FLORIDA A & M UNIVERSITY
BOARD OF TRUSTEES

IN RE: BUDGET AND FINANCE
COMMITTEE MEETING

COMMITTEE MEMBERS: KELVIN LAWSON, CHAIR
CLEVE WARREN
NICOLE WASHINGTON
GARY MCCOY
CRAIG REED

DATE: WEDNESDAY, FEBRUARY 10, 2016
TIME: COMMENCED AT: 10:30 A.M.
CONCLUDED AT: 11:10 A.M.

LOCATION: PRESIDENT'S CONFERENCE ROOM
LEE HALL
FAMU CAMPUS
TALLAHASSEE, FLORIDA

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

Bettye Grable
Robert Woody
Matthew Carter
Belinda Shannon

* * * * *
PROCEDINGS

TRUSTEE LAWSON: Okay. The next committee, again, is due to start at 11:45, so we are clearly ahead of schedule. We did not take the formal break that was on the agenda, and because we are so far ahead of schedule, what I'm going to ask is let's officially, Jenny, if you can time us, take 15 minutes and let's reach out to -- well, Washington I believe is in the meeting room in Tallahassee, I think McCoy is on the line, and I don't know about Trustee Reed, and Trustee Warren may or may not be back in time for the Budget and Finance meeting, but we'll still have a quorum if we can get our arms around Trustee Reed or get Trustee Reed on the line.

So, Jenny, let's take 15 minutes.

MS. BURY: Okay.

TRUSTEE LAWSON: So time us and let us know exactly when to come back, but in the interim if we could try and track all of the individuals down so that we can keep moving, that would be great.

MS. BURY: Okay. Will do.

TRUSTEE LAWSON: So everyone, thank you, and we're going to -- if you would, either stay on the
line or call back in in 15 minutes, and we will reconvene the Budget and Finance Committee, as well as, Jenny, we also need to make sure that Mr. Cassidy is ready for an early start as well.

MS. BURY: He's here. He's here already.

TRUSTEE LAWSON: Great. Okay.

(BRIEF RECESS).

TRUSTEE LAWSON: Okay. It's 26 after, and at this point is Mr. Cassidy in the room?

VICE PRESIDENT CASSIDY: I'm here.

TRUSTEE LAWSON: All right, Dale, good morning.

VICE PRESIDENT CASSIDY: Good morning.

TRUSTEE LAWSON: Okay. Well, good morning again, all. This is Kelvin Lawson.

I would like to call the Budget and Finance Committee meeting to order.

Ms. Garcia, could you please call the roll?

MS. GARCIA: Chairman Lawson.

TRUSTEE LAWSON: Present.

MS. GARCIA: Trustee McCoy.

(NO RESPONSE).

MS. GARCIA: Trustee Reed.

(NO RESPONSE).

MS. GARCIA: Trustee Warren.
(NO RESPONSE).

MS. GARCIA: Trustee Washington.

TRUSTEE WASHINGTON: Present.

MS. GARCIA: Trustee McCoy.

TRUSTEE MCCOY: McCoy here.

MS. GARCIA: A quorum is present, Mr. Chairman.

TRUSTEE LAWSON: Okay. We have a quorum?

MS. GARCIA: Yes.

TRUSTEE LAWSON: All right. Great. Thank you.

Again, trustees, good morning. We have three action items and two information items on the agenda today.

The first action item today is for approval of the December 10th, 2015, minutes. The December 10th minutes were provided on the BOT website. Are there any comments or corrections to the minutes?

(NO RESPONSE).

TRUSTEE LAWSON: Okay. If not, can I get a motion for approval if the December 10th, 2015, Budget and Finance Committee meeting minutes?

TRUSTEE WASHINGTON: So moved. This is Trustee Washington. So moved.
TRUSTEE LAWSON: Okay. Trustee Washington, thank you.

Is there a second? Is Trustee McCoy connected?

TRUSTEE MCCOY: Yes, I'll second.

TRUSTEE LAWSON: Okay. Thank you, sir. I apologize for putting you on the spot there.

So the minutes have been moved --

TRUSTEE MCCOY: No, no, I was waiting for someone else. Go ahead.

TRUSTEE LAWSON: Okay. No problem.

