The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:44 a.m. The following members were present: Rhea Law, John Ramil, Dick Beard, Lee Arnold, Sherrill Tomasino, Judy Genshaft, Tapas Das, Brian Keenan.

**Action Items for Approval:**

I. **Local Fees**

   **Action**: Approval

Dr. Carlucci introduced the local fee increases item.

   a. **Activity & Service (A&S), Student Health, and Athletic Fee Increases**

      1. **Tampa**
      2. **Lakeland**

Dr. Carlucci reviewed the fee cap analysis. Requests for fee increases were made by the Tampa and Lakeland Campuses. Student Fees Committees are made up of 50% students and their task is to make recommendations on the proposed increases. Each campus has its own fee committees.

The Tampa Committee on Student Fees recommended raising the student fees by the allowable 5% of the fee cap ($1.34) as follows:

- A&S Fee $0.34 increase
- Student Health Fee $0.64 increase
- Athletic Fee $0.36 increase

The Lakeland Activity and Service Fee Committee recommended raising the student fees by the allowable 5% of the fee cap ($0.37) as follows:

- A&S Fee $0.37 increase

Trustee Arnold made a motion for approval of the Tampa and Lakeland student fee increases. Trustee Beard seconded the motion. The motion passed.
b. Material & Supply Fees

1. Tampa
2. St. Petersburg

Material & Supply fee changes were requested by Tampa and St. Petersburg. Dr. Carlucci indicated there are no student committees for material and supply fees - these fees are determined by the cost of the materials and supplies.

Trustee Beard asked if these fees were based on costs. Kevin Toso stated yes. For Tampa, the Provost’s Office reviews requests by departments. The Provost and the President approve the requests prior to coming to the BOT.

Trustee Arnold made a motion for approval of the Tampa and St. Petersburg material and supply fees requests. Trustee Tomasino seconded the motion. The motion passed.

II. Financial Policies

Action: Adopt Revised Financial Policies

Fell Stubbs presented the three financial policies. As noted by Chair Law at the Board of Trustees Meeting on September 7, 2006, consideration of these policies were deferred at the request of the Board of Governors. Mr. Stubbs indicated that the policies had been reviewed by the Board of Governors. The BOG suggested minor changes for the debt management policy and no changes for the derivatives and investment policies. During the period of time for consideration by the Board of Governors, the University made slight modifications to all three policies. Chair Law asked Mr. Stubbs to review the changes.

a. Investment

Mr. Stubbs stated that the investment committees of three DSOs suggested a number of modest changes to the policy, which are disclosed in the attachment. Pursuant to Section 17.0 of the Investment Policy, the Foundation has made a formal request for an exception to asset allocation provisions of the investment policy. Dr. Carlucci distributed the Foundation’s request for exception to allow the Foundation to determine the allocation of assets which best fit their risk and return profile. The Foundation felt constrained by the investment policy’s universal asset allocation restrictions.

Trustee Arnold suggested the Foundation provide a percent range to the BOT for approval. John Scott indicated it would do so.

Trustee Ramil asked if this would open the door for everyone else to request exception. Dr. Carlucci indicated that the Foundation was granted permission to make the request because their investment committee has a thoughtful plan to modify its investment mix over time to better meet the needs of the University.

Trustee Beard made a motion for approval of the Investment Policy. Trustee Ramil seconded the motion. The motion passed.

Trustee Arnold made a motion to approve the Foundation’s request for exception with the modification that the asset allocation be approved annually. The exception would be for a one year
period (a one year exception) and the BOT would also approve the asset allocation for the year. Trustee Beard seconded the motion. The motion passed.

b. Debt Management

Mr. Stubbs reviewed the changes to the debt management policy. Dr. Carlucci stated the BOG has a debt issuance policy and that our policy goes further and is for debt management. Trustee Arnold asked if this policy affects any of the financing we’ve already done. Mr. Stubbs responded that the policy provides guidance for debt issuance in the best interest of the University and that our past financing is in compliance with the policy. Dr. Carlucci also noted that FIU and UF have investment policies.

Trusted Beard made a motion for approval of the Debt Management Policy. Trustee Arnold seconded the motion. The motion passed.

c. Derivatives

Mr. Stubbs indicated that the changes to the derivatives policy and stated that they were modest improvements to the policy. Trustee Arnold noted that the University CFO approves derivatives as a matter of practice. Dr. Carlucci stated that all swaps have come before the Finance Council. Trustee Arnold further noted that we should be using derivatives to reduce risk not to improve profit.

Trustee Arnold made a motion for approval of the Derivatives Policy. Trustee Ramil seconded the motion. The motion passed.

