



Item: AFSP: A-M.

**AUDIT AND FINANCE/STRATEGIC PLANNING
JOINT COMMITTEE MEETING**

Wednesday, December 16, 2009

SUBJECT: CALL TO ORDER AND ROLL CALL

PROPOSED COMMITTEE ACTION

Initiate roll call to document member participation and ensure appropriate quorum numbers are achieved and approve the October 21, 2009 minutes from the Strategic Planning and Audit and Finance Committee Meetings.

BACKGROUND INFORMATION

Mrs. Nancy Blosser, Chair	_____
Mr. Scott Adams, Vice Chair	_____
Mr. Anthony Barbar	_____
Dr. William Bryant	_____
Mr. David Feder	_____
Mr. Armand Grossman	_____
Dr. Rajendra Gupta	_____
Mrs. Lalita Janke	_____
Dr. Timothy Lenz	_____
Mrs. Sherry Plymale	_____
Mr. Robert Stilley	_____
Miss Tiffany Weimar	_____
Mr. Tom Workman	_____



STRATEGIC PLANNING COMMITTEE

Draft Minutes

Wednesday, October 21, 2009

Trustee Scott Adams, Chair of the Strategic Planning Committee, convened the meeting with the following Committee members present:

Trustees Anthony Barbar, Lalita Janke, Timothy Lenz, Sherry Plymale, Tiffany Weimar and Thomas Workman.

Other Board Members Present: Trustees David Feder, Armand Grossman, and Robert Stilley.

SP: A-M: Approval of Minutes for the June 17, 2009 and July 24, 2009 Joint Meeting with Audit and Finance

There was a motion to approve the minutes for the June 17, 2009 Strategic Planning Committee meeting and the July 22, 2009 Audit and Finance/Strategic Planning Joint Committee meetings. The motion was seconded. With no discussion the motion passed unanimously.

SP: A-1: Request for Approval of the Boca Raton Campus Master Plan and Campus Development Agreement

Trustee Adams asked Mr. Tom Donaudy to present the item. Mr. Donaudy explained that, while the items appear on the agenda separately, all three are closely related and will be discussed jointly with the use of the summary sheet which was distributed at the meeting. Mr. Donaudy stated that the Boca Raton Campus Plan appears on the agenda in answer to the City of Boca Raton's request to adopt the Campus Development Agreement plan during a City of Boca Raton's Council meeting. It was explained that this is the process that was used previously between the two parties.

Mr. Donaudy discussed the plan for the Boca Raton campus and how the strategy for this agreement was determined. Facilities Planning has been in contact with the Board of Governors with regard to funding for the Campus Development Agreement and was advised that the trust fund of the Board of Governors has at the moment a balance of approximately of \$10.7 million for FAU.

The Campus Development Agreement has been tailored to reflect available funds. If the Campus Development Agreement for the Boca Raton campus is approved, \$7,955,918.00 would be required and \$2,739,770.00 would be required for the Davie campus; this would total \$10,695,688.00, which would be within the approximate \$10.7 million that the BOG has advised is available in the trust fund for FAU. Funding for the MacArthur campus would come from existing agreements with Palm Beach County. The University receives appropriations from Palm Beach County for the facilities constructed for Scripps on the MacArthur campus.

Mr. Donaudy called attention to the undisclosed amount for transportation on the Campus Development Agreement and stated that, due to ongoing negotiations by the different municipalities; an exact amount was not yet available. Approval is requested for the documents as they are presented today, October 21, 2009 and any subsequent changes will be brought to the attention of the Board for approval.

The Boca Raton Master Plan was discussed as well as its timeline. With the exception of the removal of the Boca Raton hospital, all of the projected changes are the same. The 2016 Master Plan includes 1.4 million gross sq ft. of E&G facilities, of which 560,000 sqf would be vested. Among other items included and vested would be the 30,000 seat stadium, which has recently been reduced from a 50,000 seat stadium to ensure feasibility as well as to respond to concerns of the Senior Staff, the President and the City of Boca Raton; 2,400 bed residential units; four separate parking garages for an additional 4,000 parking spaces. Facilities Planning is in communication with the City of Boca Raton and various other entities to ensure compliance with signage, construction and code requirements.

The Board questioned whether or not approval of the CDA includes Innovation Village and 60,000 square foot of retail and Mr. Donaudy stated that all this has been approved previously.

