FLORIDA A & M UNIVERSITY
BOARD OF TRUSTEES

IN RE: BUDGET AND FINANCE
COMMITTEE MEETING.

COMMITTEE MEMBERS: KELVIN LAWSON, CHAIR
RUFUS MONTGOMERY
KARL WHITE
BETTYE GRABLE
KIMBERLY MOORE
CLEVE WARREN
ROBERT WOODY

DATE: TUESDAY, JULY 21, 2015

TIME: COMMENCED AT: 2:00 P.M.
CONCLUDED AT: 3:00 P.M.

LOCATION: BAND REHEARSAL HALL
FAMU CAMPUS
TALLAHASSEE, FLORIDA

REPORTED BY: NANCY S. METZKE, RPR, FPR
COURT REPORTER

C & N REPORTERS
POST OFFICE BOX 3093
TALLAHASSEE, FLORIDA 32315-3093
(850) 697-8314 / FAX (850) 697-8715
nancy@metzke.com
candnreporters.com
ALSO PRESENT:

Torey Alston
Tonnette Graham
Lucas Boyce
Belinda Shannon

* * * * *
BUDGET AND FINANCE COMMITTEE

TRUSTEE LAWSON: Good afternoon. We'd like to call to order the Budget and Finance Committee. Miss Darlene, would you please call the roll?

MS. GARCIA: Chairman Lawson.

TRUSTEE LAWSON: Present.

MS. GARCIA: Trustee Montgomery.

CHAIRMAN MONTGOMERY: Here.

MS. GARCIA: Trustee Grable.

TRUSTEE GRABLE: Here.

MS. GARCIA: Trustee Moore.

TRUSTEE MOORE: Here.

MS. GARCIA: Trustee Warren.

(NO RESPONSE).

MS. GARCIA: Trustee White.

TRUSTEE WHITE: Here.

MS. GARCIA: Trustee Woody.

TRUSTEE WOODY: Here.

MS. GARCIA: A quorum is present,

Mr. Chairman.

TRUSTEE WARREN: Did you say Warren?

MS. GARCIA: Yes.

TRUSTEE WARREN: I'm here.
MS. GARCIA: Thank you.

TRUSTEE LAWSON: Thank you. Good afternoon, again.

Trustees, we have two action items and four information items on the agenda today. Our first action item today is the approval of the May 14th, 2015, and June 9th, 2015, minutes.

TRUSTEE WOODY: So moved.

TRUSTEE MOORE: Second.

TRUSTEE LAWSON: The motion has been properly moved and seconded. Are there any questions.

(NO RESPONSE).

TRUSTEE LAWSON: All in favor.

(AFFIRMATIVE INDICATIONS).

TRUSTEE LAWSON: The motion carries.

Trustees, the May 2014, 2000 -- May 14th, excuse me, 2015; and June 9th, 2015, minutes were provided on the BOT website. Are there any comments or corrections to the summary minutes? Actually, this is a correction in the text, so I'll move to the next item here.

Trustees, the next action item on the agenda is the approval of a full year 2015/16 operating budget.

Vice President Cassidy, you are recognized to
proceed with this item.

VICE PRESIDENT CASSIDY: Thank you. Thank you, Mr. Chair.

Good afternoon, Madam President, Board Chair, and members of the Board. It's a pleasure to be in front of you.

Let me start -- first of all, I want to make sure that we correct a -- I'd like to call it a slight glitch, but it's not a slight glitch, that happened last night. The version of the operating budget summary schedule that is long and wide like this (indicates) that was posted last evening had a small error, namely, a $60 million error. I take credit for that.

We passed out new versions to all of you which I hope you have in hard copy. Is that true, hard copy?

MS. GARCIA: Yes.

VICE PRESIDENT CASSIDY: Okay. So I want us to look at that version as opposed to the one that you would have found I do online, sometimes you have 2 words, sometimes hyphenated) on line last night. The $60 million is a really simple one-line spot. I'll show it to you so that you won't get concerned about that error.
But what I'd like to do is start at the back end of the three documents that we have related to the budget, which is the one that's called 2015/16 E&G Allocations. It's a one-page portrait.

Do you all have that one? That one, I believe, would have been online. I don't think we handed that out hard copy unless you printed it yourself.

Everyone all set with that one?

The reason I want to start with that is because that tracks where we were in terms of state appropriations last year and where we are this year, and then we'll roll those big numbers into our presentation on the budget for the year that has already started.

So what I'd like to do is look at that, and I'd like to focus on the 2014/15 recurring budget line item which is about five lines down. It's in black in the left-hand column under general revenue. It says $91 million, and in the right-hand column, the total appropriations say $180 million. Are we all on the same place?

So that's where we finished last year. And the things that took place above it were to remove nonrecurring items from the budget, and I think in
one case there was a $1,300 and a $700 correction, but those are, obviously, minor.

So what we ended up with for a recurring budget for the year that ended June 30th adds across on that line to $180 million. What I want us to do is to focus on changes between that number, which is $180 million last year, to the bottom line of this schedule this year, which is $161 million, and I want to help you track through where the $19 million change has taken place.

CHAIRMAN MONTGOMERY: Mr. Chair, tell everybody we're working on (inaudible).

VICE PRESIDENT CASSIDY: The first thing that I want to, there are some small numbers --

TRUSTEE LAWSON: Excuse me, Mr. Cassidy. I'm sorry.

VICE PRESIDENT CASSIDY: Yes, sir.

TRUSTEE LAWSON: I'm sorry. Can we just make sure that everyone has a copy of the spreadsheet that you're working from.

CHAIRMAN MONTGOMERY: This one, let everybody know it's this one.

TRUSTEE WHITE: It's online.

TRUSTEE LAWSON: It is updated? The one online is updated.
TRUSTEE WHITE: Mr. Chair, so my understanding is this is the only thing that's updated.

VICE PRESIDENT CASSIDY: But there is not -- the only error --

TRUSTEE WHITE: Right, I understand. This document that you're referring to is online and the Board can see it. I didn't find it in my packet. I found it in my online version.