Trustee Ramil asked to return to the Foundation exception. He asked if the Trustees really wanted to require an annual exception request. He suggested granting an exception to the Foundation without annual restriction. Further, the Trustees will review the Foundation’s asset allocation and, if uncomfortable at any time, can revoke exception. We don’t want to hinder the Foundation’s management of their long term investments.

Trustee Arnold asked to reconsider the annual exception and make it an outstanding exception to be reviewed annually.

Dr. Carlucci stated that the Foundation would also report its asset allocation to the Trustees.

Trustee Arnold made a motion to approve the Foundation’s request for exception letter as written (exception as it stands). Trustee Ramil seconded the motion. The motion passed.

III. Amendment to Five-Year Capital Improvement Plan (2007-08/2011-12)

Action: Approval of amendment for the University-wide and Tampa Five-Year Capital Improvement Plans

Dr. Carlucci introduced the amendment by noting there is a significant addition to the CIP. Dr. Klasko presented the item. CRI (Children’s Research Institute) was not included on the Tampa list. PECO funds are not requested. CRI is on the St. Petersburg list.

Trustee Beard asked about classroom buildings for expansion of medical schools. Dr. Carlucci stated this is a separate item on the list.
Trustee Beard made a motion to approve the amendment for the University-wide and Tampa Five-Year Capital Improvement Plans. Trustee Arnold seconded the motion. The motion passed.

Information Items:

IV. Finance Issues
   a. Preliminary University 2006 Annual Financial Reports

Nick Trivunovich presented the financial reports. He indicated that these are unaudited statements as we are in the midst of the audit now. He noted that last year the Finance Corp was a blended entity – this year it is being treated as a flow-thru entity to avoid double counting. Next year there will be an elimination column to show a true picture for the university.

Mr. Trivunovich further noted that we have a strong balance sheet. Most revenues were flat but state appropriations increased $22.8m for enrollment growth.

Trustee Arnold wants to be sure we don’t spend more than we have. Trustee Ramil would like to see a cash flow statement to get the complete picture. Mr. Trivunovich stated that we will do charts/graphs to help better understand the overall picture.

Brian Keenan asked how we did versus budget last year. Bertha Alexander replied that we did not overspend our budget or cash - had a large cash balance to carry forward.

Trustee Arnold asked if we had a good handle on cash sweeps. Mr. Trivunovich said yes, we are fully invested.

Trustee Arnold asked if the Finance Corp was a good decision. Mr. Trivunovich said yes, it allows us to take advantage of flexibility and get better financing deals. The benefits outweigh the extra work. Mr. Stubbs noted that it is a lot of accounting hassle but it creates a lot of value.

b. Debt Capacity Report

Mr. Stubbs presented an assessment of the University’s debt management practices and debt capacity, pursuant to the debt management policy, and its performance – our financial report card. He compared the University’s market position, balance sheet and operating performance to the expectations of the capital markets and our peer institutions.

c. Parking Garage V Financing

Trudie Frecker indicated that we are not ready to do the financing for Garage V yet. We are still waiting on commitments from affiliates. Construction prices are dropping. May have a more solid package in a few months.

V. Audit Findings Status Report

Eric Walden presented the audit findings status report.

Chair Law called on Debra Gula and Provost Khator to give an update on IBL (Institute on Black Life). Provost Khator indicated two actions are necessary: 1) Unit/IBL – director has left (prior to final audit report), unit is in receivership, staff is in training; 2) Institutional Controls – 16 controls
prescribed, financial code of ethics, dual reporting line (in place prior to IBL issue), distributed a tracking model. Peer review will begin on Monday – administrator is a tenured faculty.

Trustee Beard asked if there will be criminal charges. Ms. Gula responded that the matter has been turned over to the state attorney and a decision is still pending. Two different tracks here.

Chair Law commended the swift action in dealing with this issue.

VI. Insurance Update

Ms. Frecker provided an insurance update for buildings, structures, contents for all campuses. 340 buildings are covered, 167 buildings are uncovered. Coverage is $811M for buildings and $245M for contents, for a total of over $1 billion. Premiums per year are $488,000. Our premiums are mostly impacted as we add buildings. We do not cover buildings that do not belong to us (Moffitt). Do not cover structures under $25K – that is our deductible. Do not have much flood insurance – just what is covered by state policy. No additional policy for St. Pete and Sarasota.

Ms. Frecker and President Genshaft noted that what happens to UWF will be very instructive for us.

Other

Chair Law shared the following announcements/items:
- President Genshaft is being honored tomorrow for service
- Our proposals for Centers for Excellence ranked #1 and #18
- The 2006 Homecoming Chair was introduced and provided an update
- Brian Keenan, new Foundation liaison was introduced.

Chair Law adjourned the meeting at 12:52pm.