

**University of North Florida  
Finance and Audit Committee  
May 15, 2008  
Minutes**

**Committee Members Present:** Dr. Edythe Abdullah, Mr. Hugh Greene, Ms. Joy Korman, Dr. Bruce Taylor, Ms. Rachael Tutwiler, Mr. Kevin Twomey

**Committee Members Absent:** Ms. Wanyonyi Kendrick

**Item 1: Call to Order.** With a quorum of committee members present, Chair Twomey called the meeting to order. He spoke about the agenda and the need to reserve time for a thoughtful discussion on the budget.

**Item 2: Approval of the Minutes.** Chair Twomey asked for a MOTION to accept the minutes for the March 12, 2008 meeting. The MOTION was offered by Chair Taylor and seconded by Trustee Greene. The minutes were accepted as presented.

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

**Item 4: Repeal of Regulations (University Compliant and Grievance Resolution for Non-Union Employees; Hours of Work, Benefits and Leave Requirements; Separation from Employment).** Chair Twomey asked Vice President and General Counsel Stone to speak about this item.

Vice President Stone stated that the administration was asking for a recommendation from this Committee to the full Board to repeal regulations. She noted that, upon approval of the repeal, policies would replace the regulations.

Vice President Stone stated that the policies had undergone an internal vetting process and were now being presented to the Committee for input. She clarified that the Board had no previous concerns regarding any of the regulations and the Office of the General Counsel had sufficiently reviewed this request.

Trustees asked if any comments had been received through the vetting process. Vice President Stone responded that no comments had been received.

Chair Twomey asked for a MOTION to recommend approval to the full Board the repeal of these regulations. Chair Taylor offered a MOTION and Trustee Greene seconded. The MOTION was approved as presented.

**Item 5: One-Year and Five-Year Capital Requests (PECO) Submissions.** Chair Twomey asked Vice President Shuman to present this item.

Vice President Shuman stated that the University was presenting a one-year and five-year capital budget and asking that this Committee to recommend approval to the full Board. She noted that the meeting materials included a list of priorities, including projects that had been eliminated.

Vice President Shuman spoke about priorities and reported that the Student Wellness and Sports Education Center would be funded with \$6 million in PECO dollars (remaining needs funded through CITF). She spoke about renovations to the Brooks College of Health building, noting that this project included \$4 million in PECO funding. Other priorities discussed were renovations to existing buildings and infrastructure.

President Delaney clarified that some priorities were eliminated from last year's list because these needs had been met by the recent purchases of the AOL and Auchter buildings. He noted that the first year priorities added up to \$44 million with an overall increase of \$145 million.

Chair Twomey asked for a MOTION to approve the PECO submissions. Chair Taylor offered a MOTION and Trustee Greene seconded. Without further discussion, the MOTION was approved.

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

Vice President Shuman stated that, as of April 30, 78.3 percent of the total budget had been expended. She noted that the budget was within projections.

Vice President Shuman discussed the auxiliary status report and stated that the Student Union building would be completed by March 2009 and Student Health Services by August 2008. She clarified that available balances would reflect the completion of these projects next year.

Trustees asked for clarification on the Fine Arts Center. Vice President Shuman stated that the issues regarding the Fine Arts Center had been corrected.

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

**Item 7: Treasurer's Report.** Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that she would like to discuss the ITN for an investment management firm and the allocation among current investment. She brought three items to the attention of the Committee and discussed these as follows:

1. Diversification to outside money managers had been profitable with almost 7 percent for the first year. The State Board of Administration (SBA) Fund B remained funded at \$4 million. The University anticipated pulling out 50 percent by December and the remaining 50 percent coming out soon. Distributions would be made in June and December.
2. FIGIC bond insurer and surety insurer had been downgraded below an "A" rating by S&P. The University would be required to respond with two choices - provide a letter of credit or put money aside. The University had placed \$10 million into a cash account, which was deemed a more efficient way to provide for the surety.
3. The University had invested with Evergreen and Wacovia, and had created another account in Sawgrass. These accounts had been chosen from 19 firms. Consideration was given to safety, competitive pricing, portfolios and experience with government investing.

Vice President Shuman clarified that the University would have three outside money managers with the Bank of New York as trustee. She offered opportunity to trustees for discussion.

Trustees asked for clarification on the risks of staying in the SBA versus the University's own investing. The administration agreed to provide further information to trustees.

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

**Item 8: Office of Internal Auditing (OIA) Status Update.** Chair Twomey asked Mr. Berry, Interim Director for the OIA, to provide this update.

Mr. Berry stated that the OIA had been asked by this Committee to provide an update detailing the status of audit activities, including hours and results of audits. He noted that the OIA was currently engaged in two audits, had completed two internal audits, and had two pending audits. He mentioned that one audit had been cancelled.

Mr. Berry stated that the meeting materials included a snapshot of the details and historical audit performance statistics. He mentioned that information was provided on estimates for this year and noted that two audits had been completed, with one-fourth of the year remaining. Mr. Berry pointed out that there were some productivity issues, and the OIA was over-budgeted in hours. He clarified that the administration was trying to resolve the issues.

