



## FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES FINANCE AND AUDIT COMMITTEE

Wednesday, March 6, 2013

10:00 am *approximate start time*

Florida International University  
Modesto A. Maidique Campus  
College of Business Complex  
Special Events Center, Room 233

### **Committee Membership:**

Sukrit Agrawal, *Chair*; Robert T. Barlick, Jr., *Vice Chair*; Cesar L. Alvarez; Gerald C. Grant, Jr.; C. Delano Gray

### **Liaison:**

Richard Brilliant, *Foundation Board of Directors*

## AGENDA

- |   |                    |
|---|--------------------|
| 1. Call to Order and Chair's Remarks  | Sukrit Agrawal     |
| 2. Approval of Minutes  | Sukrit Agrawal     |
| 3. Action Items   |                    |
| FA1. Approval to Negotiate and Enter into a Long Term Ground Sublease with the School Board of Miami-Dade County to allow the School Board to establish, construct, operate and maintain a MAST Academy at the University's Biscayne Bay Campus | Kenneth A. Jessell |
| FA2. Re-authorization for the Issuance of Debt to Finance the Construction of Parking Garage 6 at the University's Modesto A. Maidique Campus   | Kenneth A. Jessell |
| FA3. Approval to Increase Existing Fees   | Kenneth A. Jessell |
| A. Orientation  |                    |
| B. Graduate Student Application   |                    |
| 4. Discussion Items ( <i>No Action Required</i> )   |                    |
| 4.1 Foundation Report   | Richard Brilliant  |
| 4.2 Office of Internal Audit Status Report  | Allen Vann         |

**4. Discussion Items** *(Continued...)*

- |  |                           |
|--|---------------------------|
| <b>4.3 Financial Performance Review - Second Quarter FY 2012-13</b>      | <b>Kenneth A. Jessell</b> |
| <b>4.4 University Compliance Report</b>                                  | <b>Leyda Benitez</b>      |
| <b>4.5 Division of Information Technology Report</b>                     | <b>Robert Grillo</b>      |
| <b>4.6 Review of Financial Audit for Fiscal Year Ended June 30, 2012</b> | <b>Kenneth A. Jessell</b> |

**5. Reports** *(For Information Only)*

- |   |                          |
|---|--------------------------|
| <b>5.1 Athletics Update</b>                           | <b>Pete Garcia</b>       |
| <b>5.2 Treasury Report</b>                            | <b>Phong Vu</b>          |
| <b>5.3 Business Services Update</b>                   | <b>Aime Martinez</b>     |
| <b>5.4 Construction Update</b>                        | <b>John Cal</b>          |
| <b>5.5 Emergency Management Update</b>                | <b>Amy B. Aiken</b>      |
| <b>5.6 Safety and Environmental Compliance Report</b> | <b>Roger Riddlemoser</b> |

**6. New Business**

- |  |                       |
|--|-----------------------|
| <b>6.1 Senior Management Discussion of Audit Processes</b> | <b>Sukrit Agrawal</b> |
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<b>7. Concluding Remarks and Adjournment</b>	<b>Sukrit Agrawal</b>
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*Next Finance and Audit Committee Meeting is scheduled for June 5, 2013*

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

March 6, 2013

**Subject: Approval of Minutes of the Meeting held November 29, 2012**

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**Proposed Committee Action:**

Approval of Minutes of the Finance and Audit Committee meeting held on Thursday, November 29, 2012 at the Modesto A. Maidique Campus, Graham Center Ballrooms.

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**Background Information:**

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Thursday, November 29, 2012 at the Modesto A. Maidique Campus, Graham Center Ballrooms.

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**Supporting Documentation:** Finance and Audit Committee Meeting Minutes:  
November 29, 2012

**Facilitator/Presenter:** Committee Chair Sukrit Agrawal

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**FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES  
FINANCE AND AUDIT COMMITTEE  
MINUTES  
NOVEMBER 29, 2012**

**1. Call to Order and Chair's Remarks**

The Florida International University Board of Trustees' Finance and Audit Committee meeting was called to order by Committee Chair Sukrit Agrawal at 9:13 am on Thursday, November 29, 2012, at the Modesto A. Maidique Campus, Graham Center Ballrooms.

The following attendance was recorded:

***Present***

Sukrit Agrawal, *Chair*  
Cesar L. Alvarez  
Robert T. Barlick, Jr.  
Gerald C. Grant, Jr.  
C. Delano Gray

Trustee Laura Fariñas and University President Mark B. Rosenberg were also in attendance.

Committee Chair Agrawal welcomed all Trustees, faculty and staff. He also welcomed FIU Foundation, Inc. Board of Directors member T. Gene Prescott, noting that he would later provide the Foundation Report.

**2. Approval of Minutes**

Committee Chair Agrawal asked that the Committee approve the Minutes of the meeting held on September 5, 2012. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Wednesday, September 5, 2012.

**3. Follow up to Item from Previous Meeting**

In response to Board member request for follow up on the discussion on student debt, Provost and Executive Vice President Douglas Wartzok provided FIU-specific information that delineated the accumulation of federal loan debt by First-Time-in-College (FTIC) students who graduated in 2010-11. He noted that, as was reflected in the data, the highest concentration of students had accumulated between \$5,000 and \$7,499 in federal loan debt upon graduation. He also presented data on FTICs who graduated in 2010-11 with federal loan debt and its relative distribution within the different degree disciplines.

#### **4. Action Items**

##### **FA1. Request for Approval of Florida International University's Revised 2013-14 Capital Improvement Fee Trust Fund Legislative Budget Request**

Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell presented the request for approval of FIU's revised 2013-14 Capital Improvement Fee Trust Fund (CITF) Legislative Budget Request for Committee review. He noted that on June 14, 2012, the FIU Board of Trustees approved the CITF Legislative Budget Request in the amount of \$17,900,000 for the expansion of the Graham University Center and the Recreation Center at the Modesto A. Maidique Campus, and renovations to the Biscayne Bay Campus' Wolfe University Center. He added that on October 9, 2012, the State University System of Florida Board of Governors revised the proposed CITF allocation to FIU to \$27,773,943, which he noted represented an increase of \$9,873,943. He stated that based upon the new allocation, FIU's CITF 2013-14 Legislative Budget Request must be amended by the Board of Trustees.

Trustee Laura Fariñas expressed Student Government's support of the Graham University Center's expansion as it addresses a critical need for additional student meeting rooms.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' (BOT) approval FIU's revised 2013-14 Capital Improvement Fee Trust Fund Legislative Budget Request and authorize the University President to amend the Legislative Budget Request as necessary, consistent with State University System of Florida Board of Governors and BOT directives and guidelines.

##### **FA2. FIU Direct Support Organizations Financial Audits, FY2011-12**

Sr. VP and CFO Jessell presented the FIU Direct Support Organizations FY 2011-12 Financial Audits for Committee review. He reported that *Marcum, LLP* performed the financial audits for: the FIU Foundation, Inc.; the FIU Research Foundation, Inc.; the FIU Athletics Finance Corp; and the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. He noted that the audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*. He further reported that the results of the respective audits did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses.

##### **FA2-A. FIU Foundation, Inc.**

Sr. VP and CFO Jessell noted that the FIU Foundation, Inc. Board of Directors approved the 2011-12 financial audit at its October 27, 2012 meeting and was submitting the audit to the Board of Trustees for approval.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the FIU Foundation, Inc., Financial Audit for the 2011-12 Fiscal Year and authorize the President and CEO of the FIU Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

**FA2-B. FIU Research Foundation, Inc.**

Sr. VP and CFO Jessell noted that the FIU Research Foundation, Inc. Board of Directors approved the 2011-12 financial audit at its October 29, 2012 meeting and was submitting the audit to the Board of Trustees for approval. He stated that Marcum LLP did not audit the financial statements of the FIU Research iWASH Initiative Limited, a component unit of the Research Foundation, noting that those financial statements were audited by other independent auditors, in accordance with International Standards on Auditing.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the FIU Research Foundation, Inc. Financial Audit for the 2011-12 Fiscal Year and authorize the President of the FIU Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

**FA2-C. FIU Athletics Finance Corporation**

Sr. VP and CFO Jessell noted that the FIU Athletics Finance Corporation Board of Directors approved the 2011-12 financial audit at its October 24, 2012 meeting and was submitting the audit to the Board of Trustees for approval.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the FIU Athletics Finance Corporation Financial Audit for the 2011-12 Fiscal Year and authorize the Chair of the FIU Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

**FA2-D. FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.**

Sr. VP and CFO Jessell noted that the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. Board of Directors approved the 2011-12 financial audit at its October 30, 2012 meeting and was submitting the audit to the Board of Trustees for approval.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit for the 2011-12 Fiscal Year and authorize the President of the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

**FA3. Signature Authority – Italy Program Account**

**FA3-A. Depository**

Sr. VP and CFO Jessell presented the request to approve a designated University depository related to the FIU in Italy program for Committee review.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the following banking institution as a designated depository at which University funds may be deposited:

Banco Nazionale del Lavoro (BNL)

Furthermore, the Finance and Audit Committee recommends for Board of Trustees' approval that the University President, the Senior Vice President for Finance and Administration and Chief Financial Officer, and the University Treasurer are each individually authorized to take all actions necessary to open or close bank accounts at the designated depository. Additionally, the following person is also authorized to take all actions necessary to open or close bank accounts in the above-mentioned bank:

Hilarion Arnaldo Martinez, Senior International Officer

**FA3-B. Authorization to Sign Checks for FIU in Italy Program Account**

Sr. VP and CFO Jessell presented the Authorization to Sign Checks for the FIU in Italy Program for Committee review, noting that the FIU Board of Trustees is updating its official records to reflect University officers and employees authorized to sign checks to pay legal obligations on behalf of the University.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the following officers and employees of the University as authorized to sign checks to pay the legal obligations of the University from the designated University depository related to the Florida International University in Italy program:

Kenneth A. Jessell, Chief Financial Officer and  
Senior Vice President for Finance and Administration

Cecilia Hamilton, Associate Vice President and  
University Controller

Hilarion Arnaldo Martinez, Senior International Officer

Matthew Hamilton Rice, Director, FIU in Italy Program

**FA4. Approval of the Amendments to the Bylaws of the Florida International University Foundation, Inc.**

FIU Foundation, Inc. Board of Directors member T. Gene Prescott presented the Amendments to the Bylaws of the FIU Foundation, Inc. for Committee review, noting that on October 27, 2012, the FIU Foundation Inc. Board of Directors approved amendments to the Foundation's Bylaws. He added that the main Bylaw revisions that the Foundation's Board of Directors approved are as follows: (1) increase the membership of the Board of Directors from fifty (50) members to sixty (60) members; (2) create a streamlined process for Executive Committee approval of new members; (3) provide the Board with the ability to extend officers' terms of service by one additional year; and (4) restructure the Board's various committees to achieve greater Board participation and promote sound decision-making and governance, consistent with best practices.