There was a motion to approve the Campus Development Agreement for the Boca Raton Campus. The motion was seconded. Without further discussion, the motion passed unanimously.

SP: A-2: Request approval for the John D. MacArthur Campus Development Agreement

Ms. Azita Dashtaki presented on the John D. MacArthur Campus Development Agreement. Ms. Dashtaki discussed the Jupiter Campus Master Plan as well as the timeline. The Campus Development Agreement is being presented today and will be approved and discussed by the Town of Jupiter as well. The information in the background information outlined the facilities included in the master plan and highlighted the facilities that are part of the Campus Development Agreement for Jupiter. The Campus Development Plan includes the buy back of the 360,000 gross square foot that was allocated for Scripps. The Campus Development

Agreement is negotiated in such a way that the facilities can be dedicated to Research and Development or to Academic growth.

The update of the Master Plan features the changes that have taken place on the campus in terms of growth in FTE, square footage and parking spaces as well as the projected changes authorized under the Campus Development Agreement. Through graphics Ms. Dashtaki provided a breakdown of the charges that we are responsible for paying to the Town of Jupiter; potable Water with the Town of Jupiter and Sanitary Sewer with the Loxahatchee River Environmental Control District An extensive study on transportation has been conducted for all campuses and official rulings from the Town of Jupiter have yet to be released so, therefore, there is a tab still to be determined on transportation and it was tabled for final approval by the Board.

Ms. Dashtaki concluded that the Campus Development Plan for Jupiter consisted of payment for the potable water, sanitary sewer, buyback of the 300,000 gross sqf, transportation as it is to be determined and total payments of approximately \$1.5million from 2009-2010 PECO funds.

There was a motion to approve the John D. MacArthur Campus Development Agreement. The motion was seconded. Without further discussion, the motion passed unanimously.

SP: A-3: Request Approval for the Davie Campus Development Agreement

Ms. Azita Dashtaki also presented on the Davie Campus Development Agreement. She presented the Master Plan for the Davie Campus as well as a review of the timeline. The development of the Davie campus is exhibited and, although it is on the campus development plan, there is not a need to discuss it because it is shared with Broward College. The Davie campus Student Union, although complete, does appear on today's campus development plan. The master plan indicated growth that would transpire past the 2016 Master Plan but the campus development agreement has scaled back to reflect the funds available through the Board of Governors.

The Davie Campus Development Agreement consists of fair share payment to manage potable water and sanitary sewage, transportation, as well as fire/rescue service provided by the Town of Davie. The agreement also contains existing buildings, buildings under construction, an additional 75,000 sqf which has been vested for development, new traffic findings as well as the total payment of \$2,739,770.00 to be funded by the State University System Contingency Trust Fund.

Trustee Janke inquired about funding for campuses whose futures with the University are questionable as discussed at the September 22-23, 2009 Board of Trustee Retreat and asked-how we ensure that the funds we are allocating are going to the correct channels. Ms. Dashtaki explained that this is the reason why the Campus Development Agreement is presented as such; it is scaled down significantly from initial projections made by the Master Plan. The Campus

Development Agreement has only been extended to 75,000 sqf and includes only one additional building, which is on our five year plan and which the university has already begun planning for. Trustee Janke was under the impression that the importance and longevity of the satellite campuses would be discussed. Mr. Donaudy and Mr. Kian have assured the Board that the funds to manage these facilities are originating from the SUS Contingency Trust Fund and are not coming directly from Florida Atlantic University's funds. Through negotiations, an amount is agreed upon by the various municipalities and entities and a figure is drafted to be submitted to the Board of Governors for consideration.

There was a motion to approve the Davie Campus Development Agreement. The motion was seconded. Without further discussion, the motion passed unanimously.

SP: A-4: Request Approval for the Renaming of “Continuing Education Hall” on Boca Raton Campus

Trustee Adams called Dr. Norm Kaufman to present on this item. Dr. Kaufman in his role as the Associate Provost was the liaison to the Assistant Provost, Mr. Ely Myerson, who was the Director of the Lifelong Learning Society (LLS) and had had the opportunity to become acquainted with Ely Myerson. He is pleased to present this item in honor of his contributions.

Ely Myerson served for thirteen years as the Director of the Lifelong Learning Society and was a catalyst for the building of the Continuing Education Hall. The Continuing Education Hall is a two-story classroom and office building that currently houses the Lifelong Learning Society and Professional Development; it was funded by auxiliary funds at approximately \$1 million.

