



Item: AF: A-M

**AUDIT AND FINANCE COMMITTEE**

February 16, 2011

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE DECEMBER 15, 2010 AUDIT AND FINANCE COMMITTEE MEETING.**

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**PROPOSED COMMITTEE ACTION**

Initiate roll call to document member participation to ensure appropriate quorum numbers are achieved and to approve the minutes of the December 15, 2010 Audit and Finance Committee meeting.

**COMMITTEE MEMBERS**

Mr. Anthony Barbar, Chair	_____
Mr. Thomas Workman, Jr., Vice Chair	_____
Ms. Robert Stilley (ex-officio)	_____
Mr. David Feder	_____
Dr. Rajendra Gupta	_____
Dr. Tim Lenz	_____
Mr. Robert Rubin	_____
Mr. Paul Tanner	_____

**BOT MEMBERS**

Mrs. Nancy Blosser	_____
Dr. Jeffrey Feingold	_____
Mr. Ayden Maher	_____
Ms. Sherry Plymale	_____



**DRAFT MINUTES**  
**AUDIT AND FINANCE COMMITTEE**  
**Wednesday, December 15, 2010**

**AF: A-M. Roll Call and Approval of Revised Minutes of the October 20, 2010 Board of Trustees Audit and Finance Committee meeting.**

Mr. Robert Stilley, Chair of the Board of Trustees (BOT) Audit and Finance Committee (AFC), convened this meeting at 2:08 p.m. Roll call commenced with the following Committee members, in addition to Mr. Stilley, participating: Mr. Thomas Workman, Jr., Ms. Nancy Blosser, Dr. William Bryant, Mr. David Feder, Mr. Armand Grossman, Dr. Timothy Lenz, Mr. Ayden Maher, and, Mr. Robert Rubin.

Other Trustees attending the meeting included: Mr. Anthony Barbar, Dr. Jeffrey Feingold and Ms. Sherry Plymale.

The following University officials participated: Dr. Mary Jane Saunders, University President; Mr. Dennis Crudele, Senior Vice President for Financial Affairs; Dr. Charles Brown, Senior Vice President for Student Affairs; Ms. Jill Eckardt, Director-Housing and Residential Life; Dr. Diane Alperin, Interim Provost and Chief Academic Officer; Dr. Michael Armstrong, Associate Vice President-Enrollment Management; and, Mr. David Kian, Senior Vice President for Strategic Relations and General Counsel.

Mr. Stilley called for approval of the minutes of the October 20, 2010 AFC meeting after noting a change on the first page of the revised minutes provided to members. A motion was made and seconded to approve the revised minutes without further change or correction. No discussion or commentary followed. **The motion passed unanimously.**

**AF: A-1. Request for Approval to Amend Regulation 8.001, Tuition, Fee Schedule and Percentage of Cost to include the Charles E. Schmidt College of Medicine Tuition Costs for Academic Year 2011-12.**

Mr. Crudele addressed this item noting that the BOT, Board of Governors (BOG) and the Legislature had approved the implementation of an independent medical school at FAU. This amendment is required by the BOG and will revise FAU's Regulation 8.001 to include the annual tuition and fees for the Schmidt College of Medicine, pending preliminary approval by the Liaison Committee on Medical Education, and will become effective the 2011-12 academic year.

With no questions or discussion issues put forth, a motion was made and seconded to recommend to the BOT approval of this amendment to Regulation 8.001 to authorize the establishment of the annual tuition and fee schedule for the Charles E. Schmidt College of Medicine; and, authorize the promulgation of the Tuition and Fee Regulation reflecting the Board of Trustees (BOT) approved program consistent with BOG directives and guidelines. **The motion passed unanimously.**

**AF: A-2. Request for Approval of Amendments to the By-Laws of the FAU Finance Corporation.**

Mr. Kian took the floor reminding members that the BOT had approved the formation the FAU Finance Corporation (FAUFC) to serve as a financing vehicle for capital projects, specifically the Innovation Village, but future initiatives as well.

This request is to amend one line in Section 3.3(c) of the FAUFC By-Laws to add a requirement that the BOT approve the appointment of all members to the FAUFC Board of Directors. He advised that by making this change to the By-Laws, the FAUFC should qualify for an exemption from the IRS requirement to file Form 990, Return of Organization Exempt from Income Tax, saving the FAUFC money, time and effort.