Trustee Robert T. Barlick, Jr. noted that the high-caliber of recently elected members will serve to complement the Foundation Board's distinguished membership and will play a critical role in advancing the mission of the University.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the Florida International University Foundation Inc. Bylaws as amended and restated on October 27, 2012.

## **5. Discussion Items**

### **5.1 Foundation Report**

Foundation Director Prescott noted that Foundation Treasurer and Liaison to the Board of Trustees Finance and Audit Committee Richard Brilliant sent his regrets as he was not able to attend. Director Prescott provided the Foundation Report, noting that the Foundation's investment portfolio maintained fiscal year-to-date gains made through October 31, 2012 of approximately 3.3%, or \$5.1 million. He added that the FIU Foundation's Request for Proposal for investment consulting services was advertised on October 12, 2012, stating that the deadline for submitting proposals is Friday, December 14, 2012. He also provided a fundraising update, further noting that to date, \$8,303,000 has been raised toward the year's goal of \$42 million.

### **5.2 Office of Internal Audit Status Report**

Office of Internal Audit Director Allen Vann presented the Internal Audit Report, providing updates on recently completed audits, work in progress and consulting services. He also presented a follow-up status report, noting that 30 of the 33 recommendations due this quarter have been fully implemented, adding that the remaining three recommendations were in progress. He introduced Ms. Tranae S. Rae who recently joined the Office of Internal Audit as Audit Manager for Health Sciences.

### **5.3. Financial Performance Review –First Quarter FY 2012-13**

Sr. VP and CFO Jessell presented the Financial Performance Review for the first quarter of fiscal year 2012-13 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were above estimates by \$7.2M (or three percent), which can be primarily attributed to new pledged revenues and higher contributions to the FIU Foundation, Inc. He also reported that the University and direct support organizations' operating expenses were below estimates by \$18.6M (or eight percent), noting that Auxiliary Enterprises experienced lower programmatic and administrative expenses in academic programs and added that Educational and General expenses were below estimates by \$2.5M mainly due to delays in spending on base operations and critical investments as well as vacant positions from the University and Herbert Wertheim College of Medicine.

### **5.4 Treasury Report**

University Treasurer Phong Vu provided an overview of FIU's investment program and its history, noting that prior to its implementation in 2006, all investments were in the Special Purpose Investment Account (SPIA) operated by the Florida State Treasury. He also presented descriptions of the Operating Funds Portfolio, Working Capital Pool and Strategic/Reserve Capital Pools and delineated the governance requirements. He noted that the value of FIU's portfolio as of September

30, 2012 was \$348.6 million, adding that the portfolio had broad exposure across several asset classes. He added that the Working Capital Pool totaled \$113.2 million, the Strategic/Reserve Capital Pool totaled \$235.4 million, and highlighted data that delineated diversification and safety of Capital. He presented data as of September 30, 2012 that compared FIU's performance in relation to SPIA and the benchmarks which are based upon target asset allocation, noting that FIU has consistently outperformed both SPIA and the benchmarks.

### **5.5 Priorities for the 2013 Legislative Session**

Vice President of Governmental Relations Stephen A. Sauls led a discussion on the priorities for the 2013 Legislative Session, noting that the primary objective for FIU's 2013 Legislative Session will be to restore the \$24.3M cut to FIU's general revenue and to avoid further state funding reductions to the FY2013-14 Budget. He reported that other priorities included \$12.4M in new funding to be tied directly to the annual work plan for improvement of graduation rates, production of Science, Technology, Engineering and Mathematics (STEM) degrees and Ph.D. degrees, funding for the Herbert Wertheim College of Medicine, approval of fixed capital outlay priorities funded by the Public Education Capital Outlay Trust Fund for university projects, and to secure annual state funding for hurricane mitigation projects such as the Wall of Wind and the Public Loss Model.

## **6. Reports**

Committee Chair Agrawal requested that the Athletics Update, University Compliance Report, Construction Status Update, Business Services Update, Emergency Management Update and Safety and Environmental Compliance Report be accepted as written. There were no objections.

## **7. New Business**

### **7.1 Office of Internal Audit Discussion of Audit Processes**

Committee Chair Agrawal noted that as is stipulated in the Finance and Audit Committee Charter, the Committee must meet with the Office of Internal Audit without the presence of senior management. He announced that it was not obligatory for members of the public to exit the meeting, noting that it was acceptable for anyone to remain present for the discussion. Office of Internal Audit Director Allen Vann provided the Committee with a semiannual update on the Department's progress in completing the planned audits for the current Fiscal Year.

## **8. Concluding Remarks and Adjournment**

With no other business, Committee Chair Sukrit Agrawal adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Thursday, November 29, 2012 at 10:15 am.

*MB*  
*12.13.12*

**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

March 6, 2013

**Subject: Request for Approval to provide a Long-Term Ground Sublease to the School Board of Miami-Dade County (the “School Board”) to allow the School Board to establish, construct, operate, and maintain a magnet school (“MAST Academy”) at the Florida International University Biscayne Bay Campus (“BBC”)**

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**Proposed Committee Action:**

Recommend to the Florida International University Board of Trustees (the BOT) approval for the University President or his designee to negotiate and enter into a Long Term Ground Sublease with the School Board to allow the School Board to establish, construct, operate and maintain a MAST Academy at the FIU BBC Campus on the terms outlined below.

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**Background Information:**

Section 1013.171(1), Florida Statutes authorizes the BOT to negotiate and enter into a lease of land for purposes of erecting facilities and accommodations which are necessary and desirable to serve the University needs and purposes. FIU and the School Board believe the creation of a MAST Academy at FIU’s BBC Campus would serve the needs and purposes of both FIU and the School Board. The School Board’s MAST Academy students will be exposed to a premier University in the State of Florida while also having the opportunity to participate in high-school dual enrollment programs offered at FIU. The MAST Academy students will also be able to continue their higher education in a seamless manner if they choose to attend FIU. FIU, in turn, has an opportunity to attract students who are interested in the specialized academic areas offered at the BBC Campus, which include Earth and Environmental Science, Sustainability, Math, Science, and Marine Science. Additionally, Section 1013.171(1), Florida Statutes, requires that as part of the consideration for these types of leases, the state must own the completed facilities constructed at the end of the lease term. In sum, this proposed collaboration will contribute toward both parties’ goals while at the same time contributing toward the State of Florida’s goal to enhance efficient and effective use of state resources and state funds.

The material terms of the proposed Long-Term Ground Sublease are as follows:

- (i) Initial Ground Lease Term: up to maximum allowed by law
- (ii) Renewal Term: up to maximum allowed by law
- (iii) Ground Lease Premises: Approximately 3 acres
- (iv) Rent: N/A
- (v) Parking: Parking will be incorporated into the site for faculty, staff and some students (1 for every 50 students)
- (vi) Design, Construction, Operation and Maintenance of the MAST Academy: The School Board shall be solely responsible for any and all costs related to the design, construction, operation and maintenance of the MAST Academy during the Lease Term
- (vii) Long Term Ground Lease shall be subject to approval of the Trustees of the Internal Trustees Trust Fund (“TITF”) approval

The materials terms pertaining to the MAST Academy are as follows:

- (i) Grades: The MAST Academy will teach Grades 8 through 12 which may be adjusted over time.
- (ii) Estimated Student Population: It is estimated that up to approximately 1,200 students will attend the MAST Academy.
- (iii) Proposed Permanent Site Opening Date: August 2015
- (iv) Proposed Temporary Site Opening Date: August 2013

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**Supporting Documentation:**

MAST Academy at BBC Background Information  
MAST Academy at BBC - January 28, 2013 Meeting  
Summary  
MAST Academy at BBC site map

**Facilitator/Presenter:**

Kenneth A. Jessell

## **MAST @ BBC**

- MAST @ BBC is a collaborative project between Miami Dade County School Board and FIU for the location of a Magnet School on FIU's BBC campus
- Ties to the academic programs in SEAS (School of Environment, Arts and Society), Journalism, Hospitality Management and Education; strong emphasis on High School Dual Enrollment and transition to FIU
- Requires approximately 3-5 acres optimally located to ensure maximum collaboration with the FIU academic programs
- Accommodate approximately 1200 students grades 8-12 in approximately 85,000 Square Feet
- Serve students from Aventura, Sunny Isles, North Miami and perhaps other areas
- Opens August 2013 for first class using temporary facilities—approximately 250 8<sup>th</sup> and 9<sup>th</sup> grade students; permanent structure for August 2015 or 2016
- Shared physical facilities—classrooms, teaching and research labs, other spaces
- There are 3 existing MAST schools:

MAST @ Jose Marti in Hialeah, grades 6-12, 213 students (Math and Science Technology)

MAST@ Virginia Key, grades 9-12, 673 students (Maritime and Science Technology)

MAST @ Homestead, grades 9-12, 387 students (Medical Academy for Science and Technology)

Here is a link to more detailed information on the schools:

<http://www.yourchoicemiami.org/index.php?/index/departments/2/52>

- Kick-Off meeting held on Monday, January 28, at 2pm at BBC
- Robert Griffith leading site and facilities
- Elizabeth Behar leading academic programs and integration

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**MAST ACADEMY @ BBC****JANUARY 28, 2013 MEETING SUMMARY****I. WELCOME AND SELF INTRODUCTIONS****II. VISION**

- Grades 8-12 would be a better model
- Total student size of 1200
- Opening August 2013 with 8<sup>th</sup> and 9<sup>th</sup> grade students
- Approximately 250 students Year 1: 125 8<sup>th</sup> grade and 125 9<sup>th</sup> grade students
- Starting/ending times may be adjusted to better match with FIU Collaboration; review area school schedules
- School will be a 100 percent “Choice Program”
- Relieves five overcrowded high schools in the area

**III. SITE**

- While proposed location on SW site will work, a location closer to FIU academic and support space is preferred; issues addressed were ability of students to attend FIU dual enrollment classes and get there on time; inclement weather; providing university campus experience for students
- Site size can be in the 2-3 acre range building up 5 stories
- MDCPS interest in using FIU capacity (or adding to capacity in the case of chilled water) for utilities and IT where it make financial sense
- Special security would not likely be needed by MDCPS
- MDCPS may consider bus transportation
- Parking will be incorporated into site for faculty, staff and some students (1 for every 50 students)
- Permanent site for August 2015 opening; temporary site for August 2013 opening

