



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

Tuesday, October 15, 2013

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE JUNE 4, 2013 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 June 4, 2013 Audit and Finance Committee meeting.

COMMITTEE MEMBERS

Mr. Thomas Workman, Jr., Chair	_____
Mr. David Feder, Vice Chair	_____
Mr. Anthony Barbar (ex-officio)	_____
Mr. Abdol Moabery	_____
Mr. Robert Rubin	_____
Mr. Robert Stilley	_____

BOT MEMBERS

Mr. Peter "Pedro" Amirato	_____
Dr. Jeffrey Feingold	_____
Dr. Ronald Nyhan	_____
Mr. Paul Tanner	_____
Dr. Julius Teske	_____
Mr. Daniel Cane	_____
Ms. Mary Beth McDonald	_____



**AUDIT AND FINANCE COMMITTEE
DRAFT MINUTES
Tuesday, June 4, 2013**

AF: A-M. Roll Call and Approval of the Draft Minutes for the April 16, 2013 BOT Audit and Finance Committee meeting.

Mr. Thomas Workman, Chair of the Board of Trustees (BOT) Audit and Finance Committee (AFC), convened this meeting at 12:27 p.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. David Feder, Vice Chair; Mr. Anthony Barbar (ex-officio); Mr. Abdol Moabery, Mr. Robert Rubin, and Mr. Robert Stilley.

Other Trustees attending the meeting included: Mr. Peter Amirato, Dr. Jeffrey Feingold, Dr. Ronald Nyhan, Mr. Paul Tanner and Dr. Julius Teske.

The following University officials participated: Mr. Dennis Crudele, Acting President and, Mr. David Kian, General Counsel.

Upon call, a motion was made and seconded to approve the minutes of the April 16, 2013 AFC meeting without change or correction. **The motion passed unanimously.**

AF: A-1. Request for Approval of the 2013-14 Florida Atlantic University Research Corporation Operating Budget.

Mr. Crudele reviewed the proposed Florida Atlantic University Research Corporation (FAURC) Operating Budget that the FAURC Board of Directors, and subsequently the President, approved during their May 23, 2013 meeting. He advised that \$350,000 in restricted funding and \$62,500 in unrestricted funding is expected for a fiscal year total revenue and expenditure budget of \$412,800.

Members requested prior year data with percentage of change to be provided in the future. Members were advised that there were no changes to the budget from prior year; and, that this information would be included going forward.

A motion was made and seconded to recommend BOT approval of the FAURC 2013-14 Operating Budget; and, authorize the University President to amend this budget as appropriate during the fiscal year consistent with the FAURC's directives and guidelines. **The motion passed unanimously.**

AF: A-2 Request for Approval of the 2013-14 FAU Clinical Practice Organization Operating Budget.

Mr. Crudele reviewed the proposed FAU Clinical Practice Organization (FAUCPO) operating budget for 2013-14 noting the estimated combined annual revenue of the Colleges of Nursing and Medicine of \$648,388. The expenditures budgets are set in the same amount for a zero balance at fiscal year-end for both Colleges. Members were informed that per FAUCPO By-Laws requirements both the Dean of the College of Medicine and the FAUCPO Board of Directors (April 29, 2013) approved this budget.

Upon query members learned that the College of Nursing earns revenue through the contracts with the Diabetes Education and Research Center and the Green Memory and Wellness Center; the College of Medicine receives income in association with Palm Health and Colony Medical.

Clarification was provided that any changes to this budget go first to the Dean of the College of Medicine and requires final approval from the FAUCPO Board of Directors; a standard operating procedure to deal with technical changes that may occur during the fiscal year.

With no further issues to discuss, a motion was made and seconded to recommend BOT approval of the FAUCPO 2013-14 Operating Budget and authorize the Chairperson of the FAU CPO Board of Directors to amend this budget as appropriate during the fiscal year, consistent with Board of Trustees' directives and guidelines. **The motion passed unanimously.**

AF: A-3. Request for Approval of the 2013-14 FAU Finance Corporation Operating Budget.