Upon call, a motion was made and seconded to recommend to the BOT approval of the amendment to the By-Laws of the FAU Finance Corporation as articulated. With no discussion or commentary, **the motion passed unanimously.**

**AF: I-1. Review of Proposed Housing Rates, 2011-12.**

Mr. Crudele reminded members that during the May 2010 AFC meeting a request was made to have proposed 2011-2012 housing rates presented to the Committee during the Fall 2010 semester; these proposed increases will return for approval consideration at a later date with other fee proposals. Dr. Brown and Ms. Eckardt were introduced to present this information.

Dr. Brown addressed the Committee reminding members of the partnership entered into with Capstone to operate the Boca Raton campus housing effective beginning fiscal year 2011-12 creating a different budgeting environment, but still requiring BOT approval of the operating budget. He then advised that the preliminary increases being considered represent a three percent increase to double rooms and a six percent to single rooms; the same percentage increase implemented last year. These increases are expected to yield approximately \$732,500 in revenue to address expenses such as utilities and marketing costs.

A revised handout (**See ATTACHMENT A**) was provided showing the percentage increases being requested within the State University System. Six institutions, including FAU, are proposing to increase rates at three percent, one at two percent, one at 5 percent and one at six percent; two institutions failed to provide requested data. Additional documentation was reviewed which articulated the proposed rates, in dollars and percentage differences, for each residential hall.

Discussion followed with a request for system-wide rate information in dollars and cents rather than only percentages. Ms. Eckardt stated that while that specific information was not immediately available, FAU has among the newest most highly-technological residential halls, with associated debt, so comparisons between most other system-wide facilities are not viable when considering the disparities in amenities and markets. Members were also informed of the survey of local accommodations that are initiated to ensure that FAU housing remains comparable to the local market.

A recommendation provided during a previous AFC meeting was reiterated that management acknowledge the high demand for single bed rooms and maximize pricing on these prime accommodations. Committee members were reminded that FAU's single bed rooms have always been higher than double bed rooms, currently by approximately one-third. Raising the rates too high too quickly would be problematic with the student population and the University needs to maintain parity with local market pricing.

Semester waiting lists and the accommodations made for these students were discussed which included the Fall 2011 availability of Innovation Village Housing (IVH) which will provide upperclassmen all single bed rooms helping to alleviate out-of-state student housing requests, but not accommodating freshman. Waiting lists, especially for the Fall terms will continue. It was noted that as the freshman class grows, the need for freshman housing will become an issue; especially, if enforcement of the existing university mandate that all freshman reside on campus begins.

Upon query, members were informed that no data is available to establish if housing rates adversely affect recruiting. It is known from results from orientation programs that parents prefer their student residing on-campus. A discussion on semester occupancy rates followed with management advising that an overall annual average occupancy the past five years has been 95 percent.

Discussion began on new IVH budgeting issues. Members were advised that, per the Management Agreement, by the end of January 2011 a proposed operating budget for all housing will be complete. According to the agreements the University will continue to bill and collect student rental payments. The revenue received from Boca Raton campus housing will be deposited to separate accounts and at the end of the fiscal year will be transferred to the FAU Finance Corporation (FAUFC) to ensure their ability to meet their financing obligations. The FAUFC will then distribute that funding in accordance with various contracts and bond covenants. Members were informed that these are internal changes only; a student will see no change in their processes.

Responding to questioning it was explained that the rental rates proposed for IVH have been calculated based on figures included in the pro-forma generated during financing negotiations. These rates are preliminary and subject to revision as the Housing Department and Capstone continue budget construction. Mr. Kian concurred that the proposed rates match those of the pro-forma which was developed based on an extensive market survey.

Other general conversations covered ensuring revenue streams and maximizing facility usage with summer school student occupancy and conference operations. Meal plan requirements were also discussed which are mandated to students in the residence halls but not to those residing in apartment-style facilities furnished with kitchens such as the IVH.

**AF: I-2. Review of the 2011 Work Plan for the Audit and Finance Committee.**

Mr. Crudele reviewed in detail the annual work plan for the Audit and Finance Committee conveying a comprehensive list of information to be reported and action items to be considered during calendar year 2011. He noted some basic editing in the phrasing to more adequately reflect the issues to be presented. Additionally, he reminded members that the document is not necessarily all inclusive as periodically BOG and/or Legislative directives can mandate adjustments to the content and submission deadlines during the year.