VICE PRESIDENT CASSIDY: Right.

RON: I've also got them on the jump drive so I can put them up. Just tell me which one --

TRUSTEE LAWSON: Yeah, could you, please, just so we're --

VICE PRESIDENT CASSIDY: I can talk from my Power Point so I --

TRUSTEE LAWSON: Yeah, just so we're all working from the same.

VICE PRESIDENT CASSIDY: That won't work for the big long one because it doesn't show very well.

TRUSTEE WHITE: I understand.

TRUSTEE LAWSON: Mr. Cassidy, I'm sorry, just some direction on exactly which spreadsheet you're on.

VICE PRESIDENT CASSIDY: Florida A & M University 2015/16 E&G Allocations. It's a small
one-pager, Ron. I don't know if you have that one.

MS. GARCIA: He does.

VICE PRESIDENT CASSIDY: That looks like the big one.

TRUSTEE LAWSON: Did you pass it -- I'm sorry for interrupting, Mr. Cassidy. Just one second.

Linda, did we pass out a hard copy of that one?

TRUSTEE WHITE: Yep.

TRUSTEE LAWSON: Does everyone --

TRUSTEE WARREN: At the top, the total allocation is 183, and the bottom is 161?

VICE PRESIDENT CASSIDY: Correct.

TRUSTEE WARREN: It has some red ink in it and so on?

CHAIRMAN MONTGOMERY: Mine says (inaudible).

TRUSTEE LAWSON: Okay. So everyone has -- okay, I'm sorry, Mr. Cassidy.

VICE PRESIDENT CASSIDY: No, that's fine.

TRUSTEE LAWSON: You can proceed. I just wanted to make sure everybody had the same numbers that --

VICE PRESIDENT CASSIDY: Better we should all be looking at the right --

TRUSTEE LAWSON: Yeah.
VICE PRESIDENT CASSIDY: -- what I think is the right schedule to be looking at first. So, again, where we were after taking out nonrecurring items from last year's appropriations, the line that says 2014 recurring budget adds up in the right-hand column to $180 million, what I want to do is compare that budget or that State allocation to where we are for this year, which adds up to the $161 million that you see in the bottom line. So what I want to do is track back the differences.

First of all, on the positive side, there were two items this year that add to our allocation. Number 1, the FAMU Crestview Education Center for $1.5 million last year was a nonrecurring item, and so it was subtracted up at the top of this schedule. This year it has now been told -- we've been told that it's a recurring item, and so we've added it to the schedule.

Secondly, there's a student success support services line item text for $1 million that is -- we've been told is a recurring item, so we've added that to -- this, again, takes last year's recurring items and adjusts it to get to where we are this year.

So those two items are added; those are things
that were not recurring items last year. There are some small adjustments around available lottery money, retirement contribution. Those are types of things that come from the Board of Governors based on results of things related to insurance, also lottery -- net results of the lottery program, and then insurance. So those are adjustments that come from the Board.

The next item is estimated tuition authority. Based on enrollment projections for this year compared to what they were last year, our estimated tuition is down $6 million from where it was last year. So that's in the student fee column.

The other change -- and that, once again, that gets us to a number of whatever that is, $66 million in that column of student fees, but I do want you to be aware that should we have an enrollment number that generates less than the 6.073 million in fees, we won't be able to spend what we don't receive and so the budget may adjust in one fashion or another, depending on actual tuition revenue.

The other three items are the ones that I want to place some focus on. First of all, what was termed to be recurring funding which was the
performance funding formula. There's a
$13.9 million -- 13,997,427 number that we took out
of the recurring budget from last year because it
was deemed to be nonrecurring at one point during
the year, but there's been an amendment that
restores that base to us.

So we don't know that it's going to be
recurring going forward, but at least for this year
we got that money back. So you'll see the
$13.997 million number in red as a reduction, but
then you'll see it added back on its own line item
near the end, so that's basically a nonissue.

The two that really took place and make up the
majority of the $19 million difference are, first,
the performance funding reduction. We actually
have received -- are going to receive
$2.770 million less in performance funding than we
did last year.

You may recall when we met as a Board in June
there were estimates that that could be either a
zero number or as high as a $5 million number. It
turns out to be $2.77 million, and so that's where
that landed.

The other one is the line item that says:
Transfer College of Engineering. What this does is
takes 12 -- almost $13 million, 12.996 out of the standalone FAMU budget and puts it into a budget for the new College of Engineering entity.

To a certain extent, that number was not really appropriate to be in our budget because perhaps a little bit more than half that budget in prior years was money that was actually expended by Florida State. And so to have all of it in our budget, it's just the way it had been done in the past.

What we understand and what we're still working through the details is that the Legislature intends to -- or intended to create a new budget entity and to appropriate that money to that entity and that -- then we get back to the conversation earlier this morning, Florida State, as the fiscal agent, has the ability to draw on that money based on agreed-upon expenditures of the two institutions.

But what we're doing here is taking last year's number because, again, we're adjusting last year's number to this year's number. We're taking $13.997 million out of our standalone Florida A & M budget and it's going to this new entity.

Let me tell you about the components of that.
There's about 12 -- I'm going to get this right --
there's about $12.1 million that was last year's,
and we applied for the same amount this year,
operating budget, okay?

Of that, slightly more than 54 percent last
year, and on an average over the last few years,
was actually spent by Florida State; and about
53 percent of it or so was actually spent by
Florida A & M. So, hence, my contention that maybe
the numbers shouldn't have been there at a hundred
percent. But at any rate, so that's 11.1 million
of the 12.9.

There's also a $1.3 million annual allocation
which is for -- which is dedicated to repair and
maintenance of the two buildings that exist on the
site, the College of Engineering Buildings A and B.
That's a formula appropriation that is determined
by the square footage of those buildings, just as
we get formula funding for repair and maintenance
for so many of the buildings on this campus. It's
based on square footage.

That money has been coming to Florida A & M,
and we have been performing those repair and
maintenance expense -- performing the repair and
maintenance work and then charging it against the
budget in the past. So that was $1.3 million.