Mr. Crudele reviewed the proposed FAUFC 2013-14 Operating Budget recognizing the three components of housing, administration and the stadium associated with this budget. Combined pledged revenues are projected at approximately \$36.6 million. The budget meets debt service requirements and provides net income of approximately \$7.9 million.

An additional review followed updating members on the stadium operating budget. Mr. Crudele advised of the pledged revenue of approximately \$7 million with operating expenses, including the \$2.6 million debt service payment, of approximately \$5.2 million leaving net revenue of \$1.8 million. It was noted that ticket sales remain flat but increased revenue is expected with the early entry into Conference USA including game guarantees receipts and bowl game prospects. Additionally, the University is taking full advantage of the revised contract with the City of Boca Raton which now allows more events to be held at the stadium.

Committee member commentary followed on topics including providing a new presentation format to include the pro-forma and prior year budget data; transfer of some scholarship monies and the continuing aggressive marketing of the FAU football program and the stadium to procure naming rights revenue to ensure balanced budgeting; and, the additional funding being authorized to modify the stadium enabling bowl game media requirements.

A motion was made and seconded to recommend BOT approval of the FAUFC 2013-14 Operating Budget and authorize the FAUFC Executive Director to amend this budget as appropriate during the fiscal year consistent with Board of Trustees' directives and guidelines. **The motion passed unanimously.**

AF: A-4. Request for Approval of Transfer of Port St. Lucie Property to Indian River State College.

Mr. Crudele reminded members of the decision made as part of the comprehensive budget reductions of 2012-13 to close the Port St. Lucie campus. As planned FAU academic programs have been moved to the Harbor Branch Oceanographic Institute, the MacArthur campus, the Boca Raton campus and various on-line courses. During this period, Indian River State College (IRSC) had requested and was granted lease of the facilities for the past academic year.

As required by Board of Governor (BOG) Regulation, FAU BOT approval was acquired to close this campus and the BOG was provided all appropriate justifying documentation. The 2013-14 Appropriations Act, which passed in the Florida Legislature and was signed by the Governor on May 20, 2013, transferred these facilities from FAU to IRSC. Committee members were informed that this formal transfer request is the final step in the process to ensure all obligations have been met and regulations adhered to.

Commentary followed with some concern expressed at the seeming loss of real estate and possible associated rental revenue to FAU. An explanation was provided assuring members that neither the land nor buildings are expressly FAU property but instead is wholly state-owned through PECO appropriations. With low student FTE and enrollment maintaining this real property was counter-intuitive to the goal of achieving efficiencies and saving monies totaling almost \$2 million which represents FAU's return on shedding this entity. In addressing commercial rental opportunities, it was noted that both FAU and IRSC have educational missions and the major factor considered was who best could produce degrees on the site.

A suggestion followed to continue the lease authority given IRSC however with the Legislature having already approved the transfer per a back-of-the-bill action, the finalization of this transfer is but a formality.

With discussion complete, a motion was made and seconded to recommend BOT approval of transfer of the Port St. Lucie campus in accordance with Board of Governors (BOG) Regulation 8.009 and authorize the University President to execute any documents required to affect the transfer. **The motion passed by majority rule.**

Fort Lauderdale Campus Update. Upon query, Mr. Crudele advised of continued discussions held with Mr. Lee Feldman, the Fort Lauderdale City Manager; and, Mr. John Dunnick and Mr. Tom Olliff, of Broward College, resulting in the disclosure of a strong desire to have FAU retain a presence at that campus. Upon further review of academic programming of the two main entities, the School of Urban and Regional Planning and the School of Architecture, it was

found that moving programs of the School of Architecture would be cost prohibitive. Further, the city of Fort Lauderdale was willing to waive the eight (8) remaining years of FAU's Commercial campus lease, if FAU would retain its presence in Fort Lauderdale. As such, the mutually desirable outcome of retaining the School of Architecture in Fort Lauderdale was reached; a savings of approximately \$3 million. FAU has vacated the Askew Tower and remaining programs are now located in the Higher Education Building.

AF: A-5. Request for Approval of Florida Atlantic University 2013-14 Operating Budget.