Discussion ensued regarding budgeting issues in consideration of higher state budget deficit projections. Noting the General Revenue Estimating Conference held on December 14 where actual revenue collections for 2010-11 are down approximately \$230 million, revenue projections have been reduced by \$586 million to slightly less than \$860 million. Members were informed that sufficient revenues exist to cover 2010-11 appropriations and that no reductions are anticipated for this fiscal year; although lesser funding releases for the third and fourth quarters are possible.

Budgeting for 2011-12 will be problematic in consideration these projected revenue reductions, the discontinuation of stimulus and enrollment growth funding, and anticipated increases in Medicare and Medicaid costs. Currently, BOG staff advises that base budget funding appears stable. It was noted that higher enrollment and association tuition increase revenues may not be sufficient in address 2011-12 reductions and planning by the President's Senior Staff includes holding Carry Forward and limiting other non-essential items. New members were informed of FAU's prior year budget plans that designated into reserve a portion of increased tuition revenues for possible new reductions such as is probable in 2011-12. Additional actions to assist in addressing reductions include further enrollment growth with attention to out-of-state student recruiting.

To benefit new members, the definition of Carry Forward funding was provided as appropriated monies unspent as of the end of a fiscal year, June 30; these monies carry forward unencumbered to the subsequent fiscal year. A history was provided noting that years ago these monies were returned to the state. The Legislature created this budgetary designation to enable institutions to plan for large or one-time necessary expenses. FAU has used this funding primarily to ensure maintenance of credit hour production in the Summer terms. Upon devolution from the Board of Regions institutions were and are required to maintain a five percent reserve of these monies.

Conversations followed focusing on enhancing revenues and recruiting with:

- Summer Enrollments. FAU has academic programs whereby in-state students maintain continuous academic progress by enrolling in summer classes at FAU which are transferable back to their home institution. FAU has a robust summer transfer student enrollment averaging between 800-1,000 students; with total enrollments at approximately 15,000.
- Summer Camps. Members were informed that math, engineering, music, dance, and sports camps are all held at FAU with more science camps being planned in consideration of FAU's association with Scripps and Maxx Plank; management was encouraged to enhance marketing of these camps.

**AF: I-3. Review of the First Quarter Status of Florida Atlantic University's 2010-11 Operating Budget, July 1-September 30, 2010.**

Mr. Crudele began a review of the seven components comprising FAU's Operating Budget:

**Educational and General.** This budget which pays for instruction, research, maintenance, etc. is funded by General Revenue, the Education Enhancement Trust Fund, the Student Fee Trust Fund, and by Federal Grants. Of the budgeted revenue projections of approximately \$256.5 million, approximately \$84.7 million has been received. Of the projected expense budget of approximately \$247.8 million, which includes a reserve of approximately \$8.7 million in student fee budget authority, approximately \$57 million had been spent.

It was noted that Summer 2010 enrollments exceeded budgeted projections, the Fall semester enrollment appears to be doing the same, and Spring enrollments are on target to projections. If Spring enrollments meet projections, credit hour production will reach an all-time high at FAU of over 600,000 hours; hours to which FAU bases tuition revenue.

**Student Financial Aid.** This component represents financial aid scholarship and loan funds received and disbursed to students; a pass-through account. Budgeted revenues are projected at \$145,900,561 and actual revenues to September 30 are \$74,308,457; budgeted expenses are project to be \$145,644,180 and actual expenses are at \$71,423,291.

The amount of expenditures to date is higher than this same time prior year (49 percent vs. 42 percent) and is associated with the timing of disbursements. Members were advised of the probability that in the third quarter an adjustment to the Student Financial Aid budget authority may be required to enable spending authority associated with anticipated summer enrollment.

**Grants and Contracts-Sponsored Research.** This budget consists of funding from federal and state agencies, foundations and private sources that facilitate specific research projects or to provide specific services. The 2010-11 budgeted revenues are projected to be \$63,720,200 with actual revenues to September 30 at \$12,056,222. Projected budgeted expenses are at \$62,974,241 and actual expenses to September 30 are \$11,761,000.

