AUDIT AND FINANCE COMMITTEE
Wednesday, June 9, 2010

SUBJECT: ROLL CALL AND APPROVAL OF MINUTES OF THE MAY 26, 2010 AUDIT AND FINANCE COMMITTEE MEETING.

PROPOSED COMMITTEE ACTION
Initiate roll call to document member participation to ensure appropriate quorum numbers are achieved and to approve the minutes of the May 26, 2010 Audit and Finance Committee meeting.

COMMITTEE MEMBERS

Mr. Robert Stilley, Chair
Mr. Thomas Workman, Jr., Vice Chair
Ms. Nancy Blosser (ex-officio)
Dr. William Bryant
Mr. David Feder
Mr. Armand Grossman
Dr. Tim Lenz
Mr. Ayden Maher
Mr. Robert Rubin

BOT MEMBERS

Mr. Anthony Barbar
Dr. Jeffrey Feingold
Dr. Rajendra Gupta
Ms. Sherry Plymale
AF: A-M. Roll Call and Approval of Minutes of the April 21, 2010 Board of Trustees Audit and Finance Committee meeting.

Mr. Robert Stilley, Chair of the Audit and Finance Committee (AFC), convened this meeting at 10:12 a.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 (via teleconference), Mr. David Feder, Mr. Armand Grossman, Dr. Timothy Lenz, Mr. Ayden Maher, and, Mr. Robert Rubin.

Other Trustees attending the meeting included: Mr. Barbar.

The following University officials participated: Dr. John Pritchett, Interim President; Mr. Dennis Crudele, Interim Senior Vice President for Financial Affairs; Ms. Jill Eckardt, Director, Housing and Residential Life; Mr. Charles Lowe, Chief, Police Services; Mr. Glenn Thomas, Assistant Dean, PK-12 Schools and Programs; Dr. Charles Brown, Senior Vice President for Student Affairs; Dean Kolar, Assistant Director, Health Services; Mr. Craig Angelos, Director, Athletics; and, Mr. David Kian, Senior Vice President for Strategic Relations and General Counsel.

Upon call for approval of the minutes of the April 21, 2010 Audit and Finance Committee meeting, a motion was made and seconded to approve the minutes without change or correction. No discussion or commentary followed. The motion passed unanimously.


Mr. Crudele advised pursuant to FS 1009.24(16) each University Board of Trustees (BOT) was authorized in 2009 to establish tuition differential fees to improve undergraduate education and to provide thirty (30) percent of these revenues to assist financially needy students. This year the Board of Governors (BOG) has calculated the tuition differential to be $12.80 per credit hour for undergraduate courses. Upon approval of this Committee and the BOT, this request will be forwarded to the BOG for their consideration.

Implementation of this increase will yield approximately $4.5 million in collections with $3.13 million enhancing course continuation and $1.34 million augmenting student financial aid. The objective in establishing this fee is to reach BOG and Legislative goals of boosting SUS tuitions to the national average.

A motion was made and seconded to recommend to the BOT approval of the requested 2010-11 Tuition Differential. No questions or commentary followed. The motion passed unanimously.
AF: I-1. Request for Consideration of Housing Rate Increases,

Ms. Eckardt informed members that the increases being requested reflect an approximate three (3) percent increase to double beds and an approximate six (6) percent increase on single beds. This request comes with the approval of students serving on the advisory committee established to ensure the viability of the increases. Of 2,700 beds available at FAU, approximately 80 percent or 2,200 are double accommodations (two students per room). It was noted that with the addition of Innovation Village Housing, the most popular single bed accommodation will increase with 1,200 beds. The revenues on current housing increases will produce additional income of approximately $590,000 to support personnel costs (increases in employee and student minimum wage and benefit requirements), administrative costs (updated marketing/with the addition of Innovation Village Housing) and reserves (debt service/repairs/maintenance).

Ms. Eckardt advised members of the benefits being realized with on-going energy conservation projects including items like low-flow shower heads which are anticipated to reduce energy costs in 2010-11 by approximately $40,000. Future utility costs should also reflect reductions.

Conversation began on student demand for single bed accommodation and the potential to price those accommodations higher in consideration of the value placed upon them. Additional discussion followed on room sizes, comparison pricing of available accommodations, local market pricing and current economic issues.

It was agreed that Housing administration will initiate and produce for the Committee a comprehensive assessment on housing pricing to be presented next year prior to the release of preliminary pricing to students and parents.

