

**University of North Florida  
Finance and Audit Committee**

**March 15, 2007  
Minutes**

**Committee Members Present:** Dr. Edythe Abdullah, Ms. Wanyonyi Kendrick, Mrs. Carol Thompson, Mr. Kevin Twomey

**Committee Members Absent:** Mr. Justin Damiano

**Item 2: Approval of Minutes, December 14, 2006.** Minutes for the December 14, 2006 meeting were approved.

**Item 3: Open Comments.** There were no comments from the public.

**Item 4: Debt Management Guidelines.** Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that the Board of Governors (BOG) required universities to adhere to pre-established guidelines for debt management practices regarding direct support organizations (DSO's). She stated that these guidelines, as presented, required Board of Trustees (BOT) approval, and subsequently BOG approval.

Vice President Shuman listed recommendations as follows:

- The BOT recommended a coverage of at least 1.20 to cover debt service payments.
- Universities should have ratings from rating agencies. (UNF has rating agency presentations scheduled in April 2007.)
- Revenue streams were confined to specifically assigned categories. (Housing and parking could not commingle revenues.)
- The final maturity on bonds should not exceed 30 years and bond payments should not balloon but should remain constant.
- Fixed debt is preferred – variable debt requires considerable justification.
- Refunding bonds should not extend beyond their current life.

Vice President Shuman summarized the current debt structure for UNF and its DSO's, stating that the debt guidelines did not currently work for UNF because of the pending Student Union. She clarified by stating that the legislature has been aware of UNF's plans for the Student Union and she believed there would be an exception made pending the completion of this capital project.

Trustee Thompson asked for clarification regarding guidelines for the activity and service fee. Vice President Shuman stated that these guidelines restricted the activity and service fee and athletic fee to five percent for debt service. She further stated that the university expected the legislature to remove UNF from this criterion until the completion of the Student Union building.

Chair Taylor asked for clarification regarding future bond issues – would the BOG look at cumulative situations of all obligations, including what the BOT had previously approved before approving future issues? Vice President Shuman stated that the BOG would review all obligations.

Committee Chair Twomey asked for further questions. He stated that this item, pending a recommendation from this committee, would be addressed at the full Board meeting immediately following adjournment.

Committee Chair Twomey asked for a motion to recommend for approval to the full Board the debt management guidelines. A motion was offered, seconded and approved unanimously.

**Item 5: Resolution Authorizing the Issuance of Debt for Student Housing.** Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that this resolution was approved by the University of North Florida Financing Corporation at their March 14<sup>th</sup> meeting; however, amendments might be needed along the way. She stated that this item was being presented to the Finance and Audit Committee (FAC) early to ensure approval at the April 2007 Board of Trustees (BOT) meeting and, subsequently to the BOG at their May 2007 meeting.

Committee Chair Twomey asked for clarification regarding UNF's relationship with DSOs – who issues these bonds and is it the university's obligation to pay the costs. Vice President Shuman stated that previously, debt for the university was administered through UNF's Foundation, Inc. However, the Board of Trustees had approved a new 501(3)(c) financing corporation to assume and administer this debt – this corporation was chaired by Mr. Howard Serkin, and had a representative from the Board of Trustees, Trustee Gonzalez.

Vice President Shuman stated that UNF's Foundation, Inc. had historically administered financing for housing and parking but the new DSO would provide these services going forward. She stated that the new DSO would enter into a master lease agreement with the university and the DSO would own the debt. Upon further clarification, Vice President Shuman stated that this DSO would have a triple net lease agreement with the university which stated that it was the university's obligation to pay back the debt. She stated that the new DSO had an independent board but all funding would be approved through the BOT, and subsequently through the BOG.

President Delaney further clarified the financing corporation's boundaries, stating that this corporation could not act without approval from the BOT and the BOT made recommendations to the BOG – after approval from both entities, actions would be referred back to the financing corporation for execution of documents.

Committee Chair Twomey stated that the meeting materials included one important document (Attachment 5, 2 of 11). He asked committee members to read this at their leisure.

Vice President Shuman stated that the upcoming Board meeting would include a short video presentation focused on the new housing project. She stated that this was an \$86 million project which was awarded to the Haskell Corporation for design and construction.

Trustee Thompson asked if the university had done comparisons on the housing project. Vice President Shuman stated that the university was comfortable with the costs, which also included infrastructure and parking. Vice President Shuman stated that comparisons were made to the University of South Florida and others. She stated that the winning firm did go through the formal bid process and won on both technical section and cost.

Trustee Kendrick asked for clarification regarding on-campus housing versus off-campus housing. Mr. Paul Riel, UNF's Director of Student Housing, stated that the new housing would include a swimming pool, fitness room, sufficient people space, and a courtyard. He stated that Student Housing was very comfortable with off-campus comparables. He also stated that this project would be a premier student housing structure within the State University System of Florida. President Delaney stated that the new housing project would be more than a building – it would be a community.

Mr. Riel stated that there was a problem regarding retention of upper level students. Trustee Thompson asked for clarification of this problem. President Delaney stated that campus events would be better supported by increasing on-campus housing. Associate Vice President Deb Kaye stated that there was a proven correlation between retention and students who lived in on-campus housing. Committee Chair Twomey stated that by comparison, surrounding housing was getting better and UNF needed to keep up.

Further conversation indicated that there was a greater alumni support from students who lived on campus. President Delaney stated that statistically, there were more UNF graduates who remained in Jacksonville than University of Florida or Florida State graduates.