The background information provided highlights of Mr. Myerson's contributions to the Lifelong Learning Society and the University. Dr. Kaufman believes that the naming of this facility would be an excellent monument to his contributions.

Trustee Janke asked whether Mr. Myerson had been a faculty member of the University and Dr. Kaufman indicated that he had not been a faculty member but was recruited in 1995 as a staff member to head the program as it transitioned from management by its original founders. Prior to joining the FAU Community, Mr. Myerson had a background of service in Student Affairs and held numerous positions as Dean and Vice President of Student Affairs at the University of Hawaii.

Trustee Janke questioned whether or not the University is overlooking an opportunity to obtain a donation from a benefactor in renaming the facility in Mr. Myerson's name. Trustee Janke stated that we are continuously looking for ways to obtain funds for the faculty in order to retain them and yet it seems that money is being given away. Dr. Pritchett requested that Dr. Kaufman address the revenue that the Lifelong Learning Society acquires for the University on an annual

basis. Dr. Kaufman stated that the Lifelong Learning Society has established over \$100,000 annually in scholarships and other supports for the University. Dr. Kaufman shared that he does not feel that the location and nature of the facility is ideal for targeting the types of benefactors that the University is looking for to solve the concerns with funding for faculty. Lifelong Learning Society and Professional Development support FAU in other ways throughout the University.

Trustee Lenz added that earlier this morning Dean Perry made mention of the Lifelong Learning Society and that it does supply the University at times with resources throughout the different colleges. Trustee Lenz added that many of the faculty teach courses for the Lifelong Learning Society. The program has been an excellent outreach opportunity to the community and Ely Myerson was instrumental in the growth and development of the facility that has greatly contributed to the unique nature of the University. Trustee Janke agrees that because of numerous financial support, she is in agreement with the importance of the Lifelong Learning Society.

Trustee Adams thanked Trustee Janke for expressing her concern and allowing for the update. Trustee Adams requested a motion to approve the renaming of the Continuing Education Hall on the Boca Raton campus. The motion to approve was moved, seconded and cleared without further discussion.

SP: I-1: Goal Five Update and IRM 3-year Initiatives

Trustee Adams called Mr. Jason Ball to present on the item. Mr. Ball provided general background on various initiatives.

- Banner8: This is the system that is utilized by students and faculty for services such as financial aid, registration and various other administrative transactions completed through the University. The planning phase has been completed and the new system is expected to launch in February. The implementation of Banner8 will simplify log-in to the various networks that faculty and students use; teaching of technological changes to faculty; an increase in e-classroom effectiveness; configuration currency and the transition into remote application directory; security policies and organizations; mobility support and mobile security; video conference review; e-mail strategy; network sustainability review
- Customer Service: organizational changes and reconstruction of the entities and ways in which clients receive assistance for the work that they need completed; improving communication

Trustee Adams questioned whether or not an e-mail configuration with other service providers is effective in retaining contact with students who have graduated. Mr. Ball stated that through the 'Email for Life' program, the University would generate an e-mail that includes the respective student's preference: yahoo, Gmail, etc; and allow that e-mail to be long term versus the short span of their collegiate careers.

Trustee Adams asked how many employees are within Mr. Ball's department and an approximate number of constituents that the department services. Mr. Ball stated that IRM has approximately 140 employees and the constituents would be the entire Florida Atlantic University community. While many departments and colleges have their own Information Technology support staff who serve as their first line of assistance, IRM is open to everyone and available to support everyone within the University.

Trustee Janke stated that one of the opportunities in which we can create revenue is through providing the opportunity for sponsorship and advertising for which companies would pay. Mr. Ball replied that he would redirect that concept to Marketing. From the IRM perspective, it is plausible but the request to implement the idea would have to generate from Marketing. Trustee Janke stated that she recently joined the FAU community as a student and finds there is significant difficulty in navigating through systems and utilizing numerous passwords for various programs.

Trustee Lenz commented that studies have indicated that many younger students are not equipped with the knowledge and capabilities to navigate through technology academic work and therefore the instructional initiative will be helpful. Trustee Adams stated that technology is a tool and knowing how to use this tool is imperative. Trustee Lenz stated that the planning program software on Banner requires adjustment. Mr. Ball replied to Trustee Janke's inquiry of whether or not the University was bound to a network that they were not satisfied with and stated that to change the structure of the network would require capital that is not available at the moment.