AF: I-2. Review of Proposal to Increase the Transportation Access Fee and the Decal Fee.

Mr. Lowe reminded members of a previously proposed four-year plan, requiring annual Committee and BOT approval, to fund increased parking demand, incorporate mass transits, maintain debt service coverage requirements and build reserves for future parking needs. The request today is to increase the student transportation access fee by $2.50 for Fall and Spring semesters (from $62.40 to $64.90) and by $1.04 (from $26 to $27.04) for the Summer semester. Additionally, as was done for fiscal 2009-10, it is requested to increase faculty and staff decal fees by four (4) percent based on a tiered salary rate system that distributed to members.

Members were reminded that the Traffic and Transportation Department is not responsible for only parking lots, but also pedestrian safety/code blue phones, walkways, the on-campus shuttle system, etc. The increases will produce approximately $179,000 in revenues to be utilized in continuing the these amenities including the Palm Tran/Tri-Rail/FAU connection services, multi-campus parking lot improvements, and future parking garages, etc.

Discussion began on the low cost incurred by members of the Lifelong Learning Society (LLS) and the potential benefit in increasing charges to this constituency. Members were informed that rates charge to LLS participants are based their limited use of campus parking as reflected by their diminutive and generally off-session course scheduling; hour-to-hour use analyses shows the
current LLS rate as relatively equivalent to those charged traditional students.

Additional conversation followed on the use of a tiered decal system. This idea was tried in the past and failed; parking was plentiful at the time, so re-analysis is a consideration. Another discussion point was the implementation of gated lots; those eager for more convenient parking would find this option, while more expensive, attractive. The current long-range goal lies in constructing parking garages; institutional land is limited and vertical parking has become a necessary but expensive proposition at approximately $16,500 per space or $16-18 million per garage. The current parking reserve is at approximately $1 million.

**AF: I-3. Proposal to Consider Fee Modifications for the Karen A. Slattery Education Research Center for Child Development (ERCCD).**

Mr. Thomas addressed this item noting the functionality of the ERCCD as an accomplished and accredited preschool - not day care – whose staff consists mostly of degreed teachers. The Center serves approximately 100 children ranging in age from three months to five years of age; most children of FAU students and employees. The ERCCD is an auxiliary, or self-supporting, entity funded mainly by parent/guardian fees and statutory student credit hour fees. All increases have been vetted by the Slattery Advisory Board and parents who have recommended these increases based on the understanding that maintaining quality programming standards require funding.

The recommended and requested increase to the ERCCD fee is the adoption of a $24 per month general fee increase for all age groups and maintaining the annual registration fee of $150 for the first child in a family, but charging only $50 for each additional child within a family unit rather than the current $150 per child.

In response to query, members were informed that approximately 65 percent of children enrolled in the ERCCD have FAU related parents/guardians. It was agreed that ERCCD management will initiate and produce for the Committee a comprehensive assessment on pricing applications that might enable discounts for children of FAU related parents/guardians.

Introducing the next three agenda items, Mr. Crudele informed the Committee of recent legislation giving universities the authority to increase Health, Activity and Service, and Athletics fees by 15 percent, a one-time only increase from the standard five (5) percent authority. An analysis of system-wide implementation of this legislation was provided.

**AF: I-4. Review Proposal to Increase Student Health Fees.**

Dr. Brown advised members that a committee, consisting of one-half student participation as well as multi-campus faculty/staff representative, has recommended increasing the health fee by the full 15 percent, equating to an increase of $1.17 per credit hour, and generating approximately $682,000 on an annual basis. These collections will assist addressing Strategic Planning goals of enhancing health and wellness services on all campuses and continuing efforts to address accreditation needs, as recommended recently by two external consulting associations. The Counseling Center has space issues and staffing needs specifically in acquiring formal medical (psychology) staffing; a void proving problematic with an influx of students with mental health issues.
Commentary and concerns were expressed by members focused on student/parent personal insurance coverage and institutional abilities in billing these personal plans for health/counseling services provided to covered students. Discussion on network/non-network/third-party insurance issues began and on the difficulties associated with contracting and payment receipt from these personal insurance plans. Discussion also followed on the BOG initiative that had been in progress on both mandatory student insurance provisions and system-wide consortium benefits; all of which ceased with the advent of a federal health care initiative.

It was agreed that Health Services management, in conjunction with Student Affairs administrators, will initiate and produce for the Committee a comprehensive evaluation on billing student/parental insurance plans for institutional services rendered.

