

Minutes
Finance, Administration and Audit Committee
Alumni Room
July 8, 2002

Committee Chair K.C. Clark called the meeting to order at 10:10 a.m. Trustees present were:
Pam Bilbrey
K.C. Clark
Lornetta Epps
Sharon Hess-Herrick
Collier Merrill

Members of the Executive Committee also attended. They were Trustees Eddie Phillips, Merrill and Epps and President Morris Marx.

Action agenda item 1 - 2003-04 Legislative Budget request for local initiatives

Associate Vice President Jerry Norris said that UWF's portion of the legislative budget request for local initiatives is about 3 percent of the State University System's request, or \$1,265,196. That was determined by the Division of Colleges and Florida Board of Education staff. The UWF request is due to the Division of Colleges by July 20, 2002. The money is earmarked for broad local initiatives, and the exact funding level will be determined by the Legislature next spring. The UWF request was tied to the goals of the Strategic Plan. The detail behind those broad requests will be provided to the Legislature if requested.

Trustee Epps moved adoption of the LBR request for local initiatives and Trustee Bilbrey seconded. It passed unanimously.

Action agenda item 2 - Financing of student housing project

Vice President Linda Dye reported that UWF student housing already is full for the fall semester, which is an improvement from previous years. Students will be called to confirm occupancy.

The university received permission from the Legislature for two housing projects. The first is a 200-bed facility, similar to Pace Hall, and it would be located across the green from Pace Hall. About 15 percent of student enrollment is housed on campus, and students are very receptive to additional housing.

General Counsel Pat Lott said the \$7.5 million project would be financed with a Housing System Revenue Note of the UWF Foundation through a city of Gulf Breeze 1997 program. The structure will look much like a bank loan. The cost of issue is \$70,000, compared to \$500,000 each for the last two issues, which consumed \$1 million of the \$13.5 million issue. The 15-year variable-rate loan is tied to the Bond Market Association Index and results in a rate of 1.2 percent (at current market rates, subject to fluctuation). The index has fluctuated at an average of 1.6 percent. The 15-year payback results in a fairly steep debt service payment but the Foundation then owns the project after 15 years.

Dr. Woodrow Cushing said there is no advantage to refinance the existing debt under that low interest rate because the debt closing costs are equal to the savings. As for this project, it is expected to save 100 basis (1%) points over the life of the financing when compared to a fixed rate. There are no prepayment penalties, and decisions on phase II for another 200-bed housing project can be made in two years.

Dr. Dye said the proposed project will use a modified blueprint of Pace Hall and the same architectural firm. The Pace Hall project began at the end of October, 2001 and opened August 1 2002. The new project is expected to open in fall, 2003.

Trustee Hess Herrick moved and Trustee Epps seconded adoption of the following resolution to issue the housing system revenue note and amend the existing sublease agreement for construction and operation of the new facility. It passed unanimously.

Resolution 2002-7

RESOLUTION

A RESOLUTION OF THE UNIVERSITY OF WEST FLORIDA BOARD OF TRUSTEES APPROVING THE FINANCING OF THE COST OF THE CONSTRUCTION OF A NEW 200 BED STUDENT RESIDENCE FACILITY ON THE CAMPUS OF THE UNIVERSITY OF WEST FLORIDA BY THE UNIVERSITY OF WEST FLORIDA FOUNDATION, INC., A UNIVERSITY DIRECT SUPPORT ORGANIZATION; APPROVING THE ISSUANCE BY THE FOUNDATION OF ITS HOUSING SYSTEM REVENUE NOTE, SERIES 2002, IN AN AMOUNT NOT EXCEEDING \$7,500,000 TO FINANCE THE PROJECT; APPROVING A SECOND AMENDMENT TO SUBLEASE AGREEMENT IN CONNECTION WITH THE PROJECT AND THE ASSIGNMENT THEREOF; AUTHORIZING THE PRESIDENT AND STAFF TO TAKE FURTHER ACTIONS CONSISTENT WITH THIS RESOLUTION; AND PROVIDING AN EFFECTIVE DATE

The undersigned, being the duly acting and appointed University of West Florida Board of Trustees (the "Board") at a meeting duly held pursuant to notice and a quorum being present, do hereby make the following resolutions:

BE IT RESOLVED:

Section 1. Findings.

The Board hereby finds as follows:

(a) The Board is responsible for the governance of the University of West Florida (the "University"), a constituent institution of the State University System of Florida.

(b) Pursuant to the provisions of Section 240.2093, Florida Statutes (2002), and Section 240.299, Florida Statutes (2002), a direct support organization may issue its obligations to finance, design and construct facilities necessary and desirable to serve the needs and purposes of the University, as determined by the systemwide strategic plan adopted by the Florida Board of Education, upon approval of such agreements by the Florida Board of Education and approval of the project by the Legislature.

(c) Pursuant to the provisions of Section 243.151, Florida Statutes (2002), the University is authorized to enter into agreements to lease land under its jurisdiction to a direct support organization to be used to construct thereon facilities necessary and desirable to serve the needs and purposes of the University.

(d) The University of West Florida Foundation, Inc., a Florida not-for-profit corporation (the "Foundation") was created for the purpose of providing direct support to the University of West Florida (the "University"), and has been designated as a "University Direct Support Organization" as defined in Section 240.299, Florida Statutes (2002), and continues to be so designated.