**IV. CONSTRUCTION/FACILITIES**

- Size of 65,000 SF will be insufficient; may need 80,000 – 85,000 SF; up to 5 stories; SREF
- Shared space is strongly desired
- Labs and Assembly spaces are expensive space; shared space can help, but FIU has shortage of Lab space and large room space; incorporating these spaces into the school design for shared FIU usage could be offset through other space
- Recreation/Athletic space not needed; would like to partner with FIU on use of Student Recreation Center; details will need to be worked out (times, costs)

- Use of FIU food service for breakfast and lunch desired; providing breakfast is a federal requirement; [Penny Parham, MDCPS Food and Nutrition, and Jeff Krablin, FIU Food Service, to meet to discuss food service]
- Temporary facilities will be in use for the first 2-3 years; Quality “Relocatables” as used at MAST at Key Biscayne; 10-12 initially

#### **V. ACADEMIC CURRICULUM**

- Focus on Earth and Environmental Science; Sustainability; Math; Science; Marine Science;
- SEAS a perfect match; extensive High School Dual Enrollment
- Goal would be for students to matriculate to FIU with up to 60 credits (AA degree)
- No direct High School Dual Enrollment in Colleges of Hospitality and Education but certain courses and research opportunities with faculty may be included such as Food Science, the Science of Yeast, Sustainable Food and Food Service, Hydroponics; Expanding HSDE opportunities in the Colleges of Education and Hospitality Management at Alonzo and Tracy Mourning Senior High School; opportunities in Journalism such as social media, writing about science and technology
- The strong collaboration with SEAS emphasizes need for additional teaching and research lab space; perhaps Math Lab?
- FIU desire for some preference for children of FIU faculty and staff; generally not possible but will be examined in light of value of land and other benefits provided (MAST at Key Biscayne model)
- Curriculum of grades 8-9 will focus on math and science, getting students prepared for HSDE; AP/HSDE courses offered beginning in 9<sup>th</sup> grade
- Student entrance requirements of 2.5 gpa; 3.0 to maintain
- Eight (8) period school schedule; class size of 25 students

#### **VI. COMMUNITY ENGAGEMENT**

- Must work together on marketing, announcements, and branding
- Community partners/political leadership must be met with ASAP since both MDCSB and FIU Boards may be reviewing materials as early as March; Town Hall meetings
- Separate meetings with Mayors to take place before Town Hall meetings

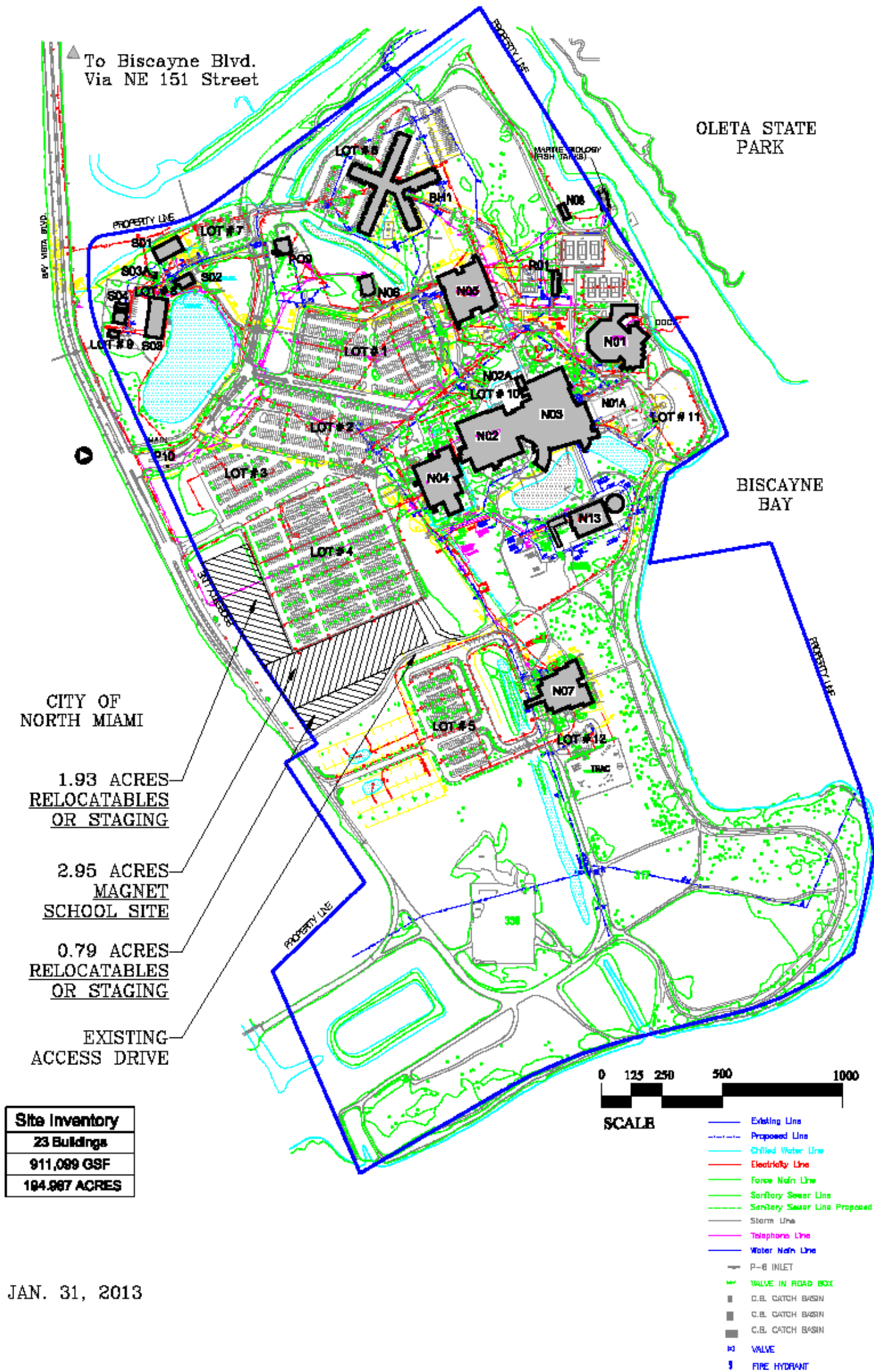
#### **VII. NEXT STEPS**

- Working Groups—*VERY SHORT TIMELINE*
  - SITE/FACILITIES—John Cal, Robert Griffith, Ken Jessell, Jaime Torrens, Ana Rijo-Conde to meet on site selection



- ACADEMIC—Elizabeth Bejar and Millie Fornell to lead academic development; white paper for Public Relations and value to Community/MDCPS/FIU
- COMMUNICATIONS/COMMUNITY ENGAGEMENT—Sandy Gonzalez-Levy, Bob Strickland Steve Sauls and Iraida Mendez-Cartaya to develop strategy
- MDCSB Approval: March 13, 2013
  
- FIU Board of Trustees Approval: March 2013
- MDCPS Marketing Launch: March 2013

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JAN. 31, 2013

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

March 6, 2013

**Subject: Re-authorization for the Issuance of Debt to Finance the Construction of Parking Garage 6 at the University's Modesto A. Maidique Campus**

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**Proposed Committee Action:**

Recommend that the Florida International University Board of Trustees approve, and request the State University System of Florida Board of Governors to approve, the issuance of revenue bonds to finance the construction of a Parking Garage on the University's Modesto A. Maidique campus.

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**Background Information:**

The University's Department of Parking and Transportation has resubmitted a proposal for financing and constructing a new Parking Garage 6 on the University's Modesto A. Maidique campus (the "Project"). The Project was previously approved by the Florida International University Board of Trustees (BOT) on March 30, 2011 and by the State University System of Florida Board of Governors (BOG) on June 20, 2011. While there is no change in the amount of debt required to be issued, the Project is being re-submitted for BOT approval in view of recommended changes to the Project location, total Project cost, changes to the Project scope such as the inclusion of 35,000 square feet of shell space, and updated financial projections. The Requesting Resolution, attached hereto, rescinds, supersedes and replaces the March 30, 2011 BOT-approved Requesting Resolution.

The Project will be constructed as a multi-story structure with approximately 2,000 parking spaces. The Project is consistent with the University's Campus Master Plan. The total Project cost, which includes construction and associated design costs as well as site and roadway improvements, is expected to be approximately \$42.5 million. The University's Department of Parking and Transportation plans to contribute approximately \$4.8 million from cash reserves and approximately \$4.2 million in auxiliary fund balances will be used to fund the Project. The Project will include approximately 35,000 square feet of shell space to accommodate classrooms and University-related retail space. The Project will also include additional site and roadway improvements as a result of relocating the Project from the south side of the Modesto A. Maidique Campus to the north side.

The University's Administration recommends that the BOT authorize a request from the BOG to the Division of Bond Finance to issue up to \$33,500,000 of fixed rate, revenue bonds to finance the construction of the Project and pay costs of issuing the Bonds. The Bonds will mature thirty (30) years after issuance with level annual debt service payments. The Administration also recommends that the BOT request the redemption of the Series 1995 Parking Facility Revenue Bonds and the refunding of the 1999 and 2002 parking bonds due to very favorable interest rates available in today's capital market.

This request is consistent with the BOG Debt Management Guidelines dated September 16, 2010; Sections 1010.62 of the Florida Statutes; and Article IX, Section 7, Florida Constitution.

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**Supporting Documentation:** Requesting Resolution in State University System of Florida  
Board of Governors Form  
Appendix A  
PG6 Feasibility Analysis – Tim Haahs  
Draft Justification Letter to Chris Kinsley  
February 18, 2013 Letter from Governor Rick Scott  
Student Parking Feasibility Review – Walker Parking  
Consultants

**Facilitator/Presenter:** Kenneth A. Jessell

**A RESOLUTION AUTHORIZING THE ISSUANCE OF DEBT AND REQUESTING THE FLORIDA BOARD OF GOVERNORS TO APPROVE THE ISSUANCE OF SUCH DEBT TO FINANCE THE CONSTRUCTION OF A 2,000 SPACE PARKING GARAGE ON THE MODESTO A. MAIDIQUE CAMPUS OF FLORIDA INTERNATIONAL UNIVERSITY; REQUESTING THE REDEMPTION OF CERTAIN STATE OF FLORIDA, BOARD OF REGENTS, FLORIDA INTERNATIONAL UNIVERSITY PARKING FACILITY REVENUE BONDS, SERIES 1995; RESCINDING RESOLUTION PASSED AT THE MARCH 30, 2011 BOARD OF TRUSTEES MEETING (AGENDA ITEM FA3), AND PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE BOARD OF TRUSTEES:**

**Section 1.** The Board of Trustees (the “Board of Trustees”) of the Florida International University (the “University”) hereby requests the Florida Board of Governors to request the Division of Bond Finance of the State Board of Administration of Florida (the “Division”) to issue bonds in an amount not exceeding \$33,500,000 (the “Bonds”) for the purpose of financing a (i) a parking garage and (ii) certain costs relating to the Bonds (the “Project”) on the campus of the University.

