. Provost Khator asked what are the three most difficult issues in the agreement. Chairman Beard responded establishing fair prices. Ms. Strobbe added how to handle current DIO grants (Moffitt research grants) and how to monitor compliance issues. Moffitt submits under federal; USF submits under state. Still an open issue – we need to minimize risk. Operational issue to make this happen – will be a challenge. Federal rankings will not allow is to include it in our (USF) rankings. College of Medicine (COM) can include it in their rankings. Trustee Arnold suggested relying on/involving other trustees when dealing with land, master planning issues. Moffitt should bear the cost of impacts on the university. Chairman Beard stated we only agreed to projects that come with the 10-year agreement. Trustee Arnold asked is it a pay as you go agreement. Chairman Beard responded yes. Ms. Strobbe commented if it is their project, they pay impact costs; if it is our project, we build costs into lease.

**Trustee Cancio made a motion for approval of basic principles for Moffitt/USF Affiliation Agreement pending review of Research Workgroup. Trustee Law seconded the motion. The motion was approved.**

Trustee Arnold stated that these materials need to go to master planners. Dr. Carlucci agreed. Dr. Carlucci further stated research issues go to the Research Workgroup; construction issues go to ACE; and financial numbers need to be agreed on.

Having no further business, Chairman Beard closed the meeting at 12:25pm.