SP: I-2: Ground Sublease between FAU and the FAU Finance Corporation for Housing Facilities

Trustee Adams called Mr. David Kian to present on two items related to an update on Innovation Village. Mr. Kian referred back to the approval of the Campus Development Agreement for the Boca Raton Campus. The newly approved Campus Development Agreement removed a clause that restricted the ability to construct the stadium until construction on an overpass for I-95 had been done. The University has no control over when construction on the overpass of I-95 would commence and that project has encountered its own set of challenges that are not in our control. Mr. Kian stated that through negotiations with the City of Boca Raton, it was made clear that modifying the construction of I-95 clause was of top priority. During the time span of 18 months, the City of Boca Raton and FAU worked diligently to draft a position that is effective for everyone.

The second item derives from Dr. Michael Armstrong's report on the trends of student enrollment and the projections. The Innovation Village Housing is intended exclusively for

upper-division undergraduate students, graduate students and professional students. Mr. Kian reviewed trends in retention and the growth in enrollment of out-of-state students and graduate students which would be ideal clients for Innovation Village Housing.

Mr. Kian discussed the development of four major documents related to the 1200 beds residential housing units that will be presented for approval.

- Overall Development Agreement between FAU and the developers
- Management Agreement that will divide responsibility
- Ground lease between the University and the Direct support organization
- Debt Authorization Instruments

Information on the Ground Lease between the University and the Direct Support Organization as well as the Debt Authorization Instruments was presented as information during the meeting with the other two documents to follow at a later date.

The Direct Support Organization created solely for the purpose of supporting the University is leasing from the University. The property involved includes all existing residential housing units as well as the future 1200 bed facilities that will become part of the University. Simultaneously with entering the lease would be the adaptation of the management agreement that will divide responsibility. The term of the lease will be for the duration of the bonds, which is a projected 32 year time period.

Trustee Feder asked what part of the development would be the responsibility of the University versus shared responsibility with the developer. Mr. Kian replied that the responsibilities will be shared in certain instances. For example, the salaries that would need to be paid would be the responsibility of Jill Eckhart while the developers will provide their input in the decision-making process. Trustee Weimar questioned what became of the Housing and Residential Life reserve account and the control of the account. Mr. Kian stated that the question would be redirected to Dr. Brown since none of the funds in the Housing and Residential life account would be used to fund this project. The amount that goes into the Housing Reserve account is based on Housing and Residential Life's discretion. Trustee Weimar stressed the importance of being sure that issues and concerns at the lowest level such as the distribution and display of flyers should be included to ensure problems do not arise over time.

Trustee Barbar commented that, while there will be issues that arise, the firm has proven their capabilities and has been effective at resolving issues that arise at other institutions in which they have shared management but are willing to work for the fulfillment of the mission.

SP: I-3: Follow-up Plans for Issues Raised at the BOT Retreat

Dr. Kristen Murtaugh presented on this item. Trustee Blosser requested that remarks from the BOT retreat be reviewed and items that required the Board's attention be presented.

Dr. Murtaugh highlighted Goals 2, 3 and 4 as either goals or issues that the Board deemed necessary to address. Dr. Moriarty and his team in Research are preparing strategic plans in the Division of Research which will have a great effect on Goal 3 as they make our research efforts more specific.

Project Vision includes a look at goals and values that have been stated in FAU's strategic plan and, as they develop, findings will be presented to the Strategic Planning Council.

There was a motion to adjourn the Strategic Planning Committee Meeting. The motion was moved and seconded with no further discussion and the motion passed unanimously. The Strategic Planning Committee Meeting adjourned.



DRAFT MINUTES
AUDIT AND FINANCE COMMITTEE
Wednesday, October 21, 2009

AF: A-M: Roll Call and Approval of Minutes of the June 10, 2009 and June 17, 2009 Board of Trustees Audit and Finance Committee and the June 24, 2009 Joint Audit and Finance/Strategic Planning meetings.

Mr. Bob Stilley, Chair of the Audit and Finance Committee, convened this meeting at 2:55 p.m. Roll call commenced with the following Committee members participating: Mr. Thomas Workman, Jr., Mrs. Nancy Blosser, Dr. William Bryant (via teleconference), Mr. David Feder, Mr. Armand Grossman, Mrs. Lalita Janke, Dr. Tim Lenz and Ms. Tiffany Weimar.