**Section 2.** The Project will consist of approximately 2,000 parking spaces, approximately 35,000 square feet of shell space, and site and roadway improvements associated with the Project. The Project is reflected on the approved master plan for the University and is consistent with the mission of the University because it will provide additional parking for use by students, faculty and staff of the University. Construction of the Project is expected to begin Summer 2013 and to be completed by August 2014. Proceeds of the Bonds are not anticipated to be sufficient to complete the construction of the Project without the use of additional funds. Additional necessary funding in the amount of approximately \$9,000,000 will be obtained from cash reserves of the University’s parking system and auxiliary fund balances. Legislative approval of the Project has been obtained pursuant to section 1010.62, Florida Statutes. No proceeds of the Bonds will be used to finance operating expenses of the University. The issuance of Bonds by the Division for the purpose of reimbursing the University for capital expenditures paid for the Project from legally available funds of the University is hereby authorized.

**Section 3.** The Bonds are to be secured by net parking system revenues derived primarily from a per credit hour student transportation access fee, faculty and staff parking decal sales, fines, and other miscellaneous revenues, after deducting operating and maintenance expenses (“Pledged Revenues”) and will be issued on parity with the system’s outstanding debt. The University is legally authorized to secure the Bonds with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University’s obligations with respect to the Bonds.

**Section 4.** The Bonds will mature not more than 30 years after issuance, including any extensions or renewals thereof. The Project has an estimated useful life of 50 years, which is beyond the anticipated final maturity of the Bonds. The Bonds will bear interest at a fixed interest rate.

**Section 5.** (Reserved for variable rate debt and not applicable)

**Section 6.** (Reserved for taxable debt and not applicable)

**Section 7.** The Bonds will be sold through competitive sale. Any selection of underwriters or financial advisors will be accomplished through a competitive selection process. Any bond insurance or other credit enhancement will be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings resulting from their use.

**Section 8.** The Board of Trustees will comply, and will require the University to comply, with all requirements of federal and state law relating to the Bonds, including but not limited to, laws relating to maintaining the exemption from taxation of interest payments on the Bonds and continuing secondary market disclosure of information regarding the Bonds.

**Section 9.** The President, Chief Financial Officer and other authorized representatives of the University and the Board of Trustees are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other actions as they may deem necessary or desirable, in connection with the execution, sale and delivery of the Bonds.

**Section 10.** In making the determination to finance the Project, the Board of Trustees has reviewed the information attached to Appendix A and finds that the issuance of the Bonds is in compliance with the Debt Management Guidelines, the University's debt management policy, and applicable law.

**Section 11.** The Board of Trustees further requests the Board of Governors to request the Division take action necessary to redeem certain State of Florida, Board of Regents, Florida International University Parking Facility Revenue Bonds, Series 1995. It is anticipated the University will provide cash to accomplish the redemption.

**Section 12.** This Resolution rescinds, supersedes and replaces The Board of Trustees Resolution passed at the March 30, 2011 Board of Trustees Meeting (Agenda Item FA3).

**Section 13.** This Resolution shall take effect immediately upon its adoption.



## **CERTIFICATE OF THE CORPORATE SECRETARY**

The undersigned, Corporate Secretary of the Florida International University Board of Trustees, does hereby certify that the attached resolution relating to the issuance of Bonds by the Division of Bond Finance of the State Board of Administration of Florida is a true and accurate copy as adopted by the Florida International University Board of Trustees on March 6, 2013 and said resolution has not been modified or rescinded and is in full force and effect on the date hereof.

### **BOARD OF TRUSTEES OF FLORIDA INTERNATIONAL UNIVERSITY**

Dated: \_\_\_\_\_, 2013

By: \_\_\_\_\_  
Corporate Secretary

## **Appendix**

The following documents have been reviewed by the Board of Trustees prior to the execution of this Resolution:

1. the project summary including a description of the security supporting repayment and the lien position the debt will have on the security;
2. a draw schedule for the project;
3. sources and uses of funds for the project;
4. an estimated debt service schedule;
5. debt service schedules for any outstanding debt with a lien on the pledged revenues;
6. a schedule showing estimated compliance with any additional bonds requirement set forth in the documents governing the outstanding debt;
7. a five year history, if available, and a five year projection, of the pledged revenues and the debt service coverage;
8. demand analysis and market feasibility study;
9. justification transmittal letter to State University System of Florida Board of Governors.

## APPENDIX A

### Project Summary Florida International University Parking Garage 6

<b>Project Description:</b>	<p>The proposed project is a multi-level parking structure on Florida International University's main campus and will provide approximately 2,000 structured parking spaces and approximately 35,000 GSF of shell space to accommodate students, faculty, and staff.</p> <p>The project is included in the current Campus Master Plan.</p>
<b>Facility Site Location:</b>	<p>The current Campus Master Plan reflects the location of the proposed Parking Garage Six project on the north side of the Modesto A. Maidique Campus ("MMC"). The selected project site will be in this location which is west of the Red Parking Garage (PG4) and south of SW 8th Street on what is currently MMC Parking Lot #1.</p>
<b>Projected Start and Opening Date:</b>	<p>It is anticipated that construction of the project will commence with the Construction Manager's Notice to Proceed Summer 2013 and that the project will be open and available for occupancy in August 2014.</p>
<b>Demand Analysis:</b>	<p>The University community is presently comprised of over 50,000 students, over 5,100 full and part-time faculty and staff and a large number of daily visitors. Drivers of the 38,734 currently permitted student vehicles and 4,398 permitted employee vehicles compete for the 14,628 available parking spaces.</p> <p>Of the 14,628 spaces, 10,260 are available for students and 3,012 are available for faculty and staff. The remaining spaces consist of service vehicles spaces, visitor lot spaces, metered spaces and loading zones. The ratio of university-wide spaces available to student transportation access fee ("TAF") collected is 1 space for every 3.8 TAF collected and 1 space for every 1.5 faculty and staff decals sold. The ratio of MMC spaces available to TAF collected is 1 to 4.9 and 1 to 1.8 faculty and staff decals sold. Unmet parking demands are expected to increase over time as faculty and students increase. The proposed project will increase the total spaces on campus to approximately 16,600 with approximately 8,800 structured parking spaces.</p>
<b>Project Cost and Financing Structure:</b>	<p>The total project cost, which includes construction and associated design costs, is estimated at \$42.5 million and will be funded through bond proceeds, in an amount not to exceed \$33.5 million, and a \$9 million contribution from University Parking and Auxiliary fund balances. The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida State Board of Administration's Division of Bond Finance, on behalf of Florida International University. The bond issue will be structured with a 30 year final maturity and approximately level debt service.</p>
<b>Security/Lien Structure:</b>	<p>Net parking system revenues will be pledged for the payment of debt service. These revenues are derived primarily from a student transportation access fee, faculty and staff parking decal sales, fines, and other miscellaneous revenues,</p>

after deducting operating and maintenance expenses (“Pledged Revenues”). The transportation access fee was increased in academic year 2012-13 to \$89.00 for the Fall/Spring semesters and \$83.00 for the Summer semester. The 2011-12 academic year rates were \$81.00 for the Fall/Spring semesters and \$75.00 for the Summer semester. The university retains the ability to increase student fees, decal rates, fines, meter rates and other sources of revenue as permitted by law.

The debt will be payable solely from Pledged Revenues and secured as to the payment of principal and interest, on a parity with the current outstanding State of Florida, Florida Board of Education, Florida International University Parking Facility Revenue Bonds, Series 2002, the State of Florida, Board of Regents, Florida International University Parking Facility Revenue Bonds, Series 1995 and 1999 and the State of Florida, Board of Governors, Florida International University Parking Facility Revenue Bonds Series 2009A&B, by a lien on the Pledged Revenues. Currently, \$50.1 million in aggregate principal amount is outstanding. The University intends to redeem the series 1995 bonds, leaving \$47.8 million outstanding, prior to the issuance of the debt.

**Pledged Revenues and  
Debt Service Coverage:**

During the five year period from fiscal years 2007-08 to 2011-12, Pledged Revenues grew from \$6.1 million to \$7.5 million. The revenue decline between fiscal years 2007-08 and 2008-09 of \$0.5 million, was primarily due to an unrealized investment loss of \$0.4 million for the year versus a gain of \$0.2 million in the prior year. The Parking System revenues produced debt service coverage ratios ranging from a high of 2.04X in Fiscal Year 2007-08 to a low of 1.38X in Fiscal Year 2008-09 when including receipt of the federal subsidy associated with the Series 2009B Build America Bonds. The lower debt service coverage in fiscal year 2008-09 was the result of the issuance of new debt. Increased salary and fuel related costs, due to parking overflow initiatives in fiscal year 2011-12, resulted in reduced debt service coverage, to 1.52X. Calculations of Pledged Revenues and debt service coverage exclude revenue and expenses from the shuttle and vehicle services. Excess Pledged Revenues remaining after payment of debt service were sufficient in each year to pay expenses of the shuttle system and vehicle services.

Pledged Revenues are projected to be \$7.9 million in fiscal year 2012-13, growing to \$11.7 million in fiscal year 2016-2017. The debt service coverage is projected to be: 1.41X in 2012-13, 1.29X in 2013-14, 1.37X in 2014-15, 1.42X in 2015-16 and 1.67X in 2016-17. For Fiscal Year 2014-15, the first year of operation of the Project, the system is expected to generate Pledged Revenues of \$9.6 million and produce an annual debt service coverage ratio of 1.37X. Excess Pledged Revenues remaining after payment of debt service are expected to be sufficient in each year to pay expenses of operating the shuttle system and vehicle services. Due to uncertainty regarding the ongoing receipt of the federal subsidy associated with the Series 2009B Building America Bonds, coverage projections exclude the subsidy.

