The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:39am. The following members were present: Rhea Law, John Ramil, Dick Beard, Lee Arnold, Sherrill Tomasino, Judy Genshaft, Gary Patterson, John Ward, Brian Keenan.

Action Items:

I. Local Fees
   • Material & Supply Fees – USF Sarasota-Manatee
     Action: Approval

Dr. Carlucci introduced the local fees item, noting that the majority of the local fees will be addressed at the November workgroup meeting.

Ben Ellinor presented the USF Sarasota-Manatee material & supply fee request. This is a $15 fee for materials for an elementary education course. This fee has been approved by the USF Sarasota-Manatee Campus Board.

Trustee Tomasino made a motion to approve the USF Sarasota-Manatee material & supply fee. Trustee Ramil seconded the motion. The motion passed.

II. Revenue Generation Student Fee Proposals
   a. Increase charge for duplicate ID cards
   b. Per transaction convenience fee option for use of bankcards
     Action: Approval

Nick Trivunovich presented two revenue generating student fee proposals. The first proposal is an increase in the charge for duplicate ID cards (not the initial card fee) from $10 to $15. All other SUS institutions charge duplicate card fees.

The second proposal is a $10 per transaction convenience fee option for use of bankcards. The university currently absorbs credit card fees on student accounts. A $10 flat fee will be charged for the use of internet to pay student accounts. This will be revenue neutral – not looking to make money. Currently the cost to the university is $1 million for these credit card fees – this money can now be used elsewhere. We are looking to provide a no cost alternative to students.

These fees will be effective Spring 2008.

Trustee Ramil made a motion to approve the fees. Trustee Tomasino seconded the motion. The motion passed.
**Information Items:**

### III. Annual Financial Performance Reports

Dr. Carlucci stated that these reports indicate where we are today and where we want to go.

a) **Investment Report**

Fell Stubbs presented the Annual Investment Report. He discussed three investment management issues: endowment and operating portfolios are fundamentally different and will need to be managed differently; investment committees are more demanding of investment manager performance, consultants and portfolio support costs – where issues exist, committees are taking action; and Moody’s believes investment management and oversight is an increasingly important factor for university ratings. Mr. Stubbs also described portfolio structure, investment mix and returns compared to industry benchmarks for the nine investment portfolios.

Dr. Carlucci noted that we hope to improve our investment returns. University’s fixed income portfolio equals $343 million, the 3-year return is 3.79%. We want to move some of these funds into longer term investments with a better/higher return.

Trustee Arnold wants to see information on the three DSOs (Financing, Research, and Charter) that do not have three year returns yet (recently created) – show recent performance and the benchmarks. Fell Stubbs will develop this information.

Trustee Arnold asked if all entities are conforming to our investment policy. Mr. Stubbs stated yes, all are conforming, including the Foundation which does have an approved exemption.

Trustee Arnold asked if we will be negatively affected in the next quarter by recent market activity. Mr. Stubbs stated our recent portfolio due diligence indicated that our direct exposure will be limited as our investments tend to be conservative.

b) **Debt Management Report**

Fell Stubbs presented the Debt Management Report. He discussed four issues: continued need for capital projects; assessing potential for debt funded projects; evaluating sources of financing other than bonds; and recognizing debt capacity constraints.

Mr. Stubbs provided an assessment of our debt capacity according to the rating agencies’ debt capacity criteria: market position – we have an attractive position; balance sheet – we have an adequate cushion to support debt and operations; and operating performance – our operating performance is rated adequate.

Trustee Arnold asked if we were hitting our coverage ratios. Mr. Stubbs responded yes, at 6.57x for 2007 we compare favorably to the median at 2.90x. Trustee Arnold asked if we are doing the right thing with this much coverage. Mr. Stubbs said that the balanced overall comparisons to the industry indicate that we are.

c) **Derivatives Report**

Mr. Stubbs presented the Derivatives Management Report. He discussed the following issues: quarterly monitoring of $186 million of swaps; quarterly monitoring of counterparty credit quality; and the need to negotiate swap renewals prior to
termination.

d) Variable Rate Exposure Report

Mr. Stubbs presented the Variable Rate Exposure Report. Variable rate exposure is assessed periodically. Our variable rate debt equals 53% of the total. Unhedged variable rate debt was reduced from 48% of total in 2004 to 3% today. Moody’s reports that “A” or higher-rated universities have 50% of their total debt in a variable mode (excluding swaps). Moody’s views the use of swaps for “A” or higher-rated universities as lower risk than endowments invested in alternative investments.

Dr. Carlucci noted that the University Investment Committee will meet soon to determine how much of its $343 million of operating funds can be placed into middle-term investments.

IV. University Audit Report

Debra Gula was not present. Trustee Ramil gave the University Audit Report. He reported that he met with Ms. Gula on 09/25/07 and had nothing significant to report. He wants stronger flags to the group for important issues.

Other

Chair Law asked if there was any other business.

President Genshaft reported that the BOG has mandated a 5% undergraduate tuition increase for Spring 2008. The Legislature has recommended this also. The Governor could veto. SUS universities could get caught up in this situation. We need to be aware of this issue.

Having no further business, Chair Law adjourned the Finance and Audit Workgroup meeting at 12:05pm.