The minutes have been moved and properly seconded. Seeing as there are no questions, all in favor by a vote of aye.

(AFFIRMATIVE INDICATIONS).

TRUSTEE LAWSON: Okay. The motion carries.

Trustees, the next action item on the agenda is approval of an amendment to the full year 2015/16 technology fee operating budget for services from Blackboard.

Mr. Cassidy, you are recognized to proceed with this item.

VICE PRESIDENT CASSIDY: Thank you, and good morning all.

This is a budget amendment to request $750,000
of additional budget authority for the technology fee fund. What happened this year in brief is that the history of the technology fee is to set aside an amount for Blackboard which is the largest expense that's paid out of the technology fee and then to allocate the remaining estimated proceeds of the technology fee which is something that the students pay and therefore varies depending on enrollment, and then allocate the rest of the expected fees to other technology-related purposes.

Unfortunately due -- I think largely due to a turnover in personnel, the set-aside for Blackboard didn't happen this year, and so funding was allocated that didn't leave room for Blackboard. We're now halfway through the year -- and by the way, it's typical to be making an adjustment in this fund at this time of year because we have -- we know better what enrollment will be and, therefore, the total amount of the fee.

But at this point we've got most if not all of the invoices from Blackboard which is the learning management system at FAMU, and it's probably the most important technology other than perhaps email that we have on campus because it connects all of the students and faculty and all of the academic
activities. And so we have invoices, most of which cover the full year, and so the estimate of the amount that needs to be added to the technology fee budget based on the fact that it wasn't done appropriately at the beginning of the year is $750,000.

There is sufficient funding in the reserve fund of the technology fee. So the request is to add additional budget authority to pay the bills for Blackboard during the year which are estimated to be at $750,000.

TRUSTEE WASHINGTON: VP Cassidy?

VICE PRESIDENT CASSIDY: Yes, ma'am.

TRUSTEE WASHINGTON: I just want to clarify, this is not an additional fee, this is just --

VICE PRESIDENT CASSIDY: No, right.

TRUSTEE WASHINGTON: -- budget authority to use the fees that we have already accumulated?

VICE PRESIDENT CASSIDY: Exactly.

TRUSTEE WASHINGTON: So there will be no student impacted by this budget amendment?

VICE PRESIDENT CASSIDY: No they would have been impacted if we didn't do it because Blackboard might get shut off, if you will. And in fact, this morning the Provost and the Vice President for
Technology and myself had an email conversation to make sure that we reinstate the process of estimating Blackboard bills in advance and in a written memorandum to the committee that takes proposals for other uses of the fee, that they understand that they're getting it net of Blackboard. And that's the step that failed this year, as I said, due to turnover, I believe.

So I would ask -- so that's the logic behind what's happening, and I guess it's, now it's up to you to -- Chairman, that concludes my presentation.

TRUSTEE LAWSON: Okay. Great. Thank you, Mr. Cassidy.

I think the comment by Trustee Washington is really appropriate because we have been challenged to not raise the cost of an education for the students given the fact that there has been more state funding made available, although it -- in the form of performance-based funding, there are more dollars available.

So with that being said, trustees, are there any additional comments on the approval of the budget amendment to the full year '15/'16 technology fee operating budget? And, again, it is...
not an incremental item. It is an item that should have already been. We're just determining the best way to fund it at this point.

If there aren't any other questions, can I get a motion for approval of the budget amendment to the full year '15/'16 technology fee operating budget?

TRUSTEE WASHINGTON: So moved.

TRUSTEE MCCOY: Second.

TRUSTEE LAWSON: Great. Thank you.

The motion has been moved and properly seconded. Are there any additional questions?

(NO RESPONSE).

TRUSTEE LAWSON: Seeing as there are none, all in favor please say aye.

(AFFIRMATIVE INDICATIONS).

TRUSTEE LAWSON: The motion carries.

The next item on the agenda is approval of an amendment to the full year '15/'16 University housing operating budget.

Mr. Cassidy, you're recognized to present this item.

VICE PRESIDENT CASSIDY: Thank you.

Once again, the housing fund is an operation of the University wherein we tend to need mid-year
budget adjustments based on occupancy and other factors that aren't known at the beginning of the year. We're now into the second semester, so this is typically the meeting where we do these.