The projected debt service coverage ratio has been calculated using an interest rate of 5.75 percent on the bonds and transportation access fee of \$89.00 for the Fall/Spring semesters and \$83.00 for the Summer semester for fiscal years 2012-13 with a projected increase of: 10 percent in fiscal year 2013-14; 7.5 percent in fiscal year 2014-15 and 10 percent in fiscal year 2016-17. Operating costs, excluding shuttle system expenses and vehicle services, are projected to increase approximately 2 percent per year.

**Type of Sale:**

The Division of Bond Finance will make a determination to sell the Bonds through a competitive sale based on market conditions at the time of sale.

**Draw Schedule**  
**Florida International University**  
**Parking Garage 6**

	<u>Deposit to</u> <u>Project Fund</u>	<u>Scheduled</u> <u>Draws</u>	<u>Balance</u>
07/01/2013	42,576,562		42,576,562
07/03/2013		(2,453,348)	40,123,214
07/15/2013		(2,480,108)	37,643,106
08/15/2013		(2,480,108)	35,162,997
09/15/2013		(2,480,108)	32,682,889
10/15/2013		(2,480,108)	30,202,781
11/15/2013		(2,480,108)	27,722,673
12/15/2013		(2,480,108)	25,242,565
01/15/2014		(2,480,108)	22,762,457
02/15/2014		(2,480,108)	20,282,349
03/15/2014		(2,480,108)	17,802,241
04/15/2014		(2,480,108)	15,322,133
05/15/2014		(2,480,108)	12,842,025
06/15/2014		(2,480,108)	10,361,917
07/15/2014		(2,880,289)	7,481,627
08/15/2014		(2,480,108)	5,001,519
09/15/2014		(2,521,411)	2,480,108
10/15/2014		(2,480,108)	(0)

**Source and Uses of Funds  
Florida International University  
Parking Garage 6**

<b>Sources:</b>	
<hr/>	
Bond Proceeds	
Par Amount	33,500,000
Other Sources of Funds:	
Cash Contribution	9,000,000
<hr/>	
<b>Total Sources</b>	<b>42,500,000</b>
<hr/>	

<b>Sources:</b>	
<hr/>	
Project Fund Deposits:	
Project Fund	42,576,562
Delivery Date Expenses:	
Cost of Issuance	142,450
Underwriter's Discount	670,000
Other Uses of Funds:	
Additional Proceeds*	(889,012)
<hr/>	
<b>Total Uses</b>	<b>42,500,000</b>
<hr/>	

\* The university will contribute additional cash, if necessary

**Estimated Annual Debt Service**  
**Florida International University**  
**Parking Garage 6**

	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
07/01/2014	\$ 440,000	\$ 1,915,549	\$ 2,355,549
07/01/2015	470,000	1,900,950	2,370,950
07/01/2016	495,000	1,873,925	2,368,925
07/01/2017	525,000	1,845,463	2,370,463
07/01/2018	555,000	1,815,275	2,370,275
07/01/2019	585,000	1,783,363	2,368,363
07/01/2020	620,000	1,749,725	2,369,725
07/01/2021	655,000	1,714,075	2,369,075
07/01/2022	690,000	1,676,413	2,366,413
07/01/2023	730,000	1,636,738	2,366,738
07/01/2024	775,000	1,594,763	2,369,763
07/01/2025	820,000	1,550,200	2,370,200
07/01/2026	865,000	1,503,050	2,368,050
07/01/2027	915,000	1,453,313	2,368,313
07/01/2028	970,000	1,400,700	2,370,700
07/01/2029	1,025,000	1,344,925	2,369,925
07/01/2030	1,085,000	1,285,988	2,370,988
07/01/2031	1,145,000	1,223,600	2,368,600
07/01/2032	1,210,000	1,157,763	2,367,763
07/01/2033	1,280,000	1,088,188	2,368,188
07/01/2034	1,355,000	1,014,588	2,369,588
07/01/2035	1,430,000	936,675	2,366,675
07/01/2036	1,515,000	854,450	2,369,450
07/01/2037	1,600,000	767,338	2,367,338
07/01/2038	1,695,000	675,338	2,370,338
07/01/2039	1,790,000	577,875	2,367,875
07/01/2040	1,895,000	474,950	2,369,950
07/01/2041	2,005,000	365,988	2,370,988
07/01/2042	2,120,000	250,700	2,370,700
07/01/2043	2,240,000	128,800	2,368,800
<b>Total</b>	<b>\$ 33,500,000</b>	<b>\$ 37,560,661</b>	<b>\$ 71,060,661</b>



**Debt Service of Outstanding Debt with Lien on Pledged Revenues**  
**Florida International University**  
**Parking Garage 6**

	<u>Series 1995</u>	<u>Series 1999</u>	<u>Series 2002</u>	<u>Series 2009A&amp;B</u>
06/30/2013	\$ 648,088	\$ 639,274	\$ 1,737,819	\$ 2,554,834
06/30/2014	649,869	636,174	1,737,219	2,556,034
06/30/2015	655,038	636,334	1,737,219	2,555,171
06/30/2016	653,325	639,659	1,738,975	2,541,371
06/30/2017	-	636,334	1,737,175	2,533,296
06/30/2018	-	636,094	1,742,030	2,516,816
06/30/2019	-	639,031	1,738,020	2,507,036
06/30/2020	-	-	1,740,240	2,488,296
06/30/2021	-	-	1,738,140	2,472,371
06/30/2022	-	-	1,741,590	2,458,499
06/30/2023	-	-	-	2,436,299
06/30/2024	-	-	-	2,420,499
06/30/2025	-	-	-	2,396,329
06/30/2026	-	-	-	2,379,019
06/30/2027	-	-	-	2,352,869
06/30/2028	-	-	-	2,327,019
06/30/2029	-	-	-	2,303,244
06/30/2030	-	-	-	2,276,219
06/30/2031	-	-	-	2,246,313
06/30/2032	-	-	-	2,212,625
06/30/2033	-	-	-	2,185,156
06/30/2034	-	-	-	2,148,219
06/30/2035	-	-	-	2,112,156
06/30/2036	-	-	-	2,076,625
06/30/2037	-	-	-	2,036,281
06/30/2038	-	-	-	1,996,125
06/30/2039	-	-	-	1,955,813
	<b>\$ 2,606,319</b>	<b>\$ 4,462,899</b>	<b>\$ 17,388,426</b>	<b>\$ 63,044,533</b>

**Estimated Parity Test for Additional Bonds**  
**Florida International University**  
**Parking Garage 6**

	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>
Operating Revenues <sup>1</sup>	\$ 10,838,171	\$ 11,432,221
Operating Expenses <sup>2</sup>	(3,129,760)	(3,932,912)
Plus: Interest Income	9,901	3,034
Annual Pledged Revenues	<u>\$ 7,718,312</u>	<u>\$ 7,502,343</u>
Adjustments to Pledged Revenues		
Adjustment for Transportation Access Fee Rate Increase FY 2013	807,240	822,432
Adjustment for Decal Fees Rate Increase FY 2013	99,757	109,835
Total Adjustments to Pledged Revenues	<u>\$ 906,997</u>	<u>\$ 932,267</u>
Adjusted Annual Pledged Revenues	<u><u>\$ 8,625,309</u></u>	<u><u>\$ 8,434,610</u></u>

Calculation of Parity Test:

Average Annual Adjusted Pledged Revenue	\$ 8,529,960
Estimated Maximum Annual Debt Service <sup>3</sup>	\$ 7,060,521
Coverage on Maximum Annual Debt Service <sup>4</sup>	<b>1.21X</b>

<sup>1</sup> Excludes Shuttle and Vehicle Service revenues.

<sup>2</sup> Net of depreciation, Administrative Overhead, Shuttle and Vehicle Service Expenses, and one-time capital expenditures.

<sup>3</sup> Includes debt service on \$33.5 million in new money bonds for Parking Garage 6.

<sup>4</sup> Required coverage level is 1.20x

**5-Year Historical And Projected Debt Service Coverage<sup>1</sup>**  
**Florida International University**  
**Parking Garage 6**