Other Trustees attending the meeting included: Mr. Anthony Barbar.

The following University officials participated: Dr. John Pritchett, Interim President; Dr. Diane Alperin, Interim Provost; Mr. Dennis Crudele, Interim Senior Vice President for Financial Affairs; Dr. Charles Brown, Senior Vice President for Student Affairs; Dr. Norman Kaufman, Associate Provost; Mr. Morley Barnett, Inspector General; and Mr. David Kian, Senior Vice President for Strategic Relations and General Counsel.

Upon call for approval of the June 10, 2009, June 17, 2009 and June 24, 2009 minutes, a motion was made and seconded to approve the minutes without change or correction. No discussion or further comment followed. **The motion passed unanimously.**

AF: A-1. Request for Approval of Amendment to Florida Atlantic University's 2009-10 Regulation 8.001: Tuition, Fee Schedule and Percentage of Cost.

Mr. Crudele reminded members that this Regulation increasing tuition and fees had been approved by the Board in August 2009. Afterward, it was discovered that the financial aid fee for out-of-state undergraduate students had been miscalculated creating discrepancy amounting to an overage of \$0.27 per credit hour. The error was corrected prior to affecting any student.

This amendment is required to maintain compliance with Legislative and Board of Trustees established increases in student tuition and fees for academic year 2009-10 and has been appropriately noticed publicly. Presentation for approval to the Board of Governors will follow upon BOT approval.

A motion was made and seconded to recommend approval to the Board of Trustees of the amendment to Florida Atlantic University's 2009-10 Regulation 8.001: Tuition, Fee Schedule and Percentage of Cost. No discussion or further comment followed. **The motion passed unanimously.**

AF: A-2. Request for Approval of Amendment to Florida Atlantic University Regulation 6.008: Purchasing.

Mr. Crudele advised that pursuant to its constitutional authority the BOG has modified procedures governing purchasing in BOG Regulations, Chapter 18. To remain in compliance, FAU is required to amend its Purchasing Regulation 6.008 in accordingly. The substantive changes within include raising the competitive solicitation threshold from \$50,000 to \$75,000 and adding bid protest procedures in accordance with BOG Regulation 18.002. Members were informed that currently used bid protest procedures fall under the Administrative Procedures Act, Chapter 120.

A motion was made and seconded to recommend approval to the Board of Trustees of the amendment to Florida Atlantic University's Regulation 6.008: Purchasing.

Discussion followed on implications of these changes and Mr. Crudele advised that competitive bid procedures remain in place for the \$25,000 to \$50,000 and now extend to \$75,000. The number of purchase orders issued last year with amounts between \$50-75,000 was 102 with only six requiring competitive bidding.

With no further discussion or comment, voting commenced. **The motion passed unanimously.**

AF: I-1c. Review of Audits: Report No. FAU 08/09-5, Audit of Student Fees, Fall 2008 Semester.

AF: I-1d. Review of Audits: Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period April 1, 2009 – June 30, 2009.

AF: I-1e. Review of Audits: Report No. 2009-206, Florida Bright Futures Scholarship Program Operational Audit for the Fiscal year Ended June 30, 2008.

In recognition of time limitations, the informational only nature of these audits and the acknowledgment that each audit listed above generated little or no substantive recommendations, it was agreed to move forward to the Student Government Audit.

AF: I-1b. Review of Audits: Report No. FAU 08/09-4, Audit of Student Government Association for Fall 2008 Semester.

Mr. Barnett noted the fiscal operations of the SGA are generally in compliance with applicable laws and regulations, but seven recommendations were made to improve budget preparation processes, expenditure documentation and accountability and procedures for collecting money.

Discussion followed recognizing that, in part, the transient nature of personnel in the Student Government Association and the annual on-the-job training required of these individuals can result in a lack of understanding and implementation of the procedures. Concern was expressed that continued lack of understanding and oversight could foster fraud and abuse. It was noted that the Dean of Students Office and the Senior Vice President for Student Affairs are initiating stronger oversight measures to strengthen Student Government fiscal accounting. Dr. Brown concurred with

the concerns mentioned and advised that university staff/advisers, SGA personnel and associated student organization staff have been advised that failure to comply with appropriate procedures will result in one-year suspensions to funding allocations.