This year the adjustment is -- and, again, the adjustment comes from fund balance of the housing fund and does not impact -- have any negative impact on our ability to meet our bond coverage commitments within the housing fund, all right?

This amendment is relatively large compared to other years, and the reasons why are detailed in what you have in front of you. First of all, we have a larger occupancy than we projected, which while that brings some revenue also brings some expenses based on the fact that there are more people in the building. But the bigger pieces of the issue are that this is the first year that utilities are being charged on the FAMU Village account, and we also -- this is the first year that we've accumulated the utilities on the housing units that have been closed. There are four buildings that have been closed but we continue to have utility charges. Even though they're not being operated, there still are utilities to keep the buildings even in a dormant state. So the
combination of those two things and the costs associated with additional residents bring the total amount that needs to be added to the budget authority for the housing fund to $700,000.

And I'd entertain any questions you might have about this operation.

TRUSTEE WASHINGTON: VP Cassidy, this is Trustee Washington. Could you explain how -- what types of utilities we are paying on the closed facilities and how long we're going to incur those costs?

VICE PRESIDENT CASSIDY: Well, we have -- there needs to be a minimal amount of heating and air conditioning, and I would assume that you have to have some degree of water charges. Typically you need to go in and run the water briefly on a regular basis to make sure that the pipes aren't frozen and whatever.

But it's largely heating and air conditioning. It's sort of maintenance to make sure that the building doesn't -- you know, things don't break or explode or whatever, so it's fairly minimal, and you could -- it's four buildings, and it's about -- that utility charge is not that high, but it's something that hadn't been contemplated before.
because it was in the utility fund previously -- I mean in the housing fund previously.

So the bigger topic I think is really the utility costs for the first year. This is the first year. And I believe the reason that this is the first year of the utility buildings within the housing fund is that the first year of operation of the fund had to be set up in escrow as part of the bond covenants in order to open and operate the building. So those fees were basically escrowed, and this year they're in our own budget as opposed to having been set aside. So that's the timing difference, if you will, as to what's going on there.

TRUSTEE WASHINGTON: Thank you.

TRUSTEE LAWSON: Trustees, are there any other questions or comments on the approval of the amendment?

(NO RESPONSE).

TRUSTEE LAWSON: And again, Mr. Cassidy, please clarify for me, this is coming out of the housing fund balance meaning, again, this is not an incremental cost that will be passed on, this is coming out of an existing fund balance, correct?

VICE PRESIDENT CASSIDY: Correct, and the
further clarification that's worthy of note is that fund balance is separate and apart from the reserve that has to be set aside to cover debt service. Our bond covenants require that we have 1.2 times the debt service on all housing bonds, and that's in a separate reserve and doesn't impact -- isn't impacted by any changes in the fund balance which is, effectively, a fund balance after the reserve.

TRUSTEE LAWSON: Okay. And as well as we were clearly seeing a higher occupancy rate than what we anticipated, which drove some of our costs as well, you know, which I would say the higher occupancy rate for us is a good thing with enrollment on the increase, or at least due to occupation of the facilities on the increase, which is a good thing.

Again, trustees on the line, are there any other questions regarding this issue? It's a fairly sizeable dollar amount, but at the same time very explainable and there are funds set aside to cover it.

If there aren't any other questions, can I get a motion for approval of the amendment to full year '15/'16 University Housing Operating Budget?

TRUSTEE WASHINGTON: So moved.
TRUSTEE MCCOY: Second.

TRUSTEE LAWSON: It has been moved and properly seconded. If there aren't any other questions, all in favor please say aye.

(AFFIRMATIVE INDICATIONS).

TRUSTEE LAWSON: Thank you. The motion carries.

Trustees, we have two informational items on the agenda, and we'll begin with the University financial report.

Mr. Cassidy, please proceed with your presentation.

VICE PRESIDENT CASSIDY: Right. This information is actually as of December 31st. The chart that's in there, and this is for the University as a whole -- of course that's halfway through the year, so one would expect that expenses would be in the neighborhood of 50% of budget in order to be on track for balance.