	<b>Historical</b>					<b>Projected</b>				
	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>	<b><u>FY 2015-16</u></b>	<b><u>FY 2016-17</u></b>
<b>Operating Revenues</b>										
Parking Decals and Fees <sup>2</sup>	\$ 7,178,376	\$ 7,875,089	\$ 8,678,360	\$ 9,507,027	\$ 10,024,271	\$ 10,398,206	\$ 11,692,557	\$ 12,585,672	\$ 13,058,018	\$ 14,949,961
Visitor Parking <sup>3</sup>	343,565	351,134	296,801	338,523	372,506	495,300	523,300	552,800	584,100	617,100
Traffic Fines, Towing & Other Revenue	1,183,158	2,344,209	2,188,725	2,273,719	2,652,931	3,231,255	3,358,456	3,435,299	3,470,389	3,512,246
less: Shuttle Services	(276,287)	(261,616)	(283,684)	(314,927)	(473,348)	(418,900)	(437,200)	(437,200)	(454,000)	(480,800)
less: Vehicle Services	-	(748,022)	(882,134)	(966,171)	(1,144,139)	(1,047,266)	(1,047,266)	(1,047,266)	(1,047,266)	(1,047,266)
<b>Total Parking System Revenues<sup>4</sup></b>	<b>\$ 8,428,812</b>	<b>\$ 9,560,793</b>	<b>\$ 9,998,068</b>	<b>\$ 10,838,171</b>	<b>\$ 11,432,221</b>	<b>\$ 12,658,595</b>	<b>\$ 14,089,847</b>	<b>\$ 15,089,305</b>	<b>\$ 15,611,241</b>	<b>\$ 17,551,241</b>
<b>Current Expenses</b>										
Salaries and Personnel Services <sup>5</sup>	\$ 1,318,453	\$ 2,019,872	\$ 2,335,621	\$ 2,530,917	\$ 2,927,745	\$ 2,925,446	\$ 3,004,158	\$ 3,130,256	\$ 3,192,885	\$ 3,326,777
Other Operating Expenses <sup>6,7,8</sup>	1,878,761	3,118,746	2,791,959	2,829,775	3,479,449	4,214,595	4,358,661	4,709,120	4,794,357	5,122,482
less: Shuttle Services	(663,584)	(708,627)	(721,300)	(1,043,748)	(1,118,224)	(1,192,454)	(1,178,287)	(1,204,263)	(1,226,076)	(1,415,200)
less: Vehicle Services	-	(854,946)	(1,026,792)	(1,204,955)	(1,356,058)	(1,147,278)	(1,156,023)	(1,170,609)	(1,179,991)	(1,195,079)
<b>Total Current Expenses</b>	<b>\$ 2,533,630</b>	<b>\$ 3,575,045</b>	<b>\$ 3,379,488</b>	<b>\$ 3,111,989</b>	<b>\$ 3,932,912</b>	<b>\$ 4,800,309</b>	<b>\$ 5,028,509</b>	<b>\$ 5,464,505</b>	<b>\$ 5,581,175</b>	<b>\$ 5,838,980</b>
<b>Net Parking System Revenues</b>	<b>\$ 5,895,182</b>	<b>\$ 5,985,748</b>	<b>\$ 6,618,580</b>	<b>\$ 7,726,182</b>	<b>\$ 7,499,309</b>	<b>\$ 7,858,285</b>	<b>\$ 9,061,338</b>	<b>\$ 9,624,800</b>	<b>\$ 10,030,067</b>	<b>\$ 11,712,260</b>
Interest Income <sup>9</sup>	249,347	(407,516)	518,854	9,901	3,034	1,688	18,905	15,019	15,688	17,110
<b>Pledged Revenues</b>	<b>\$ 6,144,529</b>	<b>\$ 5,578,232</b>	<b>\$ 7,137,434</b>	<b>\$ 7,736,083</b>	<b>\$ 7,502,343</b>	<b>\$ 7,859,973</b>	<b>\$ 9,080,243</b>	<b>\$ 9,639,819</b>	<b>\$ 10,045,754</b>	<b>\$ 11,729,370</b>
<b>Annual Debt Service:<sup>10</sup></b>										
1995 Bonds <sup>10</sup>	633,308	638,558	642,138	643,998	644,323	648,088	-	-	-	-
1999 Bonds <sup>11</sup>	638,769	637,209	634,749	635,999	635,854	639,274	-	-	-	-
2002 Bonds <sup>11</sup>	1,738,366	1,741,004	1,740,254	1,741,494	1,741,069	1,737,819	-	-	-	-
2009 Bonds	-	1,032,049	1,909,224	1,911,024	1,912,524	2,554,834	2,556,034	2,555,171	2,541,371	2,533,296
2013 Bonds <sup>11</sup>	-	-	-	-	-	-	4,493,874	4,505,350	4,508,925	4,508,263
<b>Total Annual Debt Service</b>	<b>\$ 3,010,443</b>	<b>\$ 4,048,819</b>	<b>\$ 4,926,364</b>	<b>\$ 4,932,514</b>	<b>\$ 4,933,769</b>	<b>\$ 5,580,014</b>	<b>\$ 7,049,907</b>	<b>\$ 7,060,521</b>	<b>\$ 7,050,296</b>	<b>\$ 7,041,559</b>
<b>Maximum Annual Debt Service</b>	<b>\$ 4,394,923</b>	<b>\$ 4,394,923</b>	<b>\$ 5,581,214</b>	<b>\$ 5,581,214</b>	<b>\$ 5,581,214</b>	<b>\$ 5,580,014</b>	<b>\$ 7,060,521</b>	<b>\$ 7,060,521</b>	<b>\$ 7,060,521</b>	<b>\$ 7,060,521</b>
<b>Coverage Ratios</b>										
Annual Debt Service	2.04x	1.38x	1.45x	1.57x	1.52x	1.41x	1.29x	1.37x	1.42x	1.67x
Maximum Annual Debt Service	1.40x	1.27x	1.28x	1.39x	1.34x	1.41x	1.29x	1.37x	1.42x	1.66x

<sup>1</sup> The financial information related to revenues and expenses was provided by the University and has not been audited.

<sup>2</sup> Parking Decals and Fees increased 10 percent in FY 2012-13 and are projected to increase 10 percent in FY 2013-14, 7.5 percent in FY 2014-15 and 10 percent in FY 2016-17.

<sup>3</sup> Visitor Parking Revenue from metered parking spaces are projected to increase 6 percent each year from FY 2011-12 and FY 2016-17.

<sup>4</sup> Excludes all shuttle services and Vehicle Services which are included in the financial statements - not a part of the Pledged Revenues.

<sup>5</sup> Employee salaries and fringe benefits are projected to increase approximately 2 percent per year; other personnel services expenses are projected to increase approximately 2 percent per year.

<sup>6</sup> Includes maintenance, materials and supplies and other current expenses and are projected to increase approximately 2 percent per year.

<sup>7</sup> Includes electric utility costs and are projected to increase 2 percent per year.

<sup>8</sup> Excludes administrative overhead and non-recurring expenses.

<sup>9</sup> Prior to FY2010-11, Interest Income reflects changes in market valuation of the investment portfolio. FIU new policy is that interest income will only reflect realized income.

<sup>10</sup> The 1995 outstanding bonds are expected to be repaid in FY 2012-13.

<sup>11</sup> The University intends to refund the 1999 and 2002 outstanding bonds and incorporate them into the 2013 "new money" issuance. Estimated debt service for the "new money" was calculated based on the par amount of \$33.5 million and a 5.75 percent interest rate.

February 22, 2013

Dr. Kenneth Jessell  
Senior Vice President and Chief Financial Officer  
Florida International University  
11800 SW 8<sup>th</sup> Avenue  
Miami, FL 33199

**RE: PG6 Feasibility Analysis  
Florida International University  
Miami, FL**

Dear Mr. Jessell:

Timothy Haahs & Associates, Inc. (TimHaahs) is pleased to provide you with our report summarizing our research and findings on the feasibility of constructing proposed "Parking Garage 6" (PG 6) under multiple scenarios, including a public/private partnership (P3) development model.

## **Objective**

Florida International University (FIU) has retained Timothy Haahs & Associates, Inc. (TimHaahs) to conduct a parking garage financial feasibility study to evaluate the opportunities to develop the proposed Parking Garage 6 (PG 6) on its main campus – the Modesto A. Maidique Campus (MMC) in West Miami-Dade County. The proposed parking facility is required to support the continuing growth of the University, and in particular the MMC.

This study is being conducted as a result of the recent inquiry by Florida Governor Rick Scott regarding the potential options for private development firms to develop off-campus parking structures serving the state's public universities. For this study, TimHaahs has evaluated numerous scenarios comparing the financial and logistical feasibility of developing the new PG6. These scenarios include the following:

- Option 1: FIU Funded and Operated Garage On Campus
- Option 2: Developer Funded and Operated Garage On Campus
- Option 2A: Developer Funded and Operated Garage On Campus (with Ground Lease)
- Option 3: Developer Funded and Operated Garage Off Campus

Throughout this report, TimHaahs has provided the University with a comprehensive assessment of each of these options, outlining the specific financing structure, and our analysis regarding the feasibility of each option. It is our belief that as a result of this assessment, the University will be able to make the most informed and reasonable decision regarding this project and take appropriate steps toward the planning and development of this new mixed-use parking facility.

## Background

FIU includes more than 50,000 students across its two main campuses – Modesto A. Maidique Campus in West Miami-Dade County, and Biscayne Bay Campus in North Miami Beach – as well as various smaller instructional sites throughout South Florida. FIU also includes more than 5,100 full-time and part-time faculty and staff.

Parking at FIU currently consists of 14,628 spaces across five parking facilities (on the Modesto A. Maidique Campus) and various parking lots. These parking areas serve 39,556 students with parking permits, 4,272 employees with parking permits, and numerous visitors. Of the total parking spaces, 10,260 are available for students and 3,012 are available for faculty and staff, with the remaining spaces incorporating service vehicle spaces, visitor lot spaces, metered spaces and loading zones.

University-wide, the current ratio of parking decal holders to students is one space for every 3.9 decals, and one space for every 1.4 faculty and staff decals. At the MMC campus, this ratio is currently one parking space for every 5 student decals and one space for every 1.7 faculty and staff decals.

As one of the top research institutions in the United States, FIU's annual enrollment numbers have increased significantly. As a result of this growth, the unmet parking demands have increased.

To support these increases in parking demand, FIU is currently looking at the opportunity to add a sixth parking garage at its Modesto A. Maidique Campus. The proposed PG 6 will include approximately 2,000 parking spaces, as well as core and shell space for 35,000 gross square feet of classrooms and retail space. This increase in parking supply will increase the total number of spaces on campus to 17,000 with approximately 8,800 of those spaces as structured parking.

With this increase in parking, the goal of this new facility is to increase the ratio of available parking spaces to student and faculty/staff decals. This will result in more convenient and accessible parking for users, decreasing the amount of time spent searching for spaces, while increasing the total number of spaces available to serve the growing campus. Further, the integration of classrooms and retail space within the footprint of the garage will be a valuable use of the footprint, as well as encourage additional street-level pedestrian activity in the area. Additional benefits include a reduction to students' time spent looking for a space, as well as decreases in vehicles circulating and the resulting reductions in emissions from such vehicles.

## General Project Assumptions

For the purposes of this analysis, we have utilized the following project assumptions, based on information provided by FIU as well as our experience in design, construction, the local market, and state of the industry P3 practices.

Assumption	Cost	Notes/Detail
<b>Project Cost</b>	\$42,500,000	Cost includes all elements including 2,000 spaces and classroom and retail space of 35,000 SF.
<b>Student Monthly Fee</b>	\$21.75	Based on the three semester year, annual transportation access fee per student is \$261, amounting to \$21.75 per student on a monthly basis. Faculty and staff permits average approximately \$200 per year, for an approximate monthly fee of \$20.00. For this reason, we have included faculty and staff permits at that rate.
<b>Daily Visitor Fee</b>	\$8/day or \$1/hr	

<b>Fee Increases</b>	3% annually	Assumes three percent annual increase in access fee, as well as daily and short term rates
<b>Garage Occupancy</b>	2000 cars	Assumes garage operates at full occupancy starting in year one and continues.
<b>Decal Parker Occupancy</b>	88%	Assumes 88% of the space will be occupied by students and faculty/staff.
<b>Daily Parker Occupancy</b>	12%	Assumes 12% of the space will be occupied by daily parkers. 50% will be divided among daytime visitors and nighttime visitors assuming an average stay of three hours.
<b>Turnover</b>	2.94	Ratio provided by the University.
<b>Operating Increase</b>	2%	Assumes an annual increase of 2% on expenses.
<b>Operating Cost/Space</b>	\$250/space	Assumes industry standard rate.
<b>Operating Administrative Cost</b>	\$220/space	Assumes industry standard rate.
<b>Structural Maintenance Reserve</b>	\$120/space	Assumes industry standard rate.
<b>Cost of Retail Construction and Operations</b>		Assumes off-set by rent at full occupancy, per the University.