AF: I-1a. Review of Audits: Report No. FAU 08/09-3, Audit of Faculty Activity Reporting 2007/08 Academic Year.

Upon query for an opinion on the compliance results, Mr. Barnett advised members of the difficulty in offering an unqualified opinion since the 12-Hour Law governing faculty activity reporting fails to provide guidelines specifying documentation appropriate to non-instructional compliance. One of the objectives of this audit was to determine what documentation was being utilized within the colleges to satisfy the 12-Hour Law. The results were markedly inconsistent. A meeting with the Counsel of Deans concluded that current standards for documenting non-instruction activity are covered adequately by current assignment and evaluation criteria.

Dr. Pritchett stressed that the difficulties herein apply only to the non-instructional activities of faculty; the instructional side is well documented. He advised members that new Banner Time and Effort Reporting module, to be operational in approximately six months, will better address reporting needs.

In response to Trustees' pursuit of substantive data to enable comparative analysis on faculty activity/productivity within the various colleges, discussions began on the realities of obtaining consistent and accurate documentation. Drs. Pritchett, Alperin and Lenz explained the limitations and constraints inherent in the 12-Hour Law and the Faculty Academic and Information Reporting (FAIR) system. These deliberations concluded with a directive for continuing efforts in the Provost's Office to structure a system capable of providing consistent faculty activity documentation for future submission to a BOT Committee.

AF: I-2. Review of the Office of Inspector General Report of Annual Activities for Fiscal Year Ended June 30, 2009.

Mr. Barnett noted this report as an annual summary provided to ensure member knowledge of the accomplishments of the Office of Inspector General's office during the 2008-09 fiscal year.

AF: I-3. Update on Florida Atlantic University's Compliance with Textbook Adoption.

Mr. Crudele reminded members that Textbook Adoption was implemented pursuant to the July 2009 approval by the BOT. Pursuant to a request a follow-up report on compliance, a review of the issues and components necessary to the success of this initiative began including data on the number of adoptions received 30 days prior to the start of the semester; the number of adoptions received after the 30 day deadline; the number of courses where orders were submitted to University Bookstore; and, the number of courses where orders were not submitted to the University Bookstore. The overall result was an 84 percent compliance rate.

Mr. Crudele emphasized that the adoption of textbooks is only a first step to lowering textbook costs. Achieving affordability is a challenge since publishers set pricing. Institutional steps to counteract publisher pricing include ensuring that appropriate textbooks are identified for adoption

in a timely manner and instituting a long-term utilization plan for the adopted textbooks which will build inventory to ensure availability and lower costs. To that end, several steps have been and will be implemented to increase compliance and actually enhance lowering costs to students. Email notifications and flyers are being disseminated to faculty on the adoption deadline requirements, buyback information, publisher information and book pricing, and options in reusing of remaining stock. Effective Summer 2010, a mandatory on-line adoption form will be instituted and within that form any orders for custom/bundled materials will require additional review and approval by the Provost's office. Additionally, data on courses without textbooks and orders being placed with alternate sources are being gathered to set straight currently skewed adoption rate data.

Discussion followed limiting procurement of new addition texts; authorities involved in textbook selection; and, the future of digital textbooks.

AF: I-4. Issuance of Debt to Finance the Construction of Certain Student Housing Facilities on the Boca Raton Campus.

Mr. Kian began this presentation noting the draft nature of the resolution being presented today that requests approval to issue debt to finance the construction of the Innovation Village Housing and Development. This documentation will be finalized for presentation and approval of the Board of Trustees in the near future.

Attention was directed to Appendix A of the Resolution that lists the required documentation being developed which contains the specific background detail of this project. Mr. Kian explained that this documentation is being developed in coordination with staffs of the Board of Governors and the Division of Bond Finance. Substantively completed to date are the project program, feasibility study, or consultant report; description of the security supporting repayment and the lien position the debt will have on that security; and, the five year history and a five year projection, of the pledged revenues and the debt service coverage have been completed. Development continues on the draw schedule for the project; the sources and uses of funds for the project; and an estimated debt service schedule.

Review of each section of the Resolution began with Mr. Kian noting the financing request currently at an amount not exceeding \$140 million. Actual project costs to date including construction, lease payment, financing, insurance, etc. stand at between \$120-125 million with an additional \$12 million in subordinate debt service.