And the last is there's also about -- I'm doing my math, 1.3 -- so we've got about $400,000, yeah, by the time we get done rounding these numbers. There's also $256,000 that is, again, a formula allocation for repair and maintenance at the Challenger Learning Center.

And to be frank, that number hasn't changed since, I believe, 1992; and there wasn't anybody on this campus who was aware of what the exact number was, nor was there anyone on the Board of Governors' staff that knew exactly what that number was.

And so they did some digging and found in the archives that it's been 292 thou -- $256,000. And so those three numbers, when you round them to full numbers, add up to this almost $14 million.

The point I want to make is that those are now sitting in a separate entity and the activities, arguably, that will take place at the College of Engineering will utilize those dollars; and we have no reason to believe they're going to be utilized in much of a different fashion than they have been in the past so that, you know, for what it's worth, in my opinion, the fiscal agent is more like the
accountant and the person who writes the checks and has very little -- I'd liken it to an invoice for my travel.

If I travel somewhere and submit an invoice, it gets approved by various people, in my case, the President who is the supervisor who approves reimbursing me for travel. She's the one who is managing that expenditure, but my accounting department is the one who issues the check.

And to me, what's analogous here is, the person who is approving the expenditure is the budget manager, and the accounting department that issues the check is simply the fiscal agent. So to back track to the conversation, I would liken the fiscal -- the budget manager to be -- at the College of Engineering, to be the Joint College of Engineering Governance Council; and that's the intent, that's what's happening.

Every time there's a payroll starting, I guess, with the payroll that's about to be issued tomorrow, we will pay our payroll for the College of Engineering. We will submit an invoice to the fiscal agent, which is the accounting department at Florida State, and they'll reimburse us for it. They have no authority to tell us, oh, you couldn't
pay those people. So they really don't have budget authority, they just are a paying agent, enough for the commercial.

So that gets us -- those changes, including the removal of the College of Engineering to put it in a separate entity, brings us to where we are for this year. So what we end up with is $161,209,679 of State appropriations across these various categories. Again, it compares to the 180 of last year, but the major subtractions are tuition change, performance funding reduction, and the removal of the College of Education (sic).

So if there are any questions about this schedule, what I want to do is take that $161 million number and move forward to another column, another spreadsheet, but if there are questions --

TRUSTEE WARREN: For the record, you meant removal of the College of Engineering?

VICE PRESIDENT CASSIDY: Yes. Well, I don't know what I said; but, yes, College of Engineering.

TRUSTEE WARREN: Okay.

TRUSTEE LAWSON: So a comment, Mr. Cassidy.

VICE PRESIDENT CASSIDY: Sure.

TRUSTEE LAWSON: So in working through this
several weeks ago, we just want it to be really clear when you look at the difference between the 180 and the one -- what is it, 161?

VICE PRESIDENT CASSIDY: Right.

TRUSTEE LAWSON: -- so that everybody understood the difference. And, you know, Mr. Cassidy outlined the major difference is the transfer of funds to the new entity for the College of Engineering, the loss of performance-based funding --

VICE PRESIDENT CASSIDY: Right.

TRUSTEE LAWSON: -- and then there were some other smaller puts and takes --

VICE PRESIDENT CASSIDY: Right.

TRUSTEE LAWSON: But that was -- those two are really the net of the big changes.

VICE PRESIDENT CASSIDY: Yeah, right. If you take those two numbers, that's whatever that is, 16.6 million of the difference of 19.

TRUSTEE LAWSON: Right.

VICE PRESIDENT CASSIDY: And there are some other smaller -- and the rest of it, really, is there's actually a gross decrease of about $22 million, including the $6 million less in tuition; but then we add back the 1.5 million and
1.0 million which we've been told are recurring budget items, so they're add-ons. So it really is sort of a series of things that subtract 22 million, and another one that adds to it, or two others --

TRUSTEE LAWSON: But I think the key point that you made also around the 6 million is that it's all enrollment dependent.

VICE PRESIDENT CASSIDY: Right.

TRUSTEE LAWSON: So that number could either go further into the red or get better.

VICE PRESIDENT CASSIDY: As it has in the past from year to year and then recent years, we start with this number, but either quarterly -- or certainly at mid-year, we would tell you where we're heading; and if it's going to be less, we change our budget projections and change our --

TRUSTEE LAWSON: To reflect --

VICE PRESIDENT CASSIDY: -- planned spending to make sure we don't spend anything that we ultimately won't be entitled to.

TRUSTEE LAWSON: Okay.

VICE PRESIDENT CASSIDY: So I'd like to take the $161 million -- 161,209,679 number, and I'd like to go to the wide sheet. And, again, I don't
think, Ron, this will help much for them to do on
the screen. If you could go back to the
Power Point, that would be helpful for me
personally.

But what I want to do is go to this schedule,
and I want to make sure you've got the updated one
that corrects for my little faux pas last night.

And the way to make sure that you've got the
right one is in the fifth column where it says
Student Financial Aid on line 12, other grants and
donations, you should see a line item that says
$60 million. If you see that, that means you've
got the right version. That's basically an
estimate of Pell grants, and somehow I managed to
transmit a schedule that left that number out last
night. I take responsibility for that. It's
offset down below, largely by $60 million of the
line item that says -- line 29 that says expenses.

So that's a number that transfers in as
revenue but then transfers back out to the students
who receive the Pell grants. So while it is an
error and I left it out, it had no bottom line
impact on this schedule.

So to get back to where I want to go to is
what we -- if you look under the education in the
general column of this spreadsheet, which is the one on the left, and you go to line 22, subtotal, you see the magic number, 161,209,679. So that's the number that we just brought over from the other schedule, okay? So that's education and general spending, and that's the revenue side of the equation.

What I'd like to do is --

TRUSTEE WARREN: Mr. Cassidy.

TRUSTEE LAWSON: I'm sorry, is there a question, Trustee Warren.

TRUSTEE WARREN: Yeah, just a question on the student aid, student financial aid column.

VICE PRESIDENT CASSIDY: Yep.