## Methodology

To evaluate the feasibility of each of the selected scenarios, we projected revenue and analyzed the operating expenses for Option 1 to set the baseline by which we can compare additional scenarios. Under Option 1, the University would set access fee and parking rates and operate the garage. Under Options 2 and 3 the developer would operate and manage the structure, setting fees and parking rates. It is assumed that under Options 2 and 3, students, faculty, and staff will not pay the transportation access fee to utilize the proposed garage and will instead pay the market rate for parking.

Thus, development and financing expenses for each option become the most pertinent factor to determine the feasibility of each scenario, as parking fees and rates will be set based on the individual facility's profit.

### Option 1: FIU Funded and Operated Garage on Campus

The construction and operation of this garage will be very similar to the previously constructed on-campus University owned and operated facilities. The University will allocate and finance the funding for the construction of the garage and will operate and manage the garage by the existing Parking and Transportation Department.

### **Option 1 Assumptions**

Unless otherwise noted, the general assumptions listed above apply in each of the options.

<b>Assumption</b>	<b>Cost</b>	<b>Notes/Detail</b>
<b>Debt Service</b>	5.75%	Per the University, debt service for non-taxable bonds at a maximum of 5.75% over 30 years.

### **Option 1 Findings**

Under Option 1, in the first year the garage operates at an approximate additional cost of \$2.2 million to the University.

### **Option 2: Developer Funded and Operated On Campus Garage**

Under this scenario, the University develops a public/private partnership with a developer to fund the design and construction of the garage on campus potentially in the same location as Option 1 for PG6. Once built, the garage will be operated and managed by the developer. Potential fee structure and revenue and additional costs are described in the assumptions below.

### **Option 2 Assumptions**

Unless otherwise noted, the general assumptions listed above apply to this scenario.

<b>Assumption</b>	<b>Cost</b>	<b>Notes/Detail</b>
<b>Monthly Rate</b>	\$140/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
<b>Daily Rate</b>	\$10/day	Daily rates increase to \$10/day and \$1.50/hour, at the same ratio of 12% daily parkers.
<b>Turnover</b>	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
<b>Debt Service</b>	6.75%	Debt service estimated at 6.75% over 30 years
<b>City Parking Tax</b>	\$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at \$300/space.
<b>Developer Fee</b>	5%	Developer fees range from 4% to 7% depending on project conditions, estimated 5% of construction cost to be financed at 6.75%.
<b>ROI</b>	15%	Assumes a mid-range ROI for developers investors of 15%.
<b>Debt Financing</b>	70%	Assumes debt financing at 70% of construction cost with 30% down payment.
<b>Land Lease</b>	\$1	Assumes a land lease from the University to the developer at \$1 to incentivize the project.
<b>Construction Cost</b>		Construction cost based on garage cost, and does not include 35,000 SF retail shell space.



### **Option 2 Findings**

Under Option 2, the garage operates as at a loss in the near term, until year three when the facility becomes profitable.

Under this option, the developer will utilize taxable private financing. Historically, the delta between non-taxable bonds and taxable private financing is one to two percent. Presently the delta is slightly less than one percent. We have assumed a one percent increase in financing (from 5.75% in Option 1 to 6.75% in Option 2 and 2A) as a conservative assumption.

This increase in cost results from the reduced turnover ratio, increase in debt service rate, the impact of annual city parking taxes, developer fee, and necessary ROI for investors. In addition to the increased cost in this option, the developer may require "Guarantee of Revenue" from the University to incentivize the project. The University may also find it challenging to find a developer incentivized to fund the project under the current revenue structure, given the loss taken in years one and two.

In addition, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

### **Option 2A: Developer Funded and Operated On Campus Garage with Ground Lease**

Under this option, the University leases the footprint of the garage at market rates to the developer, in lieu of the one dollar land lease in Option 2.

### **Option 2A Assumptions**

<b>Assumption</b>	<b>Cost</b>	<b>Notes/Detail</b>
<b>Monthly Rate</b>	\$150/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
<b>Daily Rate</b>	\$12/day	Daily rates increase to \$12/day and \$2/hour, at the same ratio of 12% daily parkers.
<b>Turnover</b>	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
<b>Debt Service</b>	6.75%	Debt service estimated at 6.75% over 30 years
<b>City Parking Tax</b>	\$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at \$300/space.
<b>Developer Fee</b>	5%	Developer fees range from 4% to 7% depending on project conditions, estimated 5% of construction cost to be financed at 6.75%.
<b>ROI</b>	15%	Assumes a mid-range ROI for developers investors of 15%.
<b>Debt Financing</b>	70%	Assumes debt financing at 70% of construction cost with 30% down payment.
<b>Land Lease</b>	\$2.50/SF	Assumes lease at market rates for approximately \$500,000 annually in profit for the University.
<b>Construction Cost</b>		Construction cost based on garage cost, and does not include 35,000 SF retail shell space.

### **Option 2A Findings**

Under Option 2, the garage operates as at a loss in the near term, until year three when the facility becomes profitable.

Under this option, we have again assumed a one percent increase in financing (from 5.75% to 6.75%) as a conservative assumption.

This increase in cost results from the additional cost of the ground lease to the developer at market rates. Again, the developer may require "Guarantee of Revenue" from the University to incentivize the project. As in Option 2, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

### **Option 3: Developer Funded, Operated Garage off Campus**

Under this scenario, the University develops a public/private partnership with a developer to fund the design and construction of the garage off campus, on a site to be identified and acquired. Once built, the garage will be operated and managed by the developer. Potential fee structure and revenue and additional costs are described in the assumptions below.

### **Option 3 Assumptions**

Unless otherwise noted, the general assumptions listed above apply to this scenario.

<b>Assumption</b>	<b>Cost</b>	<b>Notes/Detail</b>
<b>Monthly Rate</b>	\$170/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
<b>Daily Rate</b>	\$12/day	Daily rates increase to \$10/day and \$2/hour, at the same ratio of 12% daily parkers.
<b>Turnover</b>	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
<b>Debt Service</b>	7%	Debt service estimated at 7% over 30 years.
<b>City Parking Tax</b>	\$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at \$300/space.
<b>Developer Fee</b>	7%	Developer fees range from 4% to 7% depending on project conditions, estimated 7% of construction cost to be financed at 7%.
<b>ROI</b>	18%	Assumes a higher range ROI for developer investors of 18%.
<b>Debt Financing</b>	60%	Assumes debt financing at 60% of construction cost with 40% down payment.
<b>Land Acquisition</b>	\$4 million	Land assemblage and acquisition assumed at \$4 million based upon recent land sales in adjacent Sweetwater and appraisal of University land
<b>Construction Cost</b>		Construction cost based on garage cost, and does not include 35,000 SF retail shell and classroom space.

### Option 3 Findings

Under Option 3, the garage also operates as at a loss in the near term, until year three when the facility becomes profitable.

In addition to the cost of land under Option 3, this increase in cost above Option 2 results from the further increase in debt service rate, as well as a higher developer fee and ROI. We have assumed a 1.5% increase in financing (from 5.75% in Option 1 to 7% in Option 3). These increases are projected based on the assumption that an off-campus garage will be a higher risk venture for the developer and are consistent with what we observe in the current market.

As in the case for Option 2 and 2A, the developer may require "Guarantee of Revenue" from the University to incentivize the project. The University may also find it increasingly challenging to find a developer incentivized to fund the project under the current revenue structure off campus, as opposed to within the campus boundary.

Given the current rate structure and ability to park anywhere on campus with a decal, students and staff will need further incentive to walk further from the garage or take a shuttle to their destination, in addition to paying a higher rate per month or day for parking.

Another consideration would be opening the garage operation to the public, which would result in a net loss of spaces to be utilized by the University.

In addition, as in Option 2 and 2A, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Finally, if providing off campus parking facilities, the developer may need to provide for additional transportation to bring students on the campus via a shuttle or other services. This expense is not included under these scenarios, but should be considered in addition to the costs summarized in this report as a deterrent to project feasibility.

### Feasibility Analysis

Based on the findings for each of these scenarios, increasing parking rates, developer expenses and project risk are the most pertinent factors to determine the feasibility of Options 1, 2, and 3.

Option	Cost Year 1	Monthly Cost	Daily Rate	Annual Cost for Students and Faculty
Option 1	\$2.2 M to University	\$21.75	\$8	Student transportation access fees consistent with current structure: \$261 per student annually
Option 2	Operates at loss Years 1 and 2	\$140	\$10	Monthly parker cost: \$1680 annually
Option 2A	Operates at loss Years 1 and 2	\$150	\$12	Monthly parker cost: \$1800 annually
Option 3	Operates at loss Years 1 and 2	\$170	\$12	Monthly parker cost: \$2040 annually

Assuming the developer would recoup the cost of Options 2 or 3 through increases in the monthly and daily parking rates charged to all students (as well as staff and facility permit holders), those increases in that fee would be substantial, as detailed in the table above.

## Conclusion

Based on our comparison of the options outlined in this report and our analysis to date, it is our recommendation in moving forward with the design and construction of PG6, it is in the best interest of FIU as a whole, well as that of the students, for the facility to be designed, constructed and operated by FIU at an on-campus site.

In Option 2, the additional costs incurred by FIU students and staff, as well as the strain of a potential to revenue guarantee for the developer will not be an optimal situation for the parties involved. Further, in Options 2A and 3, the addition of ground lease costs, and transportation costs from the off-campus lot would result in significant cost increases and inconvenience to students and staff.

In summary, we believe that the most cost-effective solution for this project is for FIU to develop the proposed parking facility on campus. This will not only ensure that the location of the facility is conveniently placed in proximity to other student destinations, but this is the most financially feasible option for students and the university. Finally, the inclusion of retail and classroom space within the garage will generate additional activity and student life in this section of campus.

Thank you for the opportunity to work with you on this exciting project.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Haahs".