Mr. Kian provided an historic overview of this project noting that it originally began as a 600-bed facility expected to cost between \$62-65 million. That project had been approved by the FAU Board of Trustees and submitted to the Board of Governors when it project was pulled from consideration to enable exploration of other financing options and opportunities for better serve the entire vision of the Innovation Village project. That 600-bed project, doubled as per the current project of just over 1,200-beds, would have cost approximately \$125 million or roughly the same as the current project. The major difference between projects is that this one includes a \$12 million upfront lease payment to the university benefiting the whole of the Innovation Village project. Further efficiencies are likely but at present the funding request stands at no more than \$140 million with actual funding needs anticipated to be around \$125-130 million.

Continued Resolution review began on the debt which will be secured by a restricted lien, or collateral, which commits *only* the net revenues of this project and the net revenues of existing student housing located on campus to meet debt obligations. Mr. Kian stressed that no other university assets or funding allocations will be utilized in meeting this debt. The language here commits the University and Board to ensuring sufficient revenue is generated to fulfill this debt obligation.

The financing will consist of Student Housing Revenue Bonds to be issued and sold through a negotiated sale and will include two series of subordinate bonds to be sold through private placements. Authorization is included in this Resolution to issue Build America Bonds should this option provide cost savings. Build America Bonds is a fairly new program approved by Congress and although these bonds bear taxable interest, Mr. Kian advised that this will have no effect on the tax exempt status of the DSO and federal subsidies will offset any interest costs.

Another relevant issue in the Resolution is the commitment of the Board of Trustees, University and DSO management, and all other involved entities to comply with all federal and state laws relating to the debt.

Discussion revolved around concerns on generating the revenues to meet the debt obligation in light of market rates and a perceived lack of ability to control the operating expenses of the management company. Mr. Kian noted that rates are rolled into budget calculations and the Board is required annually to approve budgets. If the developer presents an unreasonable budget, the Board has the authority to reject the budget until acceptable levels are achieved. Mr. Kian advised members that it behooves both entities to work in concert to assure housing rates remain competitive and the facilities are filled to ensure the success of this venture. Additionally, operating expenses in the private sector are generally less expensive and that has proven to be the case here. Due diligence has been performed in vetting the performance of the management company with facility visits and frank discussion with knowledgeable university officials. The results were positive with the company exhibiting strong and extensive experience in this area.

AF: I-5. Review of the First Quarter Status of Florida Atlantic University's 2009-10 Operating Budget, July 1–September 30, 2009, Including Fourth Quarter 2008-2009.

Mr. Crudele began this review advising that FAU remained in compliance to budget targets for the 2008-09 Operating Budget. Noting that the first quarter revenues and expenditures are on track as projected, a summary review of the first quarter status began.

Educational and General. The first quarter of FAU's 2009-10 Operating Budget is in-line with projected targets with expenditures to date totaling approximately 24 percent of the projected expenses. He reminded members that for the first time federal stimulus funds at approximately \$12.2 million are included in this budget.

In August, the State's Revenue Estimating Conference was held and revenue collections were reduced from expectations, but at this time state revenues are sufficient to cover 2009-10 allocations. The Committee was advised that while collections are optimistic for 2009-10 and 2010-11, management intends to act with caution by holding in reserve any excess tuition revenues to cover

reductions should state revenues decline. The next Estimating Conference is scheduled for November and another update will be provided at that time.

Student Financial Aid. This budget includes the amendment approved earlier in this meeting which reduced the undergraduate out-of-state per-credit hour financial aid fee from \$25.87 by \$0.27 to \$25.60. This budget also includes some stimulus funding. Expenditures are higher than prior year at 49.6 percent compared to 39 percent. Generally expenditures run approximately 40 percent for Fall and Spring and 20 percent in Summer, so an increase in budget authority may be needed in the future.

Grants and Contracts. Expenditures are slightly higher than revenues but are comparable to prior year. Members were reminded that this is generally a timing issue as not all revenues and expenditures are earned and distributed evenly during the year. Cash balances are available to cover financial variations until the offset funding is available.

Auxiliary Enterprises. This budget is on target to projections with approximately 38 percent of budget revenues being received and 20 percent being expended to date.

Athletics Local. Members were reminded that a 2008-09 shortfall of \$625,000 had been projected. The shortfall actually totaled \$275,000 and has been paid back. Cost savings were implemented including reducing expenses, deferring purchases and furloughs helped minimize that shortfall. Athletics has done well in monitoring expenses to achieve budget balancing.