TRUSTEE WARREN: If we receive VA benefits for veterans, would it be in some number in that same column?

VICE PRESIDENT CASSIDY: Yes. And, again, it would be, if you will, a passthrough to the extent that we get it and then we turn it out to those particular students. The vast majority of the student financial aid comes in as a revenue and goes out to the students and they tend to match each other.

TRUSTEE WARREN: All right. Thank you.
VICE PRESIDENT CASSIDY: So what I'd like to do is try to take you through this schedule, point out a few special points that I think are of note, and then compare it to last year's budget. We've sort of gotten through the process that gets us to the 161,209,679 in education in general.

I would tell you, if we look at line 22, subtotal of revenues before transfers which is sort of an internal allocation of numbers, over on the right-hand column we get to a total revenue at that line item of 334,375,565. Does everyone see that number?

So I want to tell you that that number compares to 354 million -- 354.7 million. So it's, roughly, $19 million less than last year's budget -- or $20 million, and we've already sort of tracked through where 19 million of that difference is. So, essentially, the revenue across the entire enterprise is projected to be relatively flat, just as education in general is.

A couple of things I want to point out because they aren't really particularly intuitive. There's a column, it's the second one to the left of the summary total that's called Board-approved fees.

That's something that the Board of Governors
insists that we present in this manner in a separate column. I believe -- it's the College of Law, and I believe it's the examination fee revenue. Yeah, it's the amounts that law students in Orlando pay for the pre-law certification exam, and the Board of Governors asked for us to account for that separately to them, and so we've left it in that column here. But the description, Board-approved fees, doesn't particularly work for me all that well.

The other thing I wanted to point out on the revenue side is in the column that says intercollegiate athletic -- and we are going to deal with athletics on a standalone basis in a few minutes -- for the one and only time there's an entry in the line item that's called "transfers in," and the athletics in that column, we get to revenues of 7,917,500. To that we say there are going to be transfers in of $800,000.

That's an estimate. Right now that estimate includes $500,000 of support from the Foundation, but that's subject to the budget of the Foundation being approved. And there's $300,000 of University contribution, and that makes up the $800,000, okay? And as you can see, that's the only transfer on
this schedule, so it's coming from a couple of places.

I want to talk a little bit about the expenditures and, unfortunately, these sort of bleed over onto the second page; but, again, if I could call your attention to line 52, total non-operating expenditures.

Oh, no, I want to get to -- yeah, where are we? Oops, that's Page 3.

Total operating expenditures on line 45, the total there in the right-hand column, if you'll follow with me is 327,084,229. And I want to tell you that that compares to 351.8 million of last year.

And so we've got about 19 -- well, we've got about $23 million in difference there. And I would tell you what that consists of is the $19 million we sort of track through from the revenue, but right now we've got about a $3.3 million amount of money that the President and the Provost and I cobbled together from the various departments that we intend to spend on specific priority items going forward.

So we haven't yet budgeted for those $3 million because we don't know which columns they
go in. So that's where we stand on that, and we will give you an update as those decisions are made. And so that --

TRUSTEE WARREN: Mr. Chair.

VICE PRESIDENT CASSIDY: Yes.

TRUSTEE WARREN: Mr. Chair, this is Trustee Warren.

TRUSTEE LAWSON: Yes, Trustee Warren, you're recognized.

TRUSTEE WARREN: Mr. Cassidy, may I ask you a question and take you back to the $800,000 transfer?

VICE PRESIDENT CASSIDY: Sure.

TRUSTEE WARREN: You mentioned that 300,000 of that was from the University to the Athletic program.

VICE PRESIDENT CASSIDY: Correct.

TRUSTEE WARREN: Is it coming from auxiliaries?

VICE PRESIDENT CASSIDY: Yes.

TRUSTEE WARREN: So is there then somewhere near the bottom under the column titled auxiliaries an offset for the $300,000?

(WHEREUPO, VICE PRESIDENT CASSIDY CONSULTED WITH STAFF).
TRUSTEE WARREN: Forgive me for being so detailed.

VICE PRESIDENT CASSIDY: Just one second, I want to get some detail.

TRUSTEE LAWSON: Yeah, Trustee Warren, we're trying to determine the specific answer to your question as far as where did the 300,000 come from.

TRUSTEE WARREN: All right.

VICE PRESIDENT CASSIDY: Yeah, the detail is that the majority of it comes from auxiliaries. It's a combination of a few sources, but the largest part of the source is investment income largely on auxiliary funding or fund balance. And there's a line item, if I can find it, that talks about the 100,580 --

(WHEREUPON, VICE PRESIDENT CASSIDY CONSULTED WITH STAFF).

VICE PRESIDENT CASSIDY: And anticipating Trustee Warren's question is if there's a revenue where -- or a transfer of revenue, where is the expenditure, it's in line 48, transfers; and it's a part of the $2 million transfer from auxiliaries, 2,060,263. So there's -- 300,000 of that is that same source of money.

TRUSTEE WARREN: Thank you. Forgive me for
breaking your train of thought.

VICE PRESIDENT CASSIDY: No, not at all. It's amazing how you can stare at these and not all that well anticipate where reasonable questions would come from.

So I guess the picture I'm trying to paint here is that this budget is really similar to last year's. We've sort of tracked the $19 million difference in what we're getting from the State. But in terms of the way it's being spent across the enterprise, it's really fairly similar.

One other thing that I want to highlight is -- and it's on the bottom of, I guess that's Page 2, line 57. That says fund balance change and also percentage increase or decrease, over on the far right column, we're projecting a $1.17 million fund balance increase for the university based on this budget.

And just for comparative purposes, last year we projected a $10 million loss at that line item, and so in some ways this budget is $11 million healthier than last year's. But at any rate, I would say that the budget is relatively constant in view of the changes in funding from the State.

I'd like to move on if I can -- if there are
no questions, I'd like to move on to the other
schedule which is called 2015/16 operating budget
beginning carryforward fund balance composition.
That's a one-pager, it was posted online, and it's
portrait rather than landscape.

