

FAU FINANCE CORPORATION

BOARD OF DIRECTORS

DRAFT MINUTES

Tuesday, December 3, 2014

1. ROLL CALL AND APPROVAL OF THE MINUTES OF THE MAY 29, 2013 MEETING OF THE FAU FINANCE CORPORATION (FAUFC) BOARD OF DIRECTORS (BOD).

The meeting of the FAUFC BOD was convened by Mr. Anthony Barbar, Chair, at 2:02 p.m. Roll call commenced, confirming quorum, with the following members of the FAUFC BOD in addition to Mr. Barbar, participating:

Mr. Scott Adams and Mr. Peter LoBello.

The following officers were in attendance:

Mr. Dennis Crudele, Executive Director, and Ms. Stacey Semmel, Secretary/Treasurer.

The following guests were in attendance:

Mr. Donovan Maginley and Mr. Anil Harris of McGladrey LLP; Ms. Dorothy Russell, FAU Interim Senior Vice President for Financial Affairs and CFO; Dr. Charles Brown, FAU Vice President for Student Affairs, Ms. Ilene Mates, FAU Assistant Vice President for Student Affairs, Ms. Elizabeth Rubin, FAU Associate General Counsel; Ms. Jessica Cohen, FAU Associate Controller and, Ms. Jessica Camacho, FAU Administrative Paraprofessional/Financial Affairs.

Upon call, a motion was made and seconded to approve the minutes of the May 29, 2013 meeting without change or correction. **The motion passed unanimously.**

2. REVIEW OF THE FAU FINANCE CORPORATION FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

Ms. Semmel introduced Mr. Anil Harris from McGladrey LLP to present the report to the Board. He reviewed and clarified information provided in the report including a statement of the auditor's responsibilities under professional standards; accounting practices utilized in the audit; management's judgments and accounting estimates; inquiries of management; internal control matters; and, other required reporting.

Mr. Harris highlighted the following information from the report:

- a) Regarding operating revenues, the \$21M housing revenue shown on the statements represents only the corporation's share, however; the total housing revenue was \$27M.
- b) Regarding nonoperating revenues, Athletic revenues pledged for debt service was \$1.7M. He explained that the Corporation receives athletic revenues from the University from stadium operations and the \$1.7M is equal to the debt service on stadium bonds.
- c) The IRS interest credit is a result of a reduction in the July 2013 payment by 8.7%, due to the Federal Budget that was passed.
- d) The \$21M in housing revenues does not include Parliament Hall revenue.
- e) There were no significant issues in the audit that warranted a discussion with management.
- f) Although one finding was reported, Ms. Semmel clarified that it was an adjusted entry of \$5M and Mr. Crudele labeled it as non-material.

Upon question, Mr. Harris explained that there shouldn't be any tax changes for 2014 that affect FAU's Finance Corporation.

Upon Mr. Crudele's request, a motion was made and seconded to approve the Financial Statement for the year ended June 30, 2013. **The motion passed unanimously.**

3. REVIEW OF SEPTEMBER 30, 2013 INTERIM FINANCIAL DATA.

Ms. Semmel noted that this report shows financial data for first quarter of the year, June 30, 2013 through September 30, 2013. Total Housing Revenues for the first quarter are at 43% and occupancy is at 89%, slightly below the budget of 95%.

Mr. Crudele spoke briefly regarding this year's housing numbers and the search for a new Housing Director, then introduced Dr. Charles Brown. Dr. Brown provided an update on the Housing Director search and indicated that there were three potential candidates of which one has been chosen. He is hoping that the position will be filled by February of 2014.

Regarding the 89% occupancy rate, Dr. Brown explained that the Living-Learning Community (LLC) program was dissolved this year, however; they are going to be available next year in coordination with the Center for Learning and Student Success and he hopes to have at least 200 students participating this coming Fall.

Another reason the occupancy rate is lower than expected this year is that many more exceptions were made to the mileage radius policy than in previous years. Dr. Brown

stated that in 2012-13 only 260 students received approved exceptions and in 2013-14 there were over 600 students approved. All exceptions in the future will be heavily reviewed and the residency restriction will be reduced from 50 miles to 30 miles.

Dr. Brown also discussed his development of a comprehensive marketing plan for use in the upcoming year, which the housing department has never had before. Starting much earlier than usual, they will market to students in housing who would like to stay in the residence halls next year for the same current rate, essentially offering a 2-year rate. A survey has also been sent to students regarding staying in the residence halls and data is currently being collected on that survey.

Mr. Crudele also reiterated the monitoring of the exception policy and spoke of plans to increase out of state students. He stated that this year's housing occupancy is an anomaly and should not happen in the future. Dr. Brown stated that the goal next year is to have a waiting list.

Upon question, Ms. Semmel explained that "other expenses" listed on the report indicate all expenses other than payroll and debt service, such as repairs, maintenance and utilities.

Discussion followed on whether or not to meet again in the near future on the housing occupancy issue. Mr. Crudele stated that he will provide an update quarterly on the marketing plan for housing, orientation and other issues discussed. He did not see the need to organize an earlier meeting on this issue and restated that this year was an irregularity, bond obligations are still being met and steps are being taken to ensure success next year.

No additional questions or comments were put forth.

4. BOND COMPLIANCE POLICY

Ms. Rubin stated that it is recommended, not required, to have a Bond Compliance Policy so that there are established procedures to show assigned responsibilities. The policy is modeled off a number of other schools and has been reviewed by Ms. Rubin and Ms. Semmel. Although there were no issues with current policies and procedures, Mr. Crudele explained that the Division of Bond Finance recommended a formal adopted policy and there were no objections to it.

Upon Mr. Crudele's request, a motion was made and seconded to approve the Bond Compliance Policy. **The motion passed unanimously.**

5. **NEW BUSINESS**

Mr. Crudele stated that this is the third year having McGladrey LLP as the auditors. He proposed setting up an Invitation to Negotiate (ITN) for auditing services and will prepare the request and bring the findings back to the board. Upon query, Ms. Semmel stated that at least a dozen top quality medium-tier firms provided quotes during the last ITN three years ago. Mr. Crudele will consult with the boards of the Research Corporation and Clinical Practice Organization regarding the use of the same auditing services for all three to negotiate a better deal.

6. **ADJOURNMENT OF MEETING.** With no other issues to discuss, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 2:29 p.m.**