

**University of North Florida
Finance and Audit Committee
May 17, 2007**

Minutes

Committee Members Present: Ms. Carol C. Thompson, Ms. Rachael Tutwiler, Mr. Kevin M. Twomey

Committee Members Absent: Dr. Edythe M. Abdullah, Ms. Wanyonyi J. Kendrick

Item 1: Call to Order. Committee Chair Twomey called the meeting to order and informed the committee that the UNF Financing Corporation (UNFFC) had met to review and ratify to the Board, financing moves relative to the Student Union building and student housing.

Item 2: Approval of the Minutes. Committee Chair Twomey asked for approval of the minutes for the April 23, 2007 conference call. The minutes were approved unanimously.

Item 3: Open Comments. There were no open comments.

Item 4: Acceptance of Deed to Property Currently Owned by UNF Training and Service Institute (TSI). Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that the purpose of this item was for the Finance and Audit Committee to make a motion for approval to the Board, for acceptance of delivery of a deed, for the parcels of land purchased in May 2004 by TSI in the First Coast Technology Park, from the Duval County Research and Development Authority. This land was purchased in anticipation of the University's housing project. She stated that TSI would approve this transfer.

Committee Chair Twomey asked if the University would receive this land as a gift. Vice President Shuman stated that Institutional Advancement (IA) would recognize this land as a gift. Trustee Thompson asked for clarification regarding the value of the gift. Vice President Allaire stated that the land would be counted at sales value.

Committee Chair Twomey asked for a motion to approve a recommendation to the Board for acceptance of delivery for the deed to this land. The 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 the UNFFC had approved the issuance of debt for student housing. She stated that this package was similar to the previous package, with

changes suggested by the Board of Governors (BOG) and the Division of Bond Finance, listed as follows:

- Additional cash would be added to the project, including \$10 million from housing cash reserves and \$2 million from parking cash reserves.
- The remaining amount would be financed over 30 years.
- Existing variable bonds, issued by the Foundation, would be refinanced with fixed debt.
- Per student revenue assumptions would be increased from \$2,400 to \$2,700 per bed, per semester.

Vice President Shuman stated that the Division of Bond Finance had critiqued this pro forma, which did meet the BOG debt guidelines, outlined as follows:

- Debt guidelines would be met within the first year with a 1.17 x coverage, followed by a 1.20 x ratio for out-years.
- Debt would level off by 2016 and remain so for the next 24 to 26 years.

Vice President Shuman stated that the University believed this amended resolution would meet the intentions of both the BOG and the Division of Bond Finance. She stated that this resolution would be presented for approval at the BOG's June 14th meeting.

Trustee Thompson asked if the revenue assumption of \$2,700 would be acceptable. Vice President Shuman stated that this amount was comparable to all other SUS universities.

Trustee Klostermeyer asked when the bulk of the debt would be issued. Vice President Shuman stated that the issuance of debt would begin at the end of June, immediately after the BOG meeting.

Committee Chair Twomey asked for a motion for approval of the resolution authorizing the issuance of debt for student housing. The motion was offered, seconded and unanimously approved.

Item 6: Approval of a Revision to the Resolution for Bonding for the Student Union Building. Committee Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that the Board had previously approved a resolution for bonding for the Student Union building. This resolution was being brought back to the Board for reapproval based on slight revisions. These revisions increased the cost of the Student Union from \$48 million to \$50 million. She stated that the debt itself had not changed. The additional \$2 million would be coming from other sources -- \$1.5 million from TSI and the remainder from other auxiliaries.

Trustee Thompson asked what the additional cash would be used for. President Delaney stated that additional cash would be used for improvements to the amphitheater area and some aesthetic changes.

Vice President Shuman stated that the BOG and the Division of Bond Financing were comfortable with this package. Both the BOG and the Division of Bond Financing have added language to the resolution in their project summary, quoting that the use of Activity and Service fees for this project would be grandfathered in.

Trustee Thompson expressed concern about the per-square-foot cost. President Delaney stated that the per-square-foot cost included landscaping and major infrastructure. President Delaney and Committee Chair Twomey stated that they were comfortable with the per-square-foot cost.

Committee Chair Twomey asked for a motion for approval of the resolution authorizing the issuance of debt for the Student Union building. The motion was offered, seconded and unanimously approved.

Item 7: Direct Support Organizations. Committee Chair Twomey asked Vice President Shuman to speak about the remaining items on the agenda.

Vice President Shuman stated that the Foundation budget was preliminary. The University wanted to provide a review to this committee and would bring this budget back for oversight in September.