And the intent of this is to show you where we
have money that's theoretically on call for
nonrecurring expenditures, and that's the key point
I want to make. The carryforward is all about
nonrecurring because we don't know what that
carryforward number will be next year.

So, again, I'd like to sort of give you some
perspective of where this was last year. What this
schedule does is to take where we were on a cash
basis a year ago, July 1st. We, obviously, have to
allow for expenses that are accrued, accrued
payables. So we had $45 million -- or we have
$45 million this year with $11 million of payables.
So we, theoretically, have $34 million of cash that
we could spend in various ways.

To compare it to last year, those numbers last
year, the cash was $48 million but there was a
slightly higher amount of payables and so although
it's almost identical, the fund balance before
encumbrances was 34.5 million, and this year it's
34.1 or two. So we're essentially starting in a similar position as we were last year.

The next line items down there are the five percent statutory reserve. The Board of Governors requires the five percent, and that five percent, again, tying these numbers back together, if you were to look at that first schedule and take the $161,209,679 and multiply it by five percent, you would get to the magic number of $8,060,484.

So that's where that number comes from. It's five percent of our Board allocation, if you will. So that's required by the Board of Governors. The Board of Trustees here has also asked us to take a similar number, another five percent, so another $8,060,484. So of the 34 million, we're holding 16 million, okay? Is everybody up to us?

TRUSTEE LAWSON: That's just the wrong slide, but you're on track.

VICE PRESIDENT CASSIDY: Yeah, I don't know if he has that one on --

TRUSTEE LAWSON: You're on track. I mean your numbers are correct, but it's just the wrong slide.

VICE PRESIDENT CASSIDY: No, I understand, and I'm trying to ignore what's there.
Do we need to wait a minute to catch everybody up, or have you got something in hand that you can work with?

TRUSTEE LAWSON: Yeah, we've got it in hand, so we're tracking along with you too.

VICE PRESIDENT CASSIDY: So we're taking the 8,060,000 that the Board of Governors requires us to set aside, we're also taking the same number that you, as a Board of Trustees, have I think very wisely asked us to also set aside; and so we're taking 16 million away from the 34 million that we started with at the bottom.

(PHONE INTERRUPTION).

VICE PRESIDENT CASSIDY: I'll assume that was extraneous noise.

TRUSTEE LAWSON: Okay.

VICE PRESIDENT CASSIDY: So we've got 16 million. Here are things that we've committed to or have made provisional allocations for. The first one I want to focus on, because you're going to see the words, College of Engineering. There's an amount there that says $3,322,364. We've talked about the budget, which is both revenue and expenditures for the College of Engineering.

This is the outstanding fund balance in the
Joint College of Engineering which resides on our books currently but really goes over to the new entity, okay.

TRUSTEE LAWSON: Right.

VICE PRESIDENT CASSIDY: So for those of you who are nerdy about revenues, expenditures, and fund balances, we've sort of tracked all -- and I'm one of those -- so we've sort of tracked all three of those numbers through, okay?

Of interest is, and I think there's been relatively little focus on this, one of the other agreements through the Governance Council is that when we transfer that out, we're actually going to keep $500,000 of it because that's money that the President contributed toward the Board of Engineering -- I mean College of Engineering salaries and other purposes last year.

And in striking the deal with the Board of Governors and the Governance -- I'm sorry, with the Governance Council, they said that we could have that $500,000 back. And so we will actually be transferring, I think the number is $2.7 million, but right now it's just sitting there.

So the other things that we've set aside, at least provisionally, some more campus and safety
security issues, information technology, deferred maintenance. I had a really interesting conversation -- pardon me if I depart for a minute.

I was sitting with my counterpart at the Board of Governors the other day over lunch, and we were talking about, you know, reduced State funding and other things like that, and I mentioned that I came from Texas where they hadn't approved any new building for ten years across the university systems in Texas and they just approved something for the first time in ten years.

And he said, well -- but they approved one building for each campus, you had to choose which one you wanted to apply for.

But at any rate, the point is, his comment was, well, here in Florida we still aren't getting enough money for new buildings and we also aren't getting enough to maintain the ones we have. I thought that was a really telling comment from a staff member at the Board of Governors because that's kind of where we are.

And so we're setting aside -- while there's a formula, and I mentioned it, and it applies to the College of Engineering and many of our buildings, the pure reality is, that isn't going to -- that
may get you daily repair and maintenance kind of expenses, but it doesn't do the long-term deferred maintenance of boilers and plant equipment and roofs and all those other things.

And so we've set aside, at least provisionally, about $2.5 million on the anticipation that there will be some maintenance issues that will crop up that have been deferred in the past.

Move on --

TRUSTEE WARREN: Mr. Cassidy.

VICE PRESIDENT CASSIDY: Yes, sir.

TRUSTEE WARREN: I'm sorry, so the 2.5 is for the unexpected?

VICE PRESIDENT CASSIDY: Right.

TRUSTEE WARREN: Is that to imply that the Capital Improvement Fee that students, as an example, might be paying is being -- is it committed to debt service, or is it committed to some other outstanding projects? And there's no PECO dollars from the State for deferred maintenance?

VICE PRESIDENT CASSIDY: Well, what the students pay in is for student-owned -- or student-controlled buildings, the repair and
maintenance of those, so that's what their fees go
to and, in some cases, the operating costs of
those, yeah, so that --

TRUSTEE WARREN: Well, the Capital Improvement
Fee isn't just for dormitories.

VICE PRESIDENT CASSIDY: No, it's not for
dormitories at all, but they're -- yeah, student
activities and, also, there are some buildings that
the students control and have to pay costs for,
right?

(INAUDIBLE STAFF RESPONSE).

VICE PRESIDENT CASSIDY: If we were standing
in the Grand Ballroom today, that's one that is a
Student Government Association building, and they
are responsible for at least a part of those
maintenance fees. Similarly, there's a gymnasium
that's called a teaching gymnasium that they have
control over, and those fees pay some of those
expenses as well.