Game guarantees and ticket sales are on target although corporate sponsorship and fundraising are below expectations. The budget should be enhanced by additional revenues generated from increased enrollments.

Student Government/Student Activities. Expenditures were budgeted higher than revenues this year and to date approximately 52 percent of revenues have been realized with only 12 percent expended. This variance is expected to balance as the year progresses. Additionally, with increased enrollment, revenues and expenses should be more equivalent by fiscal year end. This budget is on target.

Concessions. Revenues and expenditures are budget at \$575,000. Revenues received to date are only at approximately six percent of budget but contract revenues have not yet been received and will be reflected in the second quarter report. Cash balances are available to cover financial variations.

Fourth Quarter Status of FAU 2008-09 Operating Budget – July 1, 2008 - June 30, 2009. Mr. Crudele noted that the university fourth quarter operating budgets ended in line with projections. While some outstanding obligations remain in the Educational and General budget, these expenditures are certified forward through December 31, 2009, at which time unexpended funds, will be carried to the 2009-10 operating budget.

The Student Financial Aid budget ended with expenditures higher than revenues caused explained by timing issues. Noteworthy was the receipt of funding from the Federal Emergency Management Agency to the Auxiliary Enterprises budget for reimbursement of

some of the damage caused by Hurricane Wilma. The Athletics Local budget balanced with the loan advance as previously noted. Within Student Government-Student Activities and the Concessions budget, revenues were higher and expenditures were lower than projected.

Mr. Crudele concluded the presentation. No questions followed.

AF: I-6. Discussion on Project VISION: Budget Scenarios.

Mr. Crudele addressed this item to keep members informed that strategies are being discussed, in coordination with Academic Affairs, to address future shortfall issues being caused upon the cessation of federal stimulus funding currently in the amount of \$12,155,065 and the additional \$1.1 million dollars allocation from the Legislature which had used from non-recurring funding to cover recurring costs. In addition, comparable funding is expected for fiscal year 2010-11, but there is no guarantee of receipt of this funding.

At this time, too many limitations exist to develop a concrete plan of action. These issues consist of future reductions and revenues of future state allocations, Legislative and BOT tuition and differential tuition increases, enrollment levels, etc. Nevertheless, a few ideas have been discussed with the first priority being covering the \$1.1 million deficit which can be accomplished utilizing the revenues derived from increased enrollment numbers this fiscal year.

Plans to deal with the stimulus shortfall include scenarios of addressing stimulus reduction in even amounts over two years; paying down stimulus reduction heavily in year one leaving other FAU priorities to the second year; or, investing in pressing needs in year one pushing the larger share of stimulus deficit reduction to year two. The risk associated with each scenario was explained.

Dr. Kaufman reiterated to the Committee limitations involved in finding replacement funding. No further enrollment increases are expected and therefore the only source of additional revenue will be from tuition increases, a combination of what the Legislature imposes and differential tuition imposed by the Board.

Discussion followed on the magnitude of these financial deliberations and discontent that this meeting has been held so late in the day when members are overwhelmed by the plethora of information disseminated. Chair Stilley requested future Audit and Finance Committee meetings be scheduled early. Chair Blosser recommended that Committee meeting scheduling be staggered evenly.

Additional conversation resulted in a request for redistribution of Dr. Jessell's preliminary plan to achieving the stimulus shortfall revenues. It was noted that a main issue trying to be addressed in these budget scenarios is finding the money and balancing the direction of funding to meet the competing priorities including the Board's Strategic Plan.

AF: I-7. Follow-up Plans for Issues Raised at BOT Retreat.

Chair Stilley noted that issues raised at the Retreat include addressing:

Revenues to address Federal Stimulus funding. As just discussed this issue is in progress.

Across-the-board compensation. Salary constraints are causing a loss in the competitive edge in hiring and keeping personnel, sometimes including associated research funding. In light of current budget constraints, this will be difficult to address but needs further review.

Ensuring internal audits have substantive meaning. Frustration was expressed that audit recommendations seemingly have no true import or substance until another audit is schedule, which can be several years. Ensuring the recommendations have significance and consequence should be a goal of this Committee.

No additional issues were raised and no discussion followed.

A motion was made and seconded to adjourn this meeting. **The motion passed unanimously.**

The meeting was adjourned at 4:19 p.m.