Mr. Crudele noted revenues in sponsored research are up slightly from this time last year, \$11,180,967 vs. \$9,084,412, due to a higher volume of accepted grants, including

interdisciplinary applications. Upon accreditation of the College of Medicine additional growth in contract and grant volume is expected. Members were reminded that some grant awards are cost reimbursable and at times expenditures will be higher than collections.

**Auxiliary Enterprises.** This budget component consists of operations that are required to be self-supporting and must generate adequate revenue to cover expenditures and support future renovations and building or equipment replacement. Major operations include, among others, Food Services, Housing, Postal Services, Telecommunications. Several auxiliaries are partially funded by student fees, including Student Health Center and Traffic and Parking.

This budget is healthy with budgeted revenues projected at \$106,155,850 and actual revenues received to date are at \$33,090,847. The expenses budgeted are \$106,155,850 with actual expenses to as of September 30 at \$18,849,201. This budget is on target to projections.

**Athletics.** This budget supports student athletic programs and is funded mostly by student athletics fees, with other sources such as ticket sales, game guarantees, Title IX Gender Equity funding.

Budgeted revenues this fiscal year are \$14,013,105 with actual revenues as of September 30 at \$5,666,183. A review of monetary collections by category followed. Budgeted expenses are projected at \$14,011,516 with actual to date at \$4,454,612. Members were informed that the 2010-11 Athletics budget was based on the 2009-10 level of 585,000 credits hours. It is expected that excess hour equating to \$630,000 will be generated. This money will be placed in reserve account to address stadium financing obligations.

**Student Activities.** This component supports student activities such as student government and student clubs, as well as expenditures associated with the Student Union, Campus Recreation and the Student Wellness Center. The primary funding sources is the Activities and Services Fee.

The 2010-11 budgeted revenues are projected to be \$8,555,293. Actual revenues to date are \$3,637,363. Budgeted expenses are \$9,935,432 with actual expenses to date of \$1,326,681.

Mr. Crudele noted that budgeted expenses are expected to exceed revenues but with increases in enrollment the revenues and expenses should be equivalent. Available cash balances will support any excess expenditure, if required. He reminded members that the past few years, the entire Student Activities reserve had been budgeted, but expenditures have never reach the full budget amounts. Management continues to monitor this budget to ensure viability.

**Concessions.** This component consists primarily of funds from soda and snack machines. The budgeted revenues this year are at \$500,250 with actual revenues as of September 30 at \$111,494. Budgeted Expenses are \$500,250 and actual expenses to date are at \$49,818. This budget is on target to projections with expenditures less than prior year at this same time.

An analysis of expenditures and credit hour data as of September 30 of fiscal years 2010-11 and 2009-10 was provided. It was noted that the increase in summer credit hours over prior year was significant.

Mr. Crudele advised that FAU's 2010-11 Operating Budget is on a positive path and the Educational and General expenditures only at 23.1 percent is a good barometer at this point in time. Additionally, the Auxiliaries are in really good shape and the increases in sponsored research activities are gratifying.

No further questions or commentary followed.

**AF: I-4. Update on the Florida Atlantic University Innovation Stadium Project.**

Mr. Kian was introduced and began this presentation noting how pleased he was to announce that all components of the stadium financing consistent with the plan approved by the BOT and BOG had been completed and a 30,000 seat stadium with a guaranteed completion date of October 2011 was in progress.

A summary review of the various components of the final financing was provided with total project cost coming in at \$69.7 million which partially consists of a direct loan with Regents Bank in the amount of \$44.5 million. The loan is for 30 years with a fixed rate. He reminded members that the proposal was based on a seven-year LIBOR swap-rate plus 336 basis points. At that time the rate had been projected to be just over six (6) percent and actually came in at 5.78 percent at closing. The loan qualifies for federal Build America Bonds interest rate subsidy that effectively reduces the interest rate to 3.76 percent. Additionally mentioned was the option of resetting the rate every three years based upon the formula of the LIBOR swap-rate plus 336 basis points. The bottom line is a maximum net annual debt service obligation will be \$2.5 million; several hundred thousand annually less than originally anticipated.

Special recognition was given the individuals specifically involved in negotiating the financing and promoting the necessary levels of approval of this financing plan especially in light of the atypical nature of this endeavor.