The other thing I wanted to talk about a
little bit on this schedule -- so these are largely
estimates so that we're about to turn loose and ask
vice presidents and their staffs to make proposals
for as much as $5 million because this schedule
comes to 4.914 million.
And, again, to follow through comparing to last year, last year that number that was available to be applied for to be used on non-recurring items was 4.3 million. So we've actually got a little bit more in the pot this year than we did last year.

The other item that I wanted to pay specific attention -- or draw your specific attention to is the tuition differential number of $825,000. There are statutory regulations around what we can do with the so-called tuition differential funding, and those are that it can be spent only on undergraduate activities, and that 70 percent of it has to be spent on Academic Affairs, and 30 percent of it needs to be spent on financial aid.

So those are really committed funds and so we're taking them out of -- and so that's one that isn't quite so much an estimate; but the end result is that we've got about $4.9 million. Beginning last year -- and it may have existed in the past; but as you know, I was only here last year.

The next stage in the process is go to the vice presidents and their managers and ask them to put together requests for what they would like to see some of this money used for.
And beginning last year, those requests have to tie specifically to performance goals of both the President and/or performance measure funding from the State legislature. So when people ask for money, we ask them to justify for us how it's going to support those two major needs and, where possible, if it's investing in equipment or things like that, we also ask for a return on investment.

My favorite example from last year, and we spent some time talking about it, was the new security cameras that we were able to pay for through this fund. And that was a place where we were able to show -- or we asked the chief to show us a return on investment because the plan there was to install security cameras and stop paying temporary personnel to physically walk in various parts of the premises where there were no cameras. And so there was, in fact, the ability to calculate a three-year return on investment between the cost of the cameras versus the physical security staff that we were no longer going to hire.

So that's the process we go through from the perspective of looking at carryforward, setting aside things we believe are committed, and then we're about to turn loose the request for staff and
managers on how they'd like to see that used.

Typically, we tend to get a little bit more in terms of requests than we can honor, and so we have to make decisions as to whether we give a little bit to everybody or if there are some that are so important that they have to be paid first.

For instance, the security camera issue last year was considered a top priority and was fully funded, and other people didn't get other amounts because of that.

So that's the process we go through in trying to use this, again, nonrecurring funding on the basis that's the best in terms of serving students and serving other objectives of the University.

TRUSTEE WHITE: Chair Lawson.

TRUSTEE LAWSON: Yes, Trustee White.

TRUSTEE WHITE: Just a question. I'm going back to this deferred maintenance. I know that means something very specific, and I'm just curious whether there are also renewals in that or is it solely deferred maintenance?

VICE PRESIDENT CASSIDY: Well, I would say that it's probably a combination of both but the ones that we have to set aside for are things that we know are on the verge of -- or, you know, we
have an inventory --

Sameer, are you here?

(NO RESPONSE).

VICE PRESIDENT CASSIDY: I know that we have an inventory that tells us what of our equipment is approaching or has perhaps exceeded its useful life, and so we tend to watch those types of items, sort of because we know the repair or replacement is not an if, it's a when. And so we try to set aside some money so that when the if becomes a when, we are able to deal with it in an expeditious fashion.

TRUSTEE WHITE: So just for people who may, in fact, get the fine line, so there's -- when you have a building, there's an amount of money you're supposed to expend on a regular basis to maintain the building.

VICE PRESIDENT CASSIDY: Right.

TRUSTEE WHITE: And that is called a renewal. And after so many years when you don't spend that money, it falls into such a state of repair that it goes into this deferred maintenance category. So I was just curious whether it's a combination of both, or is this only for the stuff that has gone into that terrible category?
VICE PRESIDENT CASSIDY: Right, and it's really both. But the one suggested correction I would make to your statement is it's not always that we haven't spent the money that we were given, sometimes it's the money that we get isn't sufficient to keep up with daily maintenance.

And anyone who's, for instance --

TRUSTEE WHITE: It's still money that wasn't spent.

VICE PRESIDENT CASSIDY: Right. Anyone who has owned a house knows that as it ages, its yearly maintenance that you would call routine increases because different things need attention. So at any rate, I won't belabor the point.

If there aren't any further questions on that schedule, I would like to talk specifically about the column in the large spreadsheet which is the widespread sheet that you really only have the right version of on paper.

I'd like to go to the intercollegiate athletics column. You didn't think we'd go through this without talking about athletics, did you.

TRUSTEE WARREN: Yeah.

VICE PRESIDENT CASSIDY: This schedule is essentially where we were last month that you
approved in terms of the -- as a preliminary budget
for the athletics, and it still comes to the
$100,000 bottom line of revenues over expenditures.
As many of you will recall, the Board of Governors,
at the meeting in Tampa, suggested that $100,000
wasn't enough in terms of what they would consider
to be the start of a realistic deficit reduction plan.

And so here's what I'll tell you we're doing:
So this schedule and this column is as it was
presented to the Board of Governors last month.
We've been working with incoming Athletic Director
Milton Overton on a regular routine,
several-hours-a-day basis. At one point I was
afraid he might get fired by the University of
Alabama because he was spending so much time
working with us while he was still being paid by
them, but we'll let that pass.

But we're working with him to more
aggressively project revenues, which is what we
believe the message from the Board of Governors
was: Show us some more revenues so that there can
be more than a $100,000 contribution at the end of
the year.

I would tell you that there are a lot of
things he has in mind, there are several things
that he's put in place with regard to packaging
ticket sales and other things. And so here's our
plan that I hope you will agree to:

He starts work here on August 3rd; the Board
meeting is on August 6th. He fully intends to
present a plan that will show more than a hundred
thousand dollars bottom line for the athletics
function. We'll give you some specific ideas of
things that he feels he can commit to after two and
a half days on the job.

But I think more excitingly and more
importantly, he's going to give the Board a preview
of some of the revenue streams that he believes can
substantially increase the bottom line over time.

One of the things we've discussed, and he knew
this coming in, it's definitely true that the
football season tends to set the momentum for the
year from an athletics perspective. And so he's
coming on August 3rd when, essentially, much of the
football program plan is already in place, and I
think the first game is within -- it might be that
first weekend after he arrives. So he realizes,
you know, he's a little late from that perspective.

