

MINUTES
FINANCE/AUDIT COMMITTEE
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

September 3, 2008

The Finance/Audit Committee of the University of Southern Indiana Board of Trustees met on Wednesday, September 3, 2008, in the McCutchan Art Center. In attendance were Trustees Ira G. Boots, Amy MacDonell, and Ronald D. Romain '73. Committee Chair Jeffrey L. Knight was absent. Others in attendance were Vice President for Business Affairs and Treasurer Mark Rozewski and Vice President for Government and University Relations Cindy Brinker.

In the absence of Committee Chair Jeff Knight, acting chair Amy MacDonell called the meeting to order at 1:00 p.m.

1. REVIEW OF RECOMMENDATION FOR 2009-2010 HOUSING RATES

Ms. MacDonell called on Vice President Rozewski, who reported that the recommended increase in 2009-2010 student housing rates is three percent, or \$50 per semester, for the most prevalent accommodation, in which four students share a two-bedroom unit. Mr. Rozewski reported that in fall 2008, as in the prior four years, an average of 2,700 students live in student housing – an occupancy rate of 96 percent. He recommended the approval of the housing rates, noting the increase is moderate in keeping with the University's mission of affordability while allowing for the operation of a well-maintained student housing complex.

On a motion by Mr. Romain, seconded by Mr. Boots, a recommendation to the Board of Trustees for approval of the following 2009-2010 housing rates was approved.

		<u>CURRENT RATE</u>	<u>PROPOSED RATE</u>	<u>EFFECTIVE DATE</u>
<u>FALL OR SPRING SEMESTER</u>				
<u>McDONALD or O'DANIEL APARTMENT</u>				
Two Bedroom:	Two students per bedroom	\$1,675	\$1,725	7-01-09
	One student per bedroom	3,000	3,090	7-01-09
One Bedroom:	Two students	2,023	2,084	7-01-09
	One student	3,765	3,878	7-01-09

**GOVERNORS, NEWMAN, O'BANNON,
or RUSTON HALL**

One and Two Bedroom:	Two students per bedroom	\$1,675	\$1,725	7-01-09
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SUMMER SESSIONS

Summer session rates are indexed to semester rates. The rate for each five-week summer session is one-third of the academic year semester rate.

2. REVIEW OF RECOMMENDATION FOR 2009-2010 MEAL PLAN RATES

Ms. MacDonell asked Mr. Rozewski to review a recommendation for 2009-2010 meal plan rates. Mr. Rozewski noted the recommendation is to recast the three meal plans to a single price. The plans have different options regarding the number of actual meals included and the amount of dining dollars (which can be spent on snacks or convenience store items in addition to meals). In the past, most buyers of the lower-priced meal plan added money to the plan throughout the semester; therefore, it is anticipated the proposed rate increase will not have

a significant impact on actual spending patterns. Mr. Rozewski reported that approximately 2,050 students purchased meal plans in 2008-2009. A plan is required for all students who live in the residence halls (Newman Hall, Governors Hall, O'Bannon Hall, and Ruston Hall) and are optional for other students. The University contracts with Sodexo for food services.

On a motion by Mr. Romain, seconded by Mr. Boots, a recommendation to the Board of Trustees for approval of the following 2009-2010 meal plan rates was approved.

FALL OR SPRING SEMESTER

	CURRENT RATE	PROPOSED RATE	EFFECTIVE DATE
Red Eagle Plan	\$1,649	\$1,625	7-01-09
White Eagle Plan	1,610	\$1,625	7-01-09
Blue Eagle Plan	1,480	\$1,625	7-01-09

3. APPROVAL OF YEAR-END BUDGET APPROPRIATIONS FOR FISCAL YEAR 2007-2008

Ms. MacDonell called on Vice President Rozewski to review the 2007-2008 budget appropriations. Mr. Rozewski reported that following the end of each fiscal year, he reports to the Committee the disposition of various year-end surplus amounts, summarizing any new revenue or major changes in the use of the authorized budget. He recommended approval of Attachment A, a summary of year-end budget appropriations.

On a motion by Mr. Romain, seconded by Mr. Boots, the budget appropriations for fiscal year 2007-2008 in Attachment A were approved.

4. REPORT ON THE VOLUNTARY EMPLOYEES' BENEFIT ASSOCIATION (VEBA) TRUST FUND

Ms. MacDonell called on Vice President Brinker, who reported the University created the VEBA (Voluntary Employees' Benefit Association) Trust in 1995 to establish a long-term investment vehicle to partially fund retiree costs for medical, dental, and life insurance coverage. The initial investment policy for the Trust was approved by the Board of Trustees in August 1995, and an annual report is presented to the Finance/Audit Committee on the current portfolio and performance results. Vice President Brinker introduced Neil Heppler, Principal with Asset Performance Partners and the investment advisor for the VEBA trust, for a report on the performance of the VEBA Trust Fund for fiscal year 2007-2008.

Mr. Heppler provided the committee with a report, *USI VEBA Trust Investment Performance Analysis – 2nd Quarter 2008*. He discussed the *Quarterly Market Review* on pages 1-3 and the volatile environment in world financial markets during the second quarter of 2008 and reviewed a summary of the VEBA Trust investment returns for a 10-year period. He discussed the asset mix and reported the assets of the fund as of June 30, 2008, totaled \$8,141,150.

Ira Boots asked for additional information on Asset Performance Partners. Mr. Heppler, who also serves as the investment advisor for the USI Foundation, reported that Asset Performance Partners, a Cincinnati-based firm, works with approximately 50 not-for-profit clients including endowments, foundations, and health care organizations. He will provide the committee with a more detailed description of the firm.