Mr. Crudele addressed the Committee giving special recognition to those involved in Housing Phase of Innovation Village; a component critical to the success of the stadium financing.

He then began a review of all phases of the Innovation Village including the completed phases encompassing the Student Wellness Center, the Alumni Center, new parking and the Community Development Agreement with the City of Boca Raton; Housing Phase 1 adding another 1,200 beds to the Boca Raton campus opening in August 2011; and, the Stadium Phase with final financing closing in November 2010 providing a 30,000 seat stadium to open in October 2011.

Revenue sources associated with the stadium were reviewed noting a project 2011-12 revenue stream of approximately \$6.2 million with expenses, including debt service, projected at approximately \$3.8 million.

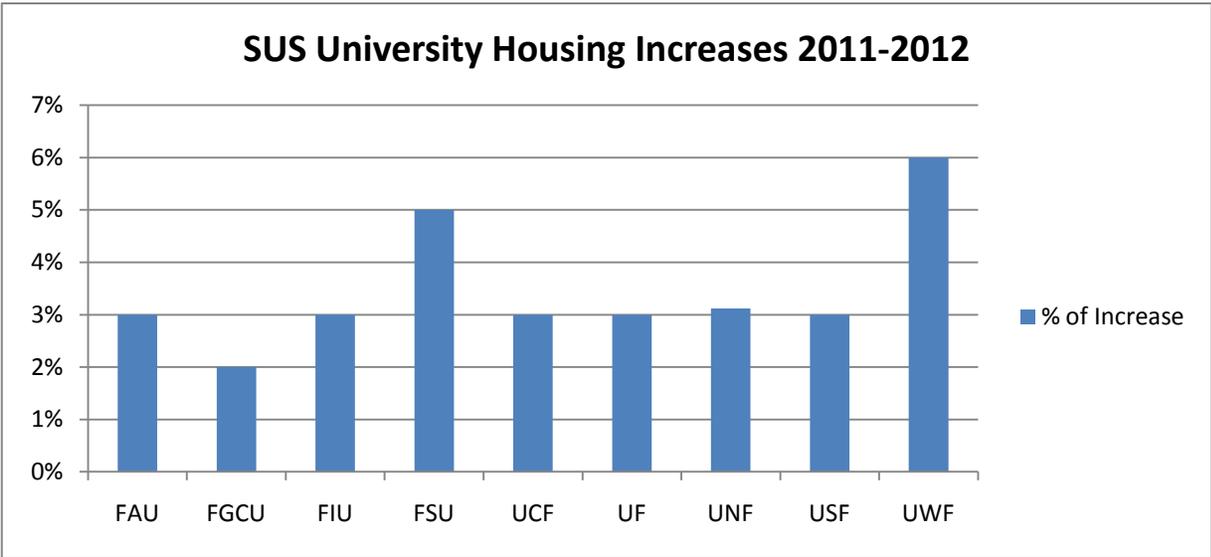
Mr. Crudele advised that the next critical steps include ensuring that the terms of the Construction Disbursement and Operating Agreements are finalized in accordance with Regents Bank requirements; initiation of the stadium capital campaign to be spearheaded by University Advancement; and, ensuring that stadium operational procedures are developed and tickets, seating, boxes and suites are sold which is the responsibility of Athletics. Hiring of individuals to help accomplish these functions is in progress.

A summary review of the final Stadium financing pro-forma followed reiterating in detail the savings accomplished by the good fortune of market conditions upon closing, as well as the current favorable bidding environment for the purchase of necessary the products and services.

In concluding this presentation, Mr. Crudele informed members of awards this project has been nominated for including the Southeast U.S. Bond Deal of the Year, and submission to the South Florida Business Journal. All of which promote significant name recognition for Florida Atlantic University.

With no questions or other discussion items put forth, a motion was made and seconded to adjourn this meeting. **The motion passed unanimously.** The meeting was adjourned at 3:39 p.m.

<b>Housing Increase % for 2011-2012</b>	
Name	% of Increase
FAU	3%
FGCU	2%
FIU	3%
FSU	5%
UCF	3%
UF	3%
UNF	3.12%
USF	3%
UWF	6%



No Response:

FAMU  
New College