What we always do, because the vast majority of expenses at any university are related to our people, and we always encumber those salaries for the full year. So at this point, even though we're halfway through the year, we're showing 80% of the budget as being expended and encumbered. If you
back out the salary encumbrances, we're at about 52% of the budget at six months. And there are some things that front-load, so we have no -- overall we're confident that we're in a good place as always in terms of being able to meet the overall University budget at the end of the year.

In the detail, some of -- one of the sheets we show by individual funds within Academic Affairs and within financial administration and Student Affairs and development and the President's office, and where there are variances, there are footnotes to explain. Many of them are timing differences. Sometimes revenues come in over a period of time that's different than the time when we have to make the expenditure payments.

So all of the areas where there might be questions we believe have been footnoted and we're comfortable that the plan is in place to make sure that, again, by the end of the fiscal year the University will have balanced its budget and not expended more than what's budgeted.

And that concludes my presentation in general, but I'm happy to answer any specific questions at any level you wish to ask them.

TRUSTEE LAWSON: So, Mr. Cassidy, I think
just a comment. I think this is good news for us, you know, and the one statement here in bold on the piece that went out to all the trustees, I mean we don't anticipate any budgetary issues at the end of our fiscal year. And then there is always, you know, the carryover discussion that we have to have that, you know, again, you probably explain to us every year exactly what that means. But at this point, the good news is we do not anticipate any budgetary issues?

VICE PRESIDENT CASSIDY: Correct.

TRUSTEE LAWSON: Okay. Great.

Are there any questions at all for Mr. Cassidy on this issue? You know, this is a big one for us, you know, in the world of battling for funding and in the world of performance-based fundraising and in the world of, you know, creating a budget that meets -- you know, that our needs as well as one that we can afford.

TRUSTEE WASHINGTON: VP Cassidy, this is Trustee Washington. What is our reserve balance looking like? Are we -- I know there's a minimum threshold that we have to maintain. Are we at, above --

VICE PRESIDENT CASSIDY: Yeah, we -- by Board
of Governors' policy, we're required to set aside a three percent reserve and that's there. By a policy that predated the existence of a board of trustees and a board of governors, it's been our policy to have an additional three percent reserve, so -- and those are in place.

When we bring you the information about this, it's always -- well, I guess if I don't say to the contrary, it's always after those reserves are set and in place.

TRUSTEE WASHINGTON: Okay. Thank you.

VICE PRESIDENT CASSIDY: And that's a good question, especially --

TRUSTEE CARTER: Mr. Chairman, I'm not a member -- this is Trustee Carter. I just wanted to ask a question if that's proper.

TRUSTEE LAWSON: Yes, Mr. Carter, please proceed.

TRUSTEE CARTER: When you talk about the reserves, I remember a few years ago we got -- let me see how to say it diplomatically, when the Legislature swept the trust funds, did you increase that? Because based upon what you said, there's six percent total?

VICE PRESIDENT CASSIDY: Yes.
TRUSTEE CARTER: Before then, they were keeping like five percent; is that right?

VICE PRESIDENT CASSIDY: I'm not sure. I thought it was -- well, this predates me, but it was either five or six, yeah. But we still had additional funds of over and above those reserves that were in --

PRESIDENT MANGUM: We doubled it.

VICE PRESIDENT CASSIDY: Yeah.

TRUSTEE CARTER: I just kind of get nervous about that because when things get tight and they start to look around, then, you know, I would rather -- I know that we had some discussions on the Board of Governors about maybe looking at opportunities for the universities to encumber those funds or put them in a category that they are spoken for versus putting them in the set-aside so they can be swept. So I don't really -- that's kind of a point of concern on my part. It may be all about nothing, but I did want to voice that.

VICE PRESIDENT CASSIDY: I understand, and I think that's a legitimate concern. Generally speaking, the largest areas where we have -- first there's reserves and then there's fund balance. The largest place where we have those is in our
auxiliary organizations, and that's by choice I guess, largely by choice because those are the funds that we have almost unlimited discretion as to how we can use them; and so we tend to try to leave as much of the residual over and above statutory reserves and internal policy reserves. We try to push those to places where we have the maximum flexibility for using them. I guess that doesn't reduce the exposure if someone wants to come in and say you've got too many in reserves; but, you know, there's a fine point.