Trustees expressed a sense of discomfort regarding attention to management advisory services and the lack of audits. Chair Twomey stated that conversations with administration had clarified the need for the University to create a closer review regarding the OIA. Trustees asked that the University refrain from any new management advisory issues until the review was completed and discussed with this Committee.

Trustees noted that this Committee needed to be comfortable with the OIA's allocation of time. Trustees further noted that the audit activity for this institution was woefully below organizations of lesser size. Trustees asked that the administration engage in serious discussion regarding the OIA and provide updates in the near future.

**Item 9: Review of the Revised Charter for the Office of Internal Auditing (OIA).** Due to time constraints, this item was postponed to the next Finance and Audit Committee meeting.

**Item 10: Review of the Revised Charter for the Finance and Audit Committee.** Due to time constraints, this item was postponed to the next Finance and Audit Committee meeting.

**Item 11: Adjournment.** With no other business arising, Chair Twomey adjourned the meeting.

---

## Budget Workshop

---

Vice President Shuman discussed the budget process and stated that this proposed budget included a \$4.7 million net budget reduction. She summarized these reductions, noting that each division had reviewed their operations and determined cuts. She clarified that the incremental budget was aligned with the strategic plan.

Vice President Shuman profiled committees that had been established by the University to create opportunities for greater efficiency. She spoke about the controlled spending committee which was established to review end-of-year spending, and the vacancy pool committee established to review open positions.

Vice President Shuman provided a synopsis of the budget reductions as follows:

- non-recurring monies were reduced by \$176,144,
- the first net budget reduction was \$2.4 million (including an initial reduction for \$2.98 million reduced by \$581,322 for a tuition increase),
- the second budget reduction was \$1.1 million,
- the total net budget reduction for 2007-2008 was \$38 million.

Vice President Shuman discussed the sources used to cover the budget reduction for 2007-2008, including funds set aside for State call-backs, funds set aside for future faculty, monies from divisional budgets and flagship programs, and executive reserves. She noted that the total needed for budget reductions was \$3.8 million but the University had set aside \$4.2 million to stay ahead.

Vice President Shuman then discussed reductions for 2008-2009 and noted that this proposed budget included a net reduction of \$504,371. She provided a summary of these reductions, including general revenue cuts, increases in tuition (increase for undergraduate, in-state students; annualized tuition increase for 2007-2008; and tuition enrollment mix), and increases from lottery enhancements.

Vice President Shuman discussed the divisional budget reductions, indicating that there was an available balance to allocate for new resources, financial and, and reserved of \$6.5 million.

Provost Workman elaborated on the reduction of faculty positions, noting that some positions were eliminated through natural attrition. He explained that some programs were suspended because these coincided with retirements and had low enrollments.

Provost Workman stated that all ongoing faculty searches were honored. He mentioned that it was each department's decision to retain positions or return these. He noted that enrollment was reduced to protect the faculty/student ratios.

Vice President Shuman reported on recurring resources for 2008-2009 and spoke about the tuition increase. She stated that the Legislature had authorized boards of trustees to increase undergraduate, in-state tuition by 6 percent. Vice President Shuman noted that this budget was

based on a 6 percent increase in the undergraduate and graduate, in-state tuition and 0 percent increase for out-of-state tuition for undergraduate and graduate students.

Further discussions addressed funding sources for 2008-2009, including about \$11 million in recurring dollars; and 2007-2008, including about \$11 million in nonrecurring dollars. FTE was discussed with 2007-2008 targets at 10,241 and 2008-2009 targets at 10,108, due to a realignment of FTE at different levels.

Vice President Shuman reported on how last year's and this upcoming year's budget fit with the strategic plan. She went through each of the goals in the plan.

Vice President concluded her budget presentation by addressing fiscal resources. She noted that savings would be realized through the examination of current operations and expenditures and private support would be increased.

Chair Twomey offered opportunity for trustees to comment on the presentation. Trustees asked for clarification on the controlled spending committee. The administration stated that members felt this committee had been helpful and might be continued in some other format.

Trustees asked about support from Foundation, Inc.; i.e., scholarship, operations and flexibility. The administration stated that the Foundation, Inc. budget would be presented at the June meeting.

Trustees asked for further information on the summer school budget. The administration clarified that the union contract was structured so it was cost-prohibitive to the University for faculty to teach summer school. Also considered would be the unfunded increase in FTE. The administration noted that college deans were asked to schedule summer school courses to facilitate the progress of advanced students.

Trustees discussed possible reductions in academic travel. The administration stressed the importance of academic travel and the correlation to research productivity. It was noted that there were specific criteria governing academic travel.

Trustees expressed concern regarding the long-term risks in budget cuts and maintaining quality faculty and staff. The administration recognized concerns about faculty and staff retention. Trustees asked for more thoughtful discussion over time regarding this issue, including a long-term approach.

Chair Twomey offered his appreciation to trustees for a timely meeting and reminded the Committee that the budget would be discussed again at the June meeting. Without further discussion, Chair Twomey adjourned the workshop.