But I would tell you that -- and we were able
to confirm this during the search process -- this
is a guy who has developed a ton of ancillary -- I would
call them ancillary revenues for the athletic
programs wherever he's been, and I think you're
going to be pretty intrigued and excited by some of
the opportunities that he has in mind.

And so our plan is to leave this budget for
now but to bring you a revised version that will
add some more revenues, and they would go in the
line that would say -- they'd either go in other
grants or in donations or somewhere up there in the
revenue line. Some of it could be sales and
services, if it's ticket revenue and other things.

But what we intend to bring you on August 6th
is a revised column for this budget that adds to
more than a hundred thousand dollars. And then we
hope to take both that number and perhaps the
Board's endorsement that they heard, our new
Athletic Director's vision of how to continue to
enhance revenues going forward, and that we can
meet with the Board of Governors in September and
get their comfort level that we're moving toward a
more aggressive deficit reduction or making monies
so that we can reduce the deficit, so that's my
goal and my hope.
Questions or comments on that?

CHAIRMAN MONTGOMERY: Mr. Chair.

TRUSTEE LAWSON: Yes, Trustee Montgomery.

CHAIRMAN MONTGOMERY: I thank you, VP Cassidy.

Two things -- is Mr. Givens -- where is Mr. Givens?

Mr. Givens, if you could briefly describe to the -- and we can get there in Audit, but while we're talking about intercollegiate athletics in a funding perspective, could you briefly describe the threat or the potential threat that exists to us if we don't get our house in order in the area of findings.

VICE PRESIDENT GIVENS: Yes. The issue that we have facing us is that two years ago, in 2013, the Legislature passed a law that said that if a University did -- had findings reported in an Auditor General audit report for three consecutive years, then the University would be required to go to the Joint Legislative Audit Committee and justify the reason for noncompliance, for not fixing the issue. And if the Joint Legislative Audit Committee is not satisfied with the response, then the law gives the Board of Governors the authority to take certain actions.

Those actions could be just some periodic
monitoring of the situation where the University
would report periodically on how it's progressing,
or it could impose a sanction so that the
University could not apply for competitive grants;
and then ultimately, could withhold funding if the
issue is not fixed. And what we don't know is how
aggressively the Board of Governors would approach
this.

As you are aware, the Board of Governors is
already monitoring the situation. We've been
required to report to the Board of Governors
throughout -- for the last couple of years on this
particular issue.

But now there's also a question about how far
we are into this process. The effective date of
this law was July the 1st, 2013. The law does not
address whether or not this was to be applied
retroactively. We had an operational.

Audit that included this finding on the
athletics that was released in February of 2013.
And we've since had other operational audits that
also had this same finding.

So I'm trying to get clarification as to
exactly where we are, if we are at the one finding
or the two findings. But the issue is going to --
it won't resolve itself, we'll have to face it sooner or later. The Auditor General has indicated that this will continue to be a finding in our audit reports until the cumulative deficit is paid back, so it's just not a matter of getting the annual excess of revenues over expenses. The Auditor General will report it as a finding until the deficit is paid back, which is about eight or $9 million the last I heard.

TRUSTEE LAWSON: So I'm sorry, Mr. Givens, just clarify for me one more time, just so it crystallizes for me, so we have two audit findings currently.

VICE PRESIDENT GIVENS: Right.

TRUSTEE LAWSON: With a third, we potentially go before the Board of Governors for this review, and then they decide on what potential actions they take at this point.

VICE PRESIDENT GIVENS: That's correct, yes.

TRUSTEE LAWSON: And it's all tied to the existing deficit, or is it tied to processing how we managed or accounted for certain expenses and revenue?

VICE PRESIDENT GIVENS: Well, my understanding would be that the Board of Governors would take a
number of factors into consideration in what they decide is the appropriate action. If they see that the University has made good progress, I would think that at that point they would just continue to monitor.

TRUSTEE LAWSON: Monitor.

VICE PRESIDENT GIVENS: It's just if they feel like the University has not made adequate progress towards resolving it, then at that point they may impose a little tougher penalty.

TRUSTEE LAWSON: And when you -- I'm sorry for interrupting, but when you say "progress," does that specifically mean reducing the deficit or tightening up our process for managing the P & L.

VICE PRESIDENT GIVENS: Well, I think it -- they kind of work together. If we get to the point where we've got excess revenues over expenses and that's continuing to grow, I think the Board of Governors -- and this is my opinion, I'm just speculating right now.

TRUSTEE LAWSON: Sure.

VICE PRESIDENT GIVENS: But I believe that's how they would go with it. We have addressed the situation, we've resolved it. I don't believe that they would put us on any particular timetable to
pay back the deficit.

TRUSTEE LAWSON: Okay. But clearly this is a watch-out for us at this point.

VICE PRESIDENT GIVENS: For sure. Because as long as the Auditor General will report the finding, and they've indicated they will, then we'll run into the three finding, whether it's this next year or the year after that.

TRUSTEE LAWSON: Okay. Thank you, Mr. Givens.

CHAIRMAN MONTGOMERY: Mr. Chair, as a follow-up, I just --

TRUSTEE LAWSON: Mr. Chair.

CHAIRMAN MONTGOMERY: I did want to make sure the Committee was aware that we're in that position and to understand, you know, what's the plan to do -- I hear the overall plan. Also, to encourage caution in presenting the projections for this year. Last year we were told that there would be a million dollars in fundraising and, obviously, that wasn't achieved. That was pointed out to us by the Board of Governors, and so whatever plan we're -- whatever plan is brought to us -- about a year ago I suggested that we have more frequent updates with regard to the status of achieving the goals that
were set out by -- with the athletic deficit reduction plan.

But I would encourage as the plan is put together moving forward that we more closely monitor what's going on in athletics, not to manage it but to understand what it is so that when a finding is laid out there for us, we're aware of it and we're able to deal with it, but I would like to know how we're going to aggressively attack the deficit problem.