One of the real values, from our perspective, of having those is that even in years where the budget is tight and revenues aren't increasing, having those reserves gives us the ability to fund things that become high priorities or that become emergencies without having to dip into other places. So there's a balance, there's no question.

TRUSTEE CARTER: It was just a concern because the Legislature has done that before, and I would hate for us to -- I mean obviously, and I'm not speaking on behalf of the budget or anything like that. But when you've got not necessarily ideal funding from the very beginning and they have a
wild hair about sweeping and all like that, that
kind of puts the University at risk, at an
extraordinary risk. And that's just kind of --
from the for-whatever-it's-worth department, I just
wanted to raise that concern. Thank you.

TRUSTEE LAWSON: Thank you, Trustee Carter.

Are there any other questions for Mr. Cassidy
on the University budget before we move to an
update on athletics?

(NO RESPONSE).

TRUSTEE LAWSON: Okay. If there aren't
any other questions, Mr. Cassidy, would you
proceed with a brief update on athletics? And it
would dovetail from the comments I guess I made
during the Athletic Committee meeting as well
earlier.

VICE PRESIDENT CASSIDY: Exactly, and let me
just -- maybe I'll go to the end of the
presentation to try to tie in those comments you
made in case there are any people on the line who
weren't on the line at that time.

On the last page of the Power Point
presentation, if anyone is looking at that, I have
a couple of statements that I thought I would talk
about now because that's sort of a -- that
dovetails with what the Chair spoke about earlier. The Athletic Director and the President's office and my office are working to develop a comprehensive plan for the operation of the athletics program for the next five fiscal years. And in doing that, we're trying to correct omissions and errors or what have proven to be unreliable expectations and/or assumptions in prior year budgets.

That plan, which will also include a five-year revenue projection based on what the Athletic Director is proposing and planning to do, that will drive the revenue side; and the expenditure side is largely being driven by efforts made out of my office. So that plan as well as the -- and we're going to be more I guess transparent as to the full extent that the University supports the athletic program, both in the current year and in the five years of this plan. That plan will be presented to the Board as a whole at its March meeting after a special committee meeting to go through it.

And then the last part of what will happen at that time in that two-stage process, committee and then full Board, we're going to take a shot at least at making an estimation of the period of time
over which it would be reasonable to expect that we
could eliminate the programs. And I'm going to use
a new phrase here because the phrase deficit means
different things to different people and has over
the years.

When we look at the audited financial
statements of the athletic enterprise of the
University, and we get those audited by an outside
firm every year, they characterize that as an
amount due to other funds, okay? So I'm going to
try to use that as a phrase as, if you will, a
placeholder for the word deficit which, as I say,
people hear that word associated with athletics and
they go off in their own preconceived directions.
And so at least for the time being I'm going to try
to use due to other funds, but we're going to make
an estimate of how long it would take to eliminate
or address that amount due to other funds.

And according to the audited financial
statements of the athletic enterprise as of
June 30, 2015, which have been submitted to us as
the University and which we are comfortable with,
they now need to go to the Board of Governors to
make sure that they're willing to accept them, and
that's where we are in the process, the amount due
to other funds is $7,655,290 as of June 30, 2015. And that's down slightly, literally just a few thousand dollars from the previous year.

Part of what we're doing -- and I got some more information today. I was finally able to locate those annual audited financial statements all the way back to 2007. We know how much of this due to other funds existed in 2007, and we know year by year how it's grown. And it has consistently been shown in the audited financial statements as due to auxiliary funds.

Now from my perspective what's interesting about that and it ties with something I just said earlier, auxiliary funds are the funds that the University has maximum ability to use for purposes it deems appropriate. And so to owe it to a fund that we have a lot of discretion over, at least opens up the possibility of ways to address this.

But that's the big picture of what we're trying to do. We also have financial information about the athletic fund as of December 31st. Why am I not finding my keep of it. Excuse me while I catch up with myself here.

These are informational items that we give each time there's a Board meeting. The one that's
called athletics' revenue and expenses, I've tried
to format this differently, and offline I'd be
interested in any comments you have. In the past
we've shown, for instance, December 2014 and
December 2015. Like anything else, timing
differences are a major part of things as you look
at something during the middle of the year.