**AF: I-5. Review Proposal to Increase Student Activity and Service Fees.**

Dr. Brown acknowledged that the committee tasked with analyzing the viability of increasing this fee also has recommended implementing the full 15 percent increase allowed by statute. Committee members were reminded that these funds are controlled by the Student Government and are used to enhance student life. With increases in student enrollment and associated increases in student organizations, activities and programs, as well as, operational funding commitments to new facilities, i.e., the Davie Student Union and the Boca Raton Recreation Center, this increase in revenues is welcome.

The increase of $1.56 will generate approximately $882,000 annually. This funding will enhance those issues previously articulated and assist in growing Greek Life and addressing current technological limitations in Owl Radio and Television and the University Press.

No questions or commentary were forthcoming.

**AF: I-6. Request for Consideration of a Proposal to Increase the Athletic Fee.**

Mr. Angelos presented this fee increase request noting that all other increases will directly affect the Athletics budget and its student athletes. These new revenues will neither create nor enhance reserve funding but will be utilized to maintain operational functionality.

The department requests taking advantage of the full 15 percent authorized which equals an increase of $2.15 per credit hour, from $14.30 to $16.45. These revenues will generate approximately $1.06 million annually and will offset increases to student athletes’ tuition and fees, housing, and summer school. Additionally, it will be used to cover NCAA and Conference mandated expenses in travel and athletic scholarships.

Discussion followed on future goals of the department which including the on-campus stadium and producing a profit making program enabling lower student athletic fees and creating funding reserves. General analysis on the financial viability of the various sports followed with members informed that just over one-half of the various teams break even financially.

Additional conversation followed relating to institution-wide funding, specifically ensuring accountability and judicious use of monies received. Mr. Crudele advised that budgeting is
decentralized with each area allotted an annual budget and each accountable for identifying and expending funds appropriately. This Committee, through the quarterly reporting process, receives overall institutional budgeting expenditures on the Educational and General budget. Additionally, for Auxiliary entities, Financial Affairs conducts mid-year budget reviews to ensure those entities remain within allotted budgets.

Concluding the fee presentations, members were informed that the total fee increase to students will be $19.90 per credit, with an additional $20.26 for student financial aid, the increase is approximately $39.80 per credit hour. A full-time student taking 12 credit hours will pay an increase of approximately $240.

**AF: I-7. Review the Proposed Regulation Promulgation for Legislative, Board of Trustees and Board of Governors Established Increases in Student Tuition and Fees for Academic Year 2010-2011.**

Regulation 8.001, Tuition Fee Schedule and Percentage of Cost, is required to be promulgated annually establishing the academic year student tuition and fees for the academic year. The proposed regulation is required to be publicly noted for thirty days prior to BOT approval; this is currently in progress. The regulation articulates the 2010-11 charges to students including tuition; financial aid fees; Capital Improvement Trust Fund fee; building fee; health fee; athletic fee; activity and service fee; technology fee; and, tuition differential.

No questions or commentary followed.

**AF: I-8. Update of Proposed Florida Atlantic University’s 2010-11 Educational and General and Capital Outlay Budgets.**

Mr. Crudele noted that this presentation showcases the FAU 2010-11 Operating Budget pending the results of Governor Christ’s exercising his veto authority on the budget allocation recommendations submitted to him by the House and Senate. The Governor has until Friday, May 28, to complete this exercise.

Originally, the budget situation was bleak with the Senate version providing the best scenario. Splitting the difference between the Senate and House versions had provided an almost $4 million dollar reduction. Currently, the budget situation as released by the Conference Committee looks promising to FAU with no additional reductions.

A summary review began on the projected 2010-11 Operating Budget. The review included the original BOT approved 2009-2010 FAU Operating Budget and the modification made to this budget during the year which forms the base the next fiscal year operating budget. Data on Senate and House budget appropriations and estimated revenues to the base associated with tuition and fee increases followed to document how each would affect FAU’s 2010-11 Operating Budget.

Members were informed of strategies implemented in recruiting efforts aimed at increasing out-of-state students, which generate higher revenue. Slight discounting to out-of-state tuition has been marketed recently and has gained attention and modest success to date. Current out-of-state data and revenue issues were provided and discussed.
Mr. Crudele noted some concern over the requested Capital Outlay Budget. The SUS was allowed to add one additional project, the next on the each institution’s project list, for possible funding this year. FAU’s next project is to four-lane FAU Boulevard from Lee Street to the Research and Development Park, as well as some other minor road diversions, in preparation for the Innovation Village Housing and a new I-95 interchange. Another importance aspect of this project is the addition of an off-campus entrance to the A. D. Henderson University School from 5th Street, relieving significant congestion on FAU Boulevard each morning and afternoon. The concern is that the Governor will veto these last project additions since several institutions failed to provide their projects for funding consideration and other concerns over actual PECO dollars available.