(e) The Foundation proposes to finance the costs of the acquisition and construction of an addition to the housing system of the University consisting of two new traditional dormitory style student housing facilities containing approximately 400 beds (the "2002 Project"). The 2002 Project will be located upon University land subleased to the Foundation. To finance Phase 1 of the 2002 Project, the Foundation proposes to issue its Housing System Revenue Note, Series 2002 (the "2002 Note") in an aggregate principal amount not to exceed \$7,500,000, payable solely from and secured by a pledge of the net revenues of the student housing system of the University (the "Student Housing System Revenues") which revenues are also subject to the lien of \$15,400,000 Escambia County Housing Finance Authority Dormitory Revenue Bonds (University of West Florida Foundation, Inc. Project), Series 1998 and \$13,455,000 of Escambia County Housing Finance Authority Dormitory Revenue Bonds (University of West Florida Foundation, Inc. Project), Series 1999 (the "1999 Bonds"). The 2002 Note will be issued to finance the costs of (I) the acquisition and construction of an addition to the housing system of the University consisting of a new 200-bed traditional dormitory-style student residence facility; (ii) capitalized interest, and (iii) certain costs of issuance (collectively, the "Phase 1 2002 Project").

(f) The 2002 Project is consistent with the systemwide strategic plan.

(g) The Legislature has approved the 2002 Project (as hereinafter defined) in the General Appropriations Act and Summary Statement of Intent for Fiscal Year 2002-2003.

Section 2. Approval of the Phase 1 2002 Project and Financing.

The Board hereby approves the acquisition and construction of the Phase 1 2002 Project and further approves the issuance of the 2002 Note as herein set forth.

Section 3. Authorization of Second Amendment to Sublease Agreement and Assignment Thereof.

The Foundation has requested the Board to approve the sublease of the land on which the Phase 1 2002 Project is to be constructed to the Foundation pursuant to the terms of the existing Sublease Agreement between the Board and the Foundation dated September 1, 1998, as amended by that certain First Amendment to Sublease Agreement dated October 1, 1999, as further amended by the Second Amendment to Sublease Agreement herein described. The Second Amendment to Sublease Agreement, in substantially the form attached hereto as Exhibit "A" with such changes, alterations, and corrections as may be approved by the President of the University is hereby approved by the Board. The Foundation is specifically authorized to assign or mortgage its interest in the Second Amendment to Sublease Agreement as security for the 2002 Note.

Section 4. Approval of 2002 Note.

The Board hereby approves issuance of the 2002 Note by the Foundation in an amount not to exceed \$7,500,000, having a final maturity not to exceed 32 years from the date thereof and at an interest rate or rates acceptable to the Foundation, for the purposes designated elsewhere in this Resolution and the Exhibits thereto and reaffirms its approval of the existence and purposes of the Foundation. This approval is subject to the understanding that the 2002 Note does not create any obligation of the Board, the State of Florida, or any political subdivision, department, or agency thereof, to pay any part of the principal or premium, if any, or interest on the 2002 Note, or to levy ad valorem taxation or any other form of taxation to repay the same, but rather such 2002 Note shall be solely the non-recourse obligation of the Foundation, to be repayable solely from Student Housing System Revenues.

Section 5. Authorization of Further Actions Consistent Herewith.

The President of the University, attorneys, engineers or other agents or employees of the University and the Board are hereby authorized and directed to do all acts and things required of them by this resolution, or desirable or consistent with the requirements thereof, for the full, punctual, and complete performance of all the terms, covenants and agreements contained in the Second Amendment to Sublease Agreement and this Resolution, including execution of such documents, certificates, contracts, and legal opinions, and other material delivered in connection with the construction of the Phase 1 2002 Project and the sale of the 2002 Note.

Section 6. Approvals Contingent Upon Receipt of Required Approvals.

The approvals herein granted are contingent upon receipt by the Foundation of any and all required approvals from the Florida Board of Education.

Section 7. Repealing Clause.

All resolutions of the Board, or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

UNIVERSITY OF WEST FLORIDA BOARD OF TRUSTEES

By: _____
Chairman

Action agenda item 3 - Student fees

President Marx reported that the Board is required to approve new fees, and neither the financial aid fee nor the formula for the Alabama tuition fee is changed for the 2003-03 academic year. Alabama students in 17 counties who pay \$15 more per credit than in-state students will pay a higher fee because of the increase in the in-state matriculation fee.

Trustee Bilbrey moved and Trustee Epps seconded approval of the fees. It passed unanimously.

Discussion agenda item 1 - 2002-03 operating budget

President Marx briefed the Board on the operating budget approved by the Legislature. After the mandatory expenditures, there is about \$1.9 million in new money, but the University is facing some high-cost issues. One of them is the development of a financial accounting system. President Marx said the University first looked at joining a consortium with FSU, UNF and UF, but the costs were extraordinary. It was determined that UWF could develop its own system for between one-half and one-third the cost to join the consortium. That would require about \$2.5 million in non-recurring money, plus about \$660,000 for annual operating costs. UF now wants to join with UWF to develop the system, which could further reduce costs.

The University must also hire faculty to meet the needs of enrollment growth. Two new academic programs, a four-year nursing program and expansion of the electrical engineering program to Fort Walton Beach, require funding. Other special initiatives and increased costs in information technology for such things as security and computer labs also require allocation of funds.

Discussion agenda item 2 - President's memo on auditor general audit procedures.

Trustee Clark said that he did not know of any auditing standard that required the procedure outlined by the state auditor general. (Send preliminary findings to trustees.) He recommended the Board follow the recommendations from President Marx in that it would be best for the Board to become involved after the final report is issued.

The meeting was adjourned at 11:14 a.m.