So to sort of minimize the large numbers, what
I've done is I took the column for December '14 out
of this presentation and just showed whether
revenues or expenditures are over or under where
they were a year ago. And then we footnote the big
differences which, once again, we're comfortable
will work themselves out by the end of the year
because most of these are timing differences.

So this now shows on the revenue side -- a
positive number means that we're looking like we're
going to be -- or that we're ahead of where we were
on revenue at this time last year, and a negative
number means what's been collected on the revenue
side is less than last year. But, again, footnotes
are there, some of the big numbers, especially gate
receipts and other.

Is that helpful to present it this way?

TRUSTEE LAWSON: Yeah, I think it is. I
think it is, Mr. Cassidy, but I also think that we're due a more detailed overview -- or not overview, a more detailed discussion that I put out a request for a date to you a couple of minutes ago to see if we can work to schedule that prior to, obviously, the full Board for this committee -- or I'm sorry, for the Athletics Committee, to get a really good understanding of where all the numbers are and where we think we're going, and then how does that tie into the request made from the Board of Governors. And I think we need to be mindful of that, and you and I have had that discussion, and we think we have an understanding of what they're looking for so that we can deliver on that question.

And then obviously prior to that making sure that the full Board sees and is aligned to it. And I think that, you know, we have unfortunately suffered from some, you know, idealistic projections that have allowed us to build budgets around that, you know, just weren't there. And I feel like AD Overton is really trying to pull that rein back and give us bit more of a view of reality. So I want everybody to see some of the -- you know, not some, but all of the work he's done,
and I'm trying to schedule that again in early March prior to the full Board meeting; and then everybody at the full Board will see that same information.

So thank you, Mr. Cassidy --

VICE PRESIDENT CASSIDY: Well, I --

TRUSTEE LAWSON: -- for that update. Yes, I'm sorry.

VICE PRESIDENT CASSIDY: There's one other schedule that I wanted to talk about.

TRUSTEE LAWSON: Okay.

VICE PRESIDENT CASSIDY: I thought I should take a break and ask if there are any questions on what we've talked about so far.

PRESIDENT MANGUM: Mr. Chair, this is President Mangum. May I ask a question or have Dale clarify something for us, please?

TRUSTEE LAWSON: Please, please.

PRESIDENT MANGUM: The Athletic budget that is presented here also has a source of revenue as auxiliary revenue. That's part of what we plan to support athletic programs because we do have auxiliaries that take advantage of athletics and generate revenue for athletics through their activity. And so making sure that we all
understand that funds due to auxiliaries and funds that are provided by auxiliaries are part of our budgeting strategy and have been. And this particular budget at least highlights a category that has a revenue source as auxiliary funds.

Just as a point of information, Dale, I don't know whether or not that existed in the past, but we do have that auxiliary as a source of revenue for Athletics.

VICE PRESIDENT CASSIDY: Right, and I --

TRUSTEE LAWSON: Thank you, Doctor Mangum. And I think that's a good point, and I think that, you know, Dale, as we've discussed as well, there has just been some confusion around even the narrative around Athletics, you know, because we say deficit, but that may not even be the right way to classify the current situation, you know, just given if we compare ourselves to other major institutions, even other institutions in the SUS. And I think that having that explanation so that everyone, you know, the current Board members as well as new Board members really understands what all goes into that number, you know, i.e., the way the President was explaining it, would just be very helpful for all of us.
VICE PRESIDENT CASSIDY: Right. Well, and that's a good segue if I may. Any other questions at this stage?

TRUSTEE WASHINGTON: Just a clarifying question. If I'm reading this correctly, our revenues are down but our expenses are down even more than the revenues?

VICE PRESIDENT CASSIDY: Yeah.

TRUSTEE WASHINGTON: So at some level we're actually a little bit up from where we were at this point last year?

VICE PRESIDENT CASSIDY: Well, I think it's -- yeah. From last year, yeah.

TRUSTEE WASHINGTON: Okay.

VICE PRESIDENT CASSIDY: But that's a good segue, if I may go to the other schedule, which is in an Excel format and breaks down revenues into categories, and I want to -- and that shows a slightly different picture based on our projections for year-end.