Discussions continued addressing the costs for students. Mr. Riel stated that there was currently a waiting list for housing (271 students) and this had been the trend for the past several years. Vice President Shuman clarified that debt guidelines required no commingling of revenues – housing revenue could only be spent on housing. She referenced the meeting materials (Attachment 7 of 11), stating these materials included the actual sources and uses of these revenues and the model included \$122 million in bonds with \$5 million coming in as contributions and \$4 million on interesting earning on project funds. She spoke specifically about (Attachment 9 of 11), stating that there were concerns about the pro-forma. Two additional pro-formas were provided. One increased the rent per semester from \$2,600 to \$2,700. The second pro-forma extended the existing debt by five years. This improves the coverage ratio significantly in the first year and allows for a 1.20 x coverage in the second year.

Vice President Shuman presented a cost analysis for new student housing, stating that currently the highest price charged for housing per semester was \$2,350 and plans were to charge \$2,600 per semester for the new housing. She stated that these rates included cable television, internet access, campus activities, utilities and an 8-month contract – which wasn't included in most off-campus housing

Vice President Shuman stated that the university would not meet debt guidelines for the first five years. Trustee Twomey clarified that it would be virtually impossible for the university to meet current debt guidelines. Vice President Shuman stated that there were several scenarios that would allow the university to meet these guidelines and these will be discussed with the BOG staff.

Committee Chair Twomey asked for a motion to approve the resolution authorizing the issuance of debt for Student Housing. The motion was offered, seconded and approved.

**Item 6: Theft Report.** Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that there had been a recent rash of computers stolen from classrooms. She referenced the meeting materials, speaking about a general purpose technology classroom stolen computer report, stating that the university had replaced these computers and was waiting on the State's reimbursement. She clarified that the university was insured through the State and had no other coverage for classroom theft; thus, the reimbursement would be governed by the State.

Vice President Shuman stated that the university had since put into place anti-theft measures, including a drive to lock down classrooms – there had been no additional reports.

This item was for information only. There was no further action required.

**Item 7: Preliminary Federal Awards Audit.** Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that there were no findings regarding the Florida Bright Futures audit but there were findings on the federal assistance awards. She stated that these new findings were due to the recently implemented Banner application adding students.

Vice President Shuman stated that the full report, covering all federal awards would be released and made available shortly.

This item was for information only. There was no further action required.

**Item 8: Intercollegiate Athletic Program Audit.** Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that this audit was required by the NCAA and was being presented to this committee for the first time. She stated that the findings presented were all one-time issues and had been addressed with all questions and concerns resolved.

Vice President Shuman stated that the primary area of concern was a “conflict of interest” statement with Athletic's board members – this statement was receiving increased attention

by regulatory agencies and outside parties. She stated that similar statements were also being prepared for UNF's DSO's.

This item was presented for information only. No further action was required.

**Item 9: Audit Update.** Committee Chair Twomey asked Dr. Marty Khan, Director of Internal Auditing, to speak about this item.

Dr. Khan stated that the International Standards for the Professional Practice of Internal Auditing, as issued by the Institute of Internal Auditors, required that internal audit departments undergo a quality assessment review once every five years. He stated that this requirement was met by UNF during a quality assurance review of the Office of Internal Auditing (OIA) conducted during December 2006 by Ms. Betsy Bowers, Associate Vice President for Internal Auditing for the University of West Florida.

Dr. Khan stated that five recommendations were made, including the need for additional professional support for the OIA. He stated that the process had begun to hire an additional auditor.

Committee Chair Twomey stated that he met with Ms. Bowers and her assessments of the university's OIA were very complimentary. He stated that these assessments were extremely important and reflected on the OIA, as well as a controlled environment for the university.

Dr. Khan spoke about the BOT and their role in university auditing. He stated that BOG's audit committee was asked to prepare a document for best practices for BOT's audit committees. He stated that, in preparing this document, the BOG would be reviewing roles and responsibilities of current BOT audit committees; thus, defining roles for audit committees of the BOG and university BOT's.

Other discussions included pending bills in the Florida State Legislature, including a bill that would establish a public inspector general which could possibly affect some SUS IG's reporting requirements and possibly create redundancy within the universities. Committee Chair Twomey stated that he would like to follow up with further discussion on the BOG's and the BOT's independent roles in internal auditing. Dr. Khan stated the genesis of this was as a result of a Florida legislator seeking ideas to improve efficiency and governance in government. President Delaney stated he heard about it, and he will check with his point of contact in Tallahassee to get more information on this. Chair Taylor asked Dr. Khan to send him a copy of the bills.<sup>1</sup>

This item was presented for information only. No further action was required.

**Item 10: Quarterly Budget Report.** Committee Chair Twomey asked that Vice President Shuman present this item.

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<sup>1</sup> These bills have been pulled from the legislative agenda and will most likely not move forward.

Vice President Shuman stated that there were currently no budgetary issues and the budget was tracking nicely with 62.7 percent of the budget spent, and no one anticipated that the state would request a call back of funds. She stated that this same time last year, 62.6 percent of the budget was spent, reflecting that the university was on a similar track. She stated that Academic Affairs was on target as a division, with college budgets inflated pending adjustments for summer school budgets.

Vice President Shuman addressed the auxiliary budget, stating that cash was waiting on projects already on the block with Student Housing and the Student Union building ready to kick off. She addressed the additional report provided in the meeting materials, stating that this report reflects transfers made from reserves.

This item was presented for information only and required no further action.

**Item 11: Treasurer's Report.** Committee Chair Twomey asked Vice President Shuman to present this item.

Vice President Shuman stated that this report now included three different investments, with one investment including \$24 million allocated to Sawgrass Management. She stated that reports on this investment would be presented when these numbers were more trended.

This item was presented for information only and no further action was required.

**Item 12: Adjournment.** Committee Chair Twomey adjourned the meeting.