The elimination of approximately $12.8 million in non-recurring funding, including the Stimulus money, with the 2011-12 Operating budget remains on budgetary planning radar with many scenarios still under investigation to address this issue.

Detailed budgets for all funding categories will be presented for approval at the next, June 9, meeting of this Committee.

**AF: I-9. Review of Changes to Components of Florida Atlantic University’s 2009-10 Operating Budget.**

Mr. Crudele advised members of modifications needed to the operating budgets of Student Financial Aid, Grants and Contracts, Auxiliary Enterprises, Athletics Local and the Student Government. These changes are necessary to appropriately reflect revenues and expenditures through March 2010. Specific data and explanations were provided for each budget category.

Discussion followed on the state of research funding system-wide revealing three of the eleven institutions have increased funding levels, with the other nine, including FAU, having reduced or flat funding. Members were informed that the Research Division is aggressively writing and submitting grant proposals, including cross-discipline and collaborative inter-institutional proposals, aimed to increase funding levels. It is believed that leveraging the School of Medicine, Max Planck, and Torrey Pines will produce increased funding levels in the future.

**AF: I-10. Review of the Third Quarter Status of Florida Atlantic University’s Operating Budget, July 1 – March 31, 2010.**

Mr. Crudele began a review of the Third Quarter Status of Florida Atlantic University’s 2009-10 Operating Budget with data provided on current revenue collections and expenditures through March 31, 2010 of budget components including Educational and General, Student Financial Aid, Grants and Contracts, Auxiliary Enterprises, and Student Activities. These components are on track to budget and adjusted budget projections.

Noteworthy, is the projection that the Athletics Local budget will exceed budget projections and end this fiscal year in the black.

Another issue of note is the decrease in projected revenue collections for the Concessions component. A current nation-wide trend reflecting healthier consumer choices is equating to
reduced vending purchases including declines in purchases of beverage and carbonated beverages. It is anticipated this decline will result in lower commission payments as well. In response, the University has reduced spending.

A review of the current year budget in comparison to prior year followed including revenues, expenditures and cash balances. And a review of student credit hours was also provided noting the increases in credit hour production.

**AF: I-11. Update on the Status of the FAU Stadium Project.**

Mr. Kian advised the Committee that it had been anticipated to present the Stadium Financing Plan at this meeting but the BOG is currently in the process of revising the 2006 Debt Management Guidelines. In January 2010, upon BOG directives, an inter-institutional review committee was established to draft updated rules and criteria. The review committee submitted their suggested revisions in April 2010 and it was then forwarded to the Division of Bond Finance (DBF) for their review and comments. One day prior to a May 19 Workshop dedicated to the Debt Management Guidelines, rather than furnish comments to the draft distributed to them, the DBF produced a completely new version of the Guidelines whose criteria was diametrically opposite those contained in the SUS version. No consensus was reached on the criteria to be adopted and BOG staff is now initiating analysis of both versions to produce another draft for further SUS and DBF review prior to submission to and approval by the BOG.

A final approved set of Guidelines is critical to the creation of the Stadium Financing Plan since this plan anticipated using revenues from the Innovation Village Housing land lease; authority to use this funding must meet the functional relationship test required by the BOG. The functional relationship criterion is included within the Guidelines. Until Guidelines are adopted, and FAU can provide documentation that the Stadium Financing plan meets the functional relationship test criteria, the financing plan is being postponed. The Committee was advised that infrastructure projects continue but stadium groundbreaking will not occur in July.

Mr. Kian informed the Committee that it is anticipated that the revisions to the BOG Debt Management Guidelines will be finalized during the June 17-19, 2010 BOG meetings. As such, members were advised that it is likely the Committee and the Board will be asked to utilize the tentatively scheduled BOT meeting date of July 21, 2010 to review/approve a financing plan.

Concluding his presentation, Mr. Kian explained that this delay has been explained to Regions Bank and they remain committed to the development of a stadium financing plan.

No questions or commentary followed.

With no other discussion items put forth, a motion was made and seconded to adjourn this meeting. **The motion passed unanimously.** The meeting was adjourned at 12:20 p.m.