TRUSTEE WASHINGTON: Got you.

VICE PRESIDENT CASSIDY: The first thing I want to say is that we had a fairly lengthy meeting yesterday afternoon with the President, myself and AD Overton, and we concluded that our expectation
of being able to balance the athletics budget for this year is realistic and that's our intent and we're confident we'll get there.

Now I want to point out, in this presentation of revenues -- and, again, I'm sort of victim of not having changed what's in our accounting system for certain account codes. I want to draw your attention to the last line of the revenues, which is called transfers in. In the plan and the documents you'll see for the next five years that will be coming in the next month, I'm at least provisionally planning to retitle that as DSO & Auxiliary Transfers, because we typically get support from the Foundation; to a lesser extent, the Boosters; and also auxiliaries. And those are typically budgeted and planned for, and so rather than just calling them transfers in, because that doesn't really -- we're going to call them DSO and auxiliary support in an effort to make it clearer how this all works.

And I guess as a preview to the other -- the conversation that will come with that five-year plan is I've been looking at the published financial statements for other SUS institutions, and these kinds of transfers are part and parcel of
how they balance their athletic enterprises on a year-to-year basis. You may have heard, and let me just reiterate, that the -- and we'll talk about this in more detail at the special committee meeting. But the data published by the NCAA indicates that less than 10% of the athletic enterprises within the NCAA, and that includes all levels, the two division ones and the 2 and 3. Less than 10% of those athletic enterprises make money or break even.

And perhaps the even most shocking part of that is I have a schedule of the, if you will, the power five conferences, which are the big name institutions SCC, ACC, Big 10, Big 12, whatever, less than half of those institutions make money or break even. And so this is -- to a certain extent, that reflects on the State of Florida saying that an athletic auxiliary must stand on its own. The evidence is that that's not really the way it works.

But that aside, part of what we're going to try to -- what we intend to accomplish with the five-year plan that will be brought to this committee or to the Special Committee on Athletics within the next few weeks, will be to make these
characterizations more transparent. And the extent to which in the past there are some things that we could charge to the athletic enterprise but haven't simply because it might increase the due-to as a place holder for deficit, we're going to make it clear what those kinds of items are.

But in the presentation from now on going forward, we will always have something like DSO and auxiliary transfer support, and then we'll have a detail of where it comes from and what it -- so you as a board will know what's happening behind the scenes.

And just as an aside, at the risk of giving you more detail than you need, as I look at the individual financial statements of the athletic enterprises within the SUS, those financial statements tend to highlight transfers that are made during the year to help balance the fund. They don't take exception to them, but they highlight them, and so it's a known phenomenon.

And even given that fact, the Board of Governors sent me a note within the last few days that there are three institutions within the SUS which currently have what they characterize as a deficit in their athletic fund, and University of
South Florida and Florida International, as well as us. So that's just some context.

But if I can go back to this Excel schedule, this is a little bit more detail of what has happened, and it's perhaps at a slightly different date. It is -- it's later than the previous schedule, it's almost a month later, and projections as to what will be coming in especially on the revenue side.

And there it flips a little bit. We may be -- I would say this might be the most optimistic case based on some of the revenue projections. We're still within an order of magnitude of maybe being -- this shows about $70,000 short, revenue shorter than expenses. But, again, we had a lengthy meeting yesterday and the AD and the President and I basically agreed that there's a way to get there and we're going to get there to balance this fund this year, and that will be the -- what will be shown in the March Committee meeting and in the March Board meeting will be an assumption as to what that will be for this year and how it will balance. And it will -- the next five-year projections will be based on changes in that balanced budget -- balanced and fully
disclosed, if you will, and more transparent budget going forward.

So it's important to know that not only that we'll balance this year but we'll show things in a level of detail that will give the Board more understanding of how it gets balanced, and that becomes an important base off of which we build the five-year projections. And it's then the five-year projections that at least allow us to begin to think how would we address this so-called deficit or due-to funds that's $7 million.

What I think is really interesting or needs to be noted is $7.6 million is roughly 80% of our annual athletic budget, so to expect that that could be addressed in, you know, a finite number of years, again, is a somewhat unrealistic expectation, and so we need to give all of that context as we go forward.