TRUSTEE LAWSON: I'm sorry, Mr. Cassidy, would you mind addressing that? Because one of the things that I know that's been done is movement of the oversight for the athletic budget has been moved to the CFO's office versus remaining in athletics.

VICE PRESIDENT CASSIDY: Right, and that oversight is on the expenditure side of the equation; the revenue is more in control of the operating and --

TRUSTEE LAWSON: Sure.

VICE PRESIDENT CASSIDY: -- so, if you will, the Athletic Director. And so that's a part of what we're doing.

In my estimation, at the Board of Governors
meeting, we were sort of in a heads you win, tails -- heads you lose, tails you win, or whatever the phrase is. We presented what we thought was a conservative but achievable donation and revenue number that got us to a small $100,000 bottom line for this year; the Board wanted to see something more aggressive.

And in some ways it's our view of how we presented some of the items in the work plan. As new management, we wanted to build some credibility and present a budget that we thought was definitely achievable and then move forward, but they asked us to be more aggressive, and that's our plan.

If I may, I brought with me the two statutes that specify what Mr. Givens was talking about. I want to give you the references for them because this goes on the record, and I also want to let you know that I will make sure that all of the Board meetings receive copies of those statutes later today. The two statutes that matter is there's a -- there's Florida Statute 1008.322 which is entitled: Board of Governors Oversight Enforcement Authority. And that's kind of a one-page statement that gets to the back end of what Mr. Givens was talking about.
And the Clause 5 says: If the Board of Governors determines that -- in our case -- a University Board of Trustees is unwilling or unable to comply with any law or regulation or audit recommendation within a specified period of time, the Board of Governors can take some of those actions.

So that's what's in 1008.322. The other state statute which is in the -- and that's a state statute, there's also something in the Auditor General rules, and that statute is 11.45, which in Section -- let me get the right thing -- Section 7 tells the Auditor General, at the Board of Governors level, to notify the Legislative Audit Committee when there's a three-year consecutive finding. And so that triggers that part of things.

TRUSTEE LAWSON: As the Chair, I just had a recommendation; and, Mr. Cassidy, let me know if this is realistic. We get periodic updates from the President on key activity from her office and it comes out pretty frequently. Would it be possible to include a brief update on where we are in Athletics at least once a month in that update? Is that -- would that be -- is that realistic.

VICE PRESIDENT CASSIDY: Yeah, I think it is
because what we've been doing is we've been bringing it to the Board quarterly; but we close the books, if you will, somewhat unofficially on a monthly basis.

TRUSTEE LAWSON: Yeah, so I think we've -- and even if they are projections and you can couch them that way, I think we'd like to see how we're trending so that if, indeed, we -- per Mr. Givens', you know, discussion points --

VICE PRESIDENT CASSIDY: Right.

TRUSTEE LAWSON: -- if we are trending toward that situation, you know, it would be great to try and head it off beforehand.

VICE PRESIDENT CASSIDY: Point taken and easily -- relatively easily doable, and I think --

TRUSTEE LAWSON: And, Mr. Cassidy, I'm going to speed you up for just a second.

VICE PRESIDENT CASSIDY: Sure.

TRUSTEE LAWSON: First of all, I want to commend you on being extremely thorough; but if you could, could you share with us the information items electronically? And I'd like to give back time to my Chair for -- my co-chair -- well, not my co-chair but my neighbor chair for the Presidential Evaluation process.
VICE PRESIDENT CASSIDY: Okay.

TRUSTEE LAWSON: So if you could -- again, if you could give us those electronically.

And one piece of information that I'd like to comment on, this is an information -- well, it's not really an information item, but I think there was some expectation that you would hear more about it, and that's the Head Coach's contract, so I would like to comment on that if you don't mind, Mr. Cassidy. That --

VICE PRESIDENT CASSIDY: Okay. If --

TRUSTEE LAWSON: Sure, you go first.

VICE PRESIDENT CASSIDY: The approval of the University-wide budget as presented is an action item, so if we could take that as an action item, that would be --

TRUSTEE LAWSON: Sure. I'm sorry, you're absolutely correct, so --

VICE PRESIDENT CASSIDY: And that's fine, and then we will take the other information items and send them electronically.

What I'll do, I think perhaps, is send you all of the exhibits and also Power Point, which was my summary of what I was going to present about them.

TRUSTEE LAWSON: Okay. Thank you.
VICE PRESIDENT CASSIDY: So we can do that, that's fine.

TRUSTEE LAWSON: But, again, I want to thank you for a very thorough update.

So with that being said, per Mr. Cassidy's comment, we do need to take action on the University budget that includes the current proposed athletic budget.

So is there a motion to accept the presented University budget.

TRUSTEE WHITE: So moved.

TRUSTEE MOORE: Second.

TRUSTEE LAWSON: The motion has been moved and properly seconded. Are there any questions.

(NO RESPONSE).

TRUSTEE LAWSON: All those in favor.

(AFFIRMATIVE INDICATIONS).

TRUSTEE LAWSON: All right. The motion passes.

Again, Mr. Cassidy, thank you. I do want to make one comment before I relinquish the meeting to get into the evaluation, the President's -- I'm sorry, the Head Coach's contract has been reviewed multiple times and we're in the process of re-presenting that to him. I know there was an
expectation that that may be reviewed today.

We don't anticipate any major issues; we think that we have made it very favorable. But at the same time, we're still waiting on the Head Coach to review and sign, and so that's the next step if there are any questions there.

Again, Mr. Cassidy, thank you.

This Committee meeting is adjourned. Let's take five minutes to just reconfigure and let Trustee Moore get assembled.

(WHEREUPON, THE BUDGET AND FINANCE COMMITTEE MEETING WAS ADJOURNED).

* * * *

* * * *
CERTIFICATE

STATE OF FLORIDA  )
COUNTY OF LEON    )

I, NANCY S. METZKE, RPR, FPR, certify that I
was authorized to and did stenographically report the
foregoing proceedings and that the transcript is a true
and complete record of my stenographic notes.

DATED this 25th day of July, 2015.

__________________________________________
NANCY S. METZKE, RPR, FPR
Court Reporter