5. APPROVAL OF RECOMMENDATION TO TRANSFER FUNDS TO THE VOLUNTARY EMPLOYEES' BENEFIT ASSOCIATION (VEBA) TRUST

Ms. MacDonell asked Vice President Rozewski to discuss a recommendation to transfer funds to the VEBA (Voluntary Employees' Benefit Association) Trust. Mr. Rozewski proposed a transfer of \$750,000 to the Trust, noting the transfer is in addition to other payments and credits totaling over \$1.7 million in 2007-2008. The retiree health program cost has been comfortably accommodated in the operating budget for many years, and will continue to be accommodated in the budget for the foreseeable future. Building the VEBA Trust fund will

allow the University to use income from the trust to supplant the operating budget support for this benefit. Mr. Rozewski noted it will likely take 10 to 15 years of steady contributions to achieve this goal.

On a motion by Mr. Boots, seconded by Mr. Romain, a recommendation to the Board of Trustees to transfer \$750,000 to the VEBA Trust was approved.

6. APPROVAL OF SELECTION OF AN INVESTMENT BANKER FOR FINANCING OF THE BUSINESS AND ENGINEERING CENTER PROJECT AND THE UNIVERSITY CENTER EXPANSION PROJECT

Ms. MacDonell called on Mr. Rozewski to discuss the recommendation for an investment banker for financing the Business and Engineering Center project and the University Center Expansion project. Mr. Rozewski reported that the Board of Trustees, at its meeting on November 1, 2007, authorized the Finance/Audit Committee to evaluate results of investment banking proposals for financing the two projects; accept a proposal or reject all proposals; approve all financing plans on behalf of the Board of Trustees; and report its actions to the Board. Mr. Rozewski referred the committee to Attachment B, which includes a list of firms that received the Request for Proposal and summarizes the responses received.

The University proposes, in early January 2009, to borrow \$50,125,000, including \$36,375,000 for the Business and Engineering Center and \$13,750,000 for the University Center Expansion. Mr. Rozewski recommended the selection of PNC Capital Markets as the investment banker. He noted PNC proposed the most cost effective option. In addition, individuals at PNC have experience working with the University on earlier issues when they were associated with other entities.

Mr. Rozewski told the committee it will be asked to approve the structure and terms of the offering at a future meeting. The University already has the required approvals of the Indiana General Assembly, the State Budget Committee, the Commission for Higher Education, and the Indiana Finance Authority.

The committee discussed the selection criteria and the University's commitment to local and Indiana vendors as they pertained to the recommendation.

On a motion by Mr. Boots, seconded by Mr. Romain, the selection of PNC Capital Markets as the investment banker for the financing of the Business and Engineering Center Project and the University Center Expansion was approved.

Before the meeting concluded, Vice President Rozewski introduced the Committee to the following members of the Business Affairs staff who routinely attend meetings and report to the Committee and the Board of Trustees: Steve Bridges, controller and director of the Business Office; Michael Whipple, assistant treasurer; Steve Helfrich, director of facilities operations and planning; Mary Hupfer, assistant vice president for Business Affairs; and Diana Biggs, director of Internal Audit.

There being no further business, the meeting adjourned at 1:38 p.m.

**University of Southern Indiana
 Fiscal Year 2007-2008 Budget Appropriations
 August 19, 2008**

From:	Appropriation of USI Foundation Support	\$3,349,778
To:	Scholarships and Awards	1,319,349
	Education and Academic Enhancements	681,470
	Athletic Support	122,256
	Other University Support	306,016
	Capital Projects	797,897
	Community Outreach	122,790
From:	Appropriation of increased enrollment funding for Summer 2006-2007, Fall 2007, and Spring 2008	
To:	Academic Units	166,069
From:	Appropriation of transfers from current operating year-end savings to reserves	5,168,337
To:	Special Projects	3,250,000
	Campus Landscaping	350,000
	Reserve – Energy Management Controls	150,000
	Reserve – Library Acquisitions	247,437
	Reserve – Economic Development Initiatives	449,007
	Reserve – Center for Applied Research	221,893
	Employee Benefits Revolving Fund – VEBA Trust	500,000
From:	Appropriation of transfer of bookstore revenue to reserves	711,667
To:	Bookstore Reserve	611,667
	Reserve – University Initiatives	100,000
From:	Appropriation of transfer from food service revenue to reserves	552,932
To:	Dining Reserve	459,792
	University Center Expansion	93,140
From:	Appropriation of transfer from University Center year-end debt service savings to reserve	
To:	University Center Expansion	174,094
From:	Appropriation of transfer from Extended Services fund balance to reserves	
To:	University Center Expansion	650,000
From:	Appropriation of transfer from residence life year-end surplus to reserve	
To:	General Housing Reserve	348,589
From:	Appropriation of transfer from insurance budget to reserve	
To:	Reserve – Worker’s Compensation	199,758
From:	Appropriation of additional transportation fee revenue to reserve	
To:	Reserve – Parking	919,417
From:	Appropriation of transfer from Copy Center equipment reserve	
To:	Advancement Special Project	158,500

Mailing List and Responses
Request for Proposal for Financing the
University of Southern Indiana
Business and Engineering Center Project
and
University Center Expansion Project

<u>RFP Sent to:</u>	<u>Response:</u>
Fifth Third Securities	Proposal
Northern Trust	None
Old National Bank	Deferred
RBC Capital Markets	Proposal
PNC Capital Markets	Proposal
Piper Jaffray/City Securities	Proposal
Bank of America Securities	Deferred
JPMorgan Chase	Deferred
Integra Bank	None
Regions/Morgan Keegan and Company	Proposal
Key Bank	None
National City Capital Markets	Proposal
Bank of New York	None
General Electric Capital Markets	None
Raymond James	None
BMO Capital Markets	Proposal