And at the risk of saying too much, I would welcome any questions.

PRESIDENT MANGUM: Dale, you need to point out that we are paying ourselves.

VICE PRESIDENT CASSIDY: Well, exactly.

PRESIDENT MANGUM: We are moving it on the ledger from one entity to another.
VICE PRESIDENT CASSIDY: Absolutely. Right, in the audited financial statements, as I mentioned the phrase due to other funds, the audited financial statements of the athletics organization show that as due to auxiliary.

PRESIDENT MANGUM: And you don't know which auxiliary you're giving it to yet. We don't know which auxiliary would receive the resource.

VICE PRESIDENT CASSIDY: Right.

TRUSTEE WASHINGTON: I think we can get clarification on that. I have a clarifying question.

VICE PRESIDENT CASSIDY: Sure.

TRUSTEE LAWSON: Sure.

TRUSTEE WASHINGTON: VP Cassidy, you stated that -- I'm looking at the Excel sheet, and it says that we've collected about 62% of what we've budgeted.

VICE PRESIDENT CASSIDY: Right.

TRUSTEE WASHINGTON: I'm aware that football season is over.

VICE PRESIDENT CASSIDY: Right.

TRUSTEE WASHINGTON: What -- you said we have a reasonable expectation that we're going to get --
VICE PRESIDENT CASSIDY: Well, one of the reasons that that's true is that while football season is over, a couple of the big items which are game guarantees and also the funding from The Classic are still outstanding.

TRUSTEE WASHINGTON: Okay.

VICE PRESIDENT CASSIDY: For new Board members, The Classic, which takes place in Orlando against Bethune-Cookman, the financial -- because that's a separate consortium that we belong to, there is an audit of the consortium's annual event. And so until that audit is complete, the amount we'll receive, and the amount isn't known. We currently believe that we're going to receive perhaps more than a hundred thousand dollars more than was budgeted for the consortium because attendance was good and other concessions and other things did better than in prior years. So the reason we still have confidence that we can get to where we need to get to, both in the aggregate and some of these big line items is that some of these things aren't finalized from a revenue perspective yet.

TRUSTEE WASHINGTON: Okay.

VICE PRESIDENT CASSIDY: All right?
TRUSTEE LAWSON: But I think though -- you know, Mr. Cassidy did a nice job of going into some detail, and I think it's important for all of us to really get our heads wrapped around this one. This has been a bit of a lightning rod issue for the last, call it 12 to 18 months. And I think that we're going to try -- I shouldn't say I think. I know we're going to try in early March to explain it in detail so that everyone understands it and also look at the projections from AD Overton on revenue generation and be comfortable that he has a plan to get there.

And, you know, we'll all have to decide if we agree with that plan. I've seen most of it and it looks reasonable. And then to Dale's point, just making sure we understand how the dollars flow because we have no outstanding bills in athletics, everything that's owed has been paid; but at the same time our revenue has not kept up with our expenses. There's rationale for that which we'll explain, and then we'll also explain how we plan to work overtime to close that gap.

And then, you know, we need to be mindful that this has been a lightning rod issue with the Board of Governors as well, and we need to make sure we
understand their questions and, you know, go in with the right information to properly address those with any additional guidance that they may have because there's also an audit component of this that we have to deal with as well. But from what I've been told, you know, if the plan is in place and the numbers all make sense that, you know, that that -- not that it's not a nonissue, but it's not as big an issue as some might anticipate.

So more work to be done, and I feel like we've got the right people on it with Dale running side by side with AD Overton to help us work through this. Not done yet, more work to be done, but I think you'll be pleased with what you see.

So are there any other questions? We're running, really, really well on time, so we do have a few more questions if there are any from other members of the Finance Committee or any other members of the Board in general that are still on the call.

(NO RESPONSE).

TRUSTEE LAWSON: Okay. If there are no questions, then there is no further business to come before this Committee. This meeting is
adjourned.

(WHEREUPON, THE BUDGET AND FINANCE COMMITTEE 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 21st day of February, 2016.

_________________________
NANCY S. METZKE, RPR, FPR
Court Reporter
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