Mr. Crudele began a review of a PowerPoint presentation on the proposed expenditure budget of each of the seven components comprising FAU's Operating Budget. With a comparison to prior year data, the budget was summarized as follows:

Fund Type	2012-13 Adjusted Budget	2013-14 Proposed Budget	Percentage Change
Educational & General	\$ 238,728,591	\$ 273,528,872	14.6
Student Financial Aid	193,986,305	203,035,641	4.7
Contracts & Grants	64,748,439	67,714,890	4.6
Auxiliary Enterprises	107,309,457	123,564,043	15.1
Athletics			
Athletics Operations	17,556,053	20,428,407	
Stadium Operations	2,793,765	2,607,692	
Stadium Debt Service	<u>2,620,085</u>	<u>2,619,850</u>	
Total Athletics	22,969,903	25,655,949	11.7
Student Government	9,940,647	10,706,149	7.7
Concessions	<u>480,250</u>	<u>480,250</u>	-
TOTAL	\$ 638,163,592	\$ 704,685,794	10.4

Mr. Crudele advised that the Educational & General (E&G) Revenue Budget totals \$282,156,675 which reflects an increase of 18.2 percent over the previous year. The revenue budget also reflects a difference of approximately \$8.6 million to the expenditure budget. This variance of \$8.6 million is classified as budget authority – not cash – to be utilized should enrollment increase and associated tuition and fees be collected. With enrollments remaining flat, collection of these monies is uncertain so the monies will be held in an undispersed reserve.

Additionally, within the E&G budget the College of Medicine revenue budget increased by \$3.7 million and all other E&G funding increased by \$39.7 million. The \$39.7 million increase includes the return of \$24.7 million to the university. Other key components include \$4.4 million for unfunded actuarial retirement fund cost, \$2.2 million for health insurance premium increases, and \$1.5 million pass through allocation for AMI.

After reviewing various necessary adjustments to the budget Mr. Crudele advised of approximately \$21 million remaining as discretionary funding which is proposed to be distributed to BOT approved Strategic Planning needs including augmenting legislatively

authorized salary increases, Academic Signature Theme Initiatives (Advising, QEP, Summer, Science MA/PHs programs, etc.), the Jupiter Science Technology Program, student enrollment, retention initiatives, degree completion, and fully funding on-going commitments. Funding is also being set aside in anticipation of meeting Affordable Health Care requirements. Additionally, approximately \$7.4 million will be distributed at the Vice Presidential level to ensure other Signature Theme goals.

Member discussion followed on topics including projecting and anticipating additional expenditure needs to eliminate future budget difficulties and establishing a formal marketing program to increase institutional awareness in the community.

A motion was made and seconded to recommend BOT approval of the 2013-14 FAU Operating Budget and delegate to the University President the authority to amend these budgets as appropriate during the fiscal year consistent with Legislative, Board of Governors' and Board of Trustees' directives and guidelines. **The motion passed unanimously.**

AF: A-5. Request for Approval of Florida Atlantic University 2013-14 Capital Outlay Budget.

Mr. Crudele advised that separate BOT approval is statutorily required of the FAU Capital Outlay Budget which is comprised of Capital Improvement Trust Funds (CITF) and Public Education Capital Outlay (PECO).

The BOT on September 10, 2012 approved the University's Capital Improvement Plan as recommended by the Strategic Planning Committee. The BOG approved FAU's capital outlay request for the PECO projects. The 2013 Florida Legislature appropriated CITF totaling \$6,118,376. The BOG's PECO distribution is approximated at \$2.5 million of a system allocation, which is subject to final BOG modifications.

It was noted that FAU is poised to finalize a 27,000 square foot facility acquisition contiguous to the Boca Raton campus to address pressing space needs. The cost is estimated at \$3.5 million and will be funded from Auxiliary funds. These allocations equate to a total Capital Outlay Budget of \$12,118,376.

With no discussion, a motion was made and seconded to recommend BOT approval of the FAU 2013-14 Capital Outlay Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. **The motion passed unanimously.**

A motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 1:42 p.m.**