Committee Chair Twomey asked for clarification on unrestricted contributions and scholarship money. Vice President Allaire stated that these items were not included in the available information but would be included in September.

Vice President Shuman stated that the UNFFC's budget was previously approved by their board and TSI's budget would be approved by their board later in the day.

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

Item 8: UNF's Financial Statements Audit from the Auditor General. Vice President Shuman stated that there was a management finding that was not a material weakness. This finding focused on having all financial statements prepared in a timely fashion. She stated that the University would be making adjustments to the schedule to assure that financial statements were prepared prior to Auditor General dead lines. Committee Chair Twomey stated that there was considerable discussion at the exit conference with suggestions that SUS universities address specific items without the Auditor General's oversight. President Delaney stated that the University had not been informed about certain procedural changes in state audits but would accommodate these in the future.

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

Item 9 Quarterly Budget Report. Vice President Shuman stated that there were no budgetary issues anticipated.

Trustee Thompson asked if security issues were going to impact this fiscal year's budget. Vice President Shuman stated that this year's budget would not be affected and some money was reserved in next year's budget to address security.

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

Item 10: Treasurer's Report. Vice President Shuman stated that the University was working with three investment firms and had invested more cash than was previously invested. She stated that the Board would receive an annual report at the June meeting.

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

Item 11: Adjournment. Committee Chair adjourned the meeting and announced that there would be a budget workshop to immediately follow.

Budget Workshop

Vice President Shuman stated that State revenues and enrollment growth were not approved at the same level as last year; however, this budget did allow for funding of current operations, existing initiatives, and one new initiative.

Vice President Shuman stated that in the budget process we begin by justifying the base budget. Incremental budgets are proposed after the base budget is approved and after budget committees from each division discussed priorities.

Vice President Shuman stated that Academic Affairs had developed a different process this year. She asked Provost Workman to speak about this process.

Provost Workman stated that this year's budget process was linked to the academic strategic planning process. Unit priorities were shared and resources allocated based upon agreed priorities that would meet divisional and University objectives. Provost Workman spoke about the new process being more transparent with the intent to develop a sense of greater ownership over resource allocation.

Provost Workman stated that every college, unit, and center was required to connect the budgeting process to the Strategic Plan. This provides an assessment of accomplishment and an indication of goals and aspirations that would have immediate and long-term indications for the University; thus, the Strategic Plan drove the entire budget process.

Provost Workman spoke about Academic Affairs strategic budgeting process, stating that the annual budget cycle included discussions with chairs, directors and deans, with budget submissions to Academic Affairs' Budget Council (Provost, deans and Academic Affairs staff). The Council submitted its budget to the Vice President for Administration and Finance (A&F) and subsequently, to the President and the Board of Trustees. He stated that this process emphasized a systematic, open and deeply informed Strategic Plan.

Vice President Shuman discussed the redirection of existing Educational and General (E&G) funds in 2006/2007 giving several examples.

Vice President Shuman then spoke about the redirection of E&G funds in 2007/2008, again giving several examples. (See the PowerPoint presentation.)

Vice President Shuman stated that the initial budget for 2006/2007 was \$124.7 million. The state added \$1 million for retirement and this created a base of \$125.7 million. She spoke about FTE, stating that this was funded at \$3 million for 2007/2008, at a higher rate than 2006/2007. She stated that the total 2006/2007 E&G allocation was \$130.4 million.

Vice President Shuman provided an overview for tuition. She stated that the Governor had communicated that he might veto a tuition increase and May 24th would be the timeframe for this veto.

- The Legislature authorized an increase of 5 percent in undergraduate, in-state tuition: \$77.39 per credit hour.
- The BOG delegated tuition flexibility for graduate and out-of-state tuition, up to a 10 percent increase over 2006-2007; however, these rates may not be lower than the rates in effect for 2006-2007.
- This budget would be based on an increase of 5 percent for undergraduate and graduate in-state tuition; 0 percent tuition increase for undergraduate and graduate out-of-state tuition.
- This tuition increase creates a difference in revenue of \$134,600.

Vice President Shuman spoke about funding sources for the 2007/2008 initiatives, stating that total recurring dollars would be \$11,238,726 and total nonrecurring dollars would be \$12,140,000.

Vice President Shuman discussed FTE, stating that the 2006/2007 target was 9,920 with the actual number at 10,149, or 229 unfunded. The 2007-2008 new FTE target would be 10,241, an increase of 321.

Vice President Shuman then went through each of the elements in the Strategic Plan, highlighting the accomplishments based on last year's funding and the proposals under each element for this year's budget. The details of this part of the report can be seen in the Budget Presentation PowerPoint.

Following an open discussion, the meeting was adjourned.