Timothy Haahs, PE, AIA  
President

March 6, 2013

Mr. Chris Kinsley  
Director, Finance and Facilities  
Board of Governors  
325 W. Gaines Street  
Tallahassee, Florida 32399

Dear Chris:

On behalf of the Florida International University Board of Trustees, I am pleased to submit this letter and accompanying analysis in response to Governor Rick Scott's February 18, 2013 request that SUS universities address the following specific concerns before advancing construction projects that require debt financing:

- Review quantitative metrics justifying the need for construction
- Calculate a return-on-investment for revenue-generating projects and other appropriate measures for non-revenue-generating projects; and
- Assess whether the private sector can offer a comparable alternative at a lower cost

## **QUANTITATIVE METRICS JUSTIFICATION REVIEW**

### **FIU's Student Population Is Growing**

In Fall 2010, the university's student headcount totaled 44,010. Comparatively, by Fall 2012, student headcount enrollment reached 46,292. Additionally, FIU enrolls approximately 4,200 high school dual enrollment students and this increases total student headcount to over 50,000. This increase in headcount was in-line with the goal to increase enrollment by 2,000 academically qualified students per year as delineated in the university's Worlds Ahead 2010-2015 Strategic Plan.

FIU completed and opened its last parking garage on the Modesto Maidique Campus ("MMC") in the Fall 2010 semester, adding a net 1,750 spaces and increasing total parking space inventory to 11,992 spaces, 7,501 of which were assigned to students and 999 assigned to on-campus housing residents. Student spaces, including those assigned to residential students, represented 70.9 percent of spaces. The proportion of student spaces is in-line with historical and projected allocations.

### **Service Levels Are Declining**

#### **RATIO OF FTE TO STUDENT PARKING SPACES**

As a part of the 2005-2015 Campus Master Plan, the University prepared an analysis of the university's Transportation Element which specifies a standard of service of one space for every 2.94 full-time equivalent (FTE) student and one space for every 2 FTE students living on campus. The university was

Division of Business and Finance  
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close to meeting this standard of service in Fall 2010 but is now well above the ideal ratios due to the 9.6 percent enrollment increase in FTEs and the -3.7 percent decrease in allotted spaces.

		<b>Ideal</b>	<b>Spaces</b>	<b>Spaces</b>		<b>Actual</b>
		<b>Ratio</b>	<b>Needed</b>	<b>Available</b>	<b>Shortage</b>	<b>Ratio</b>
<b>Fall 2010</b>						
FTEs ex-residents	28,719	2.9	9,903	9,430	(473)	3.0
Residents	2,746	2.0	1,373	1,227	(146)	2.2
<b>Total</b>	<b>31,465</b>	<b>2.8</b>	<b>11,276</b>	<b>10,657</b>	<b>(619)</b>	<b>3.0</b>
<b>Fall 2012</b>						
FTEs ex-residents	31,731	2.9	10,942	9,274	(1,668)	3.4
Residents	2,760	2.0	1,380	986	(394)	2.8
<b>Total</b>	<b>34,491</b>	<b>2.8</b>	<b>12,322</b>	<b>10,260</b>	<b>(2,062)</b>	<b>3.4</b>

#### RATIO OF HEADCOUNT TO MMC STUDENT PARKING SPACES

Student headcount on MMC is also a valuable metric of level of service to students. As shown below, with headcounts increasing, service levels have been declining.

	<b>Student</b>	<b>Spaces</b>	
<b>MMC</b>	<b>Headcount</b>	<b>Available</b>	<b>Ratio</b>
<b>Fall 2010</b>	33,448	8,500	<b>3.9</b>
<b>Fall 2012</b>	36,456	7,918	<b>4.6</b>

#### RATIO OF TRANSPORTATION ACCESS FEE COLLECTED TO STUDENT PARKING SPACES

Levels of service can also be measured by decal sales, or more accurately for students, the number of transportation access fees (TAF) collected. TAF collected are measured on a university-wide basis, since student decals are not restricted by campus. Service levels for students have been declining based on TAF collected.

	<b>TAF</b>	<b>Spaces</b>	
<b>University Wide</b>	<b>Collected</b>	<b>Available</b>	<b>Ratio</b>
<b>Fall 2010</b>	36,770	10,657	<b>3.5</b>
<b>Fall 2012</b>	38,734	10,260	<b>3.8</b>

#### Parking Garage Six Will Improve Quality of Service to Students

Parking Garage 6 (PG6) is planned as a 2,000 space structure that will provide a net 1,775 additional spaces, 1,580 of which are projected to be allocated as student spaces. With the addition of 1,580 student spaces, service levels will return to Fall 2010 levels. Otherwise, service levels will continue to deteriorate as surface lots are lost to new building construction and enrollment increases.

		<b>Ideal Ratio</b>	<b>Spaces Needed</b>	<b>Spaces Available</b>	<b>Shortage</b>	<b>Actual Ratio</b>
<b>Fall 2014 w/o PG 6 (Est)</b>						
FTEs ex-residents	32,574	2.9	11,232	9,274	(1,958)	3.5
Residents	3,366	2.0	1,683	1,527	(156)	2.2
<b>Total</b>	<b>35,940</b>	<b>2.8</b>	<b>12,915</b>	<b>10,801</b>	<b>(2,114)</b>	<b>3.3</b>
<b>Fall 2014 (Est)</b>						
FTEs ex-residents	32,574	2.9	11,232	11,010	(222)	3.0
Residents	3,366	2.0	1,683	1,527	(156)	2.2
<b>Total</b>	<b>35,940</b>	<b>2.8</b>	<b>12,915</b>	<b>12,537</b>	<b>(378)</b>	<b>2.9</b>

<u>MMC</u>	<b>Student Headcount</b>	<b>Spaces Available</b>	<b>Ratio</b>
<b>Fall 2014 w/o PG 6 (Est)</b>	37,987	8,218	<b>4.6</b>
<b>Fall 2014 (Est)</b>	37,987	9,798	<b>3.9</b>

<u>University Wide</u>	<b>TAF Collected</b>	<b>Spaces Available</b>	<b>Ratio</b>
<b>Fall 2014 w/o PG 6 (Est)</b>	40,384	10,801	<b>3.7</b>
<b>Fall 2014 (Est)</b>	40,384	12,537	<b>3.2</b>

### Current Parking Cost to FIU Student and Expense to FIU

FIU students pay \$89 for the Fall and Spring semesters or \$178 for the two semesters. Furthermore, students pay \$81 for the Summer semester, or \$259 for an entire year.

Total net operating expense for FIU Parking and Transportation was \$6.3 million in FY 2011-12 (excludes shuttle and vehicle services and R&R expenses). With debt service of \$4.9 million, parking services expense were about \$11.2 million. Student and resident spaces represented 70.9% of the total spaces, therefore the associated operating expenses and debt service would be \$7.9 million.

These costs have increased due to specific measures implemented by the university to relieve traffic congestion and to provide additional parking options during peak usage periods, specifically the start of each semester. In Fall 2012, these initiatives added over \$0.2 million in expenses.

Ongoing improvements to further alleviate traffic and parking problems, such as inner loop traffic lights and pedestrian controls, also added significant expense to the university.

## Qualitative Assessment of Current Parking Service Level

In February 2012, the university received a parking satisfaction report from the FIU Metropolitan Center, an applied social science research and training institute. The availability of parking was rated poor by the overwhelming majority of users, regardless of their relationship to the university. Most markedly, 67 percent of students identified parking availability as poor. These survey results reinforce the observed decline in parking service quality and the shortage of parking spaces on the MMC.

### Do you feel the availability of parking on campus is:

	Admin.	Faculty	Student	Other	Total
<b>Poor</b>	242	164	936	101	<b>1443</b>
<b>%</b>	59.5%	61.7%	67.0%	70.6%	<b>65.2%</b>
<b>Adequate</b>	151	95	431	39	<b>716</b>
<b>%</b>	37.1%	35.7%	30.8%	27.3%	<b>32.3%</b>
<b>Excellent</b>	14	7	31	3	<b>55</b>
<b>%</b>	3.4%	2.6%	2.2%	2.1%	<b>2.5%</b>
<b>Total</b>	407	266	1398	143	<b>2214</b>
<b>%</b>	100.0%	100.0%	100.0%	100.0%	<b>100.0%</b>

## Parking Garage Six is Part of a Community Partnership to Improve Transportation

FIU is working with Miami-Dade County Transit, Miami-Dade County Expressway, the Florida Department of Transportation, and the City of Sweetwater to solve traffic congestion and improve access to public transportation and PG6 is integral to these efforts. In 2012, FIU and its partners, proposed the University City Prosperity Project to the US Department of Transportation, an innovative and transformational partnership among the various agencies. This project included the Advanced Transit and Multimodal Station (ATMS), a joint effort with the Miami-Dade Transit and Miami-Dade Expressway Authority. It would consolidate the automobile, local county bus, university and Sweetwater shuttle bus and future express bus traffic onto a single site to increase the efficiency of travel to and from the university. Parking Garage 6 will be the hub of express bus service along SW 8<sup>th</sup> street.

The ATMS concept is envisioned as a western hub to complement the Miami Intermodal Center (MIC) at Miami-International Airport with use of the Sustainable Informed Traveler Program to assist all travelers in transportation choices. Together, the Alliance submitted US Department of Transportation Grants for funding under the TIGER program -- one in 2011 and one in 2012 -- as well as two recent grant requests to the Florida Department of Transportation and the Knight Foundation. We are encouraged that additional outside funding will materialize to fulfill the Prosperity Project.



## RETURN-ON-INVESTMENT OR INTERNAL RATE OF RETURN CALCULATION

Based on the 30-year useful life of the parking garage, the internal rate of return of the project is estimated at 6.51 percent. Based on a review of the information as provided by the University consistent with the State University System Debt Management Guidelines, the Board of Governors will provide a recommendation on the project. The University, with assistance from the Division of Bond Finance, calculated the internal rate of return based on an established methodology used for a similar project at another institution within the State University System.

## PRIVATE SECTOR ALTERNATIVES ASSESSMENT

### Using the Private Sector to Provide On-campus Services is Appropriate in Certain Cases

FIU is an active partner with the private sector and assesses opportunities to generate cost savings by contracting with external vendors who can deliver services at a lower cost to students, faculty and staff. Most notably, within its Parking and Transportation Department, the university contracts with an outside vendor to provide shuttle bus service between its MMC and Biscayne Bay Campus, located about 24 miles from each other. Known as the Golden Panther Express, the contract was worth \$0.9 million in FY2012. The following is a list of major outsourcing contracts managed by the university:

#### **Cost centers (service agreements)**

Repairs and Maintenance (Various)	\$ 6.4 million
Shuttle Service (Horizon Coach Lines)	\$ 0.9 million

#### **Profit Centers (licensing agreements)**

Food Service (Aramark)	\$ 2.7 million
Printing/Copying (Toshiba)	2.1 million
Bookstore (Barnes & Noble)	1.1 million

The university has implemented outsourced private parking for its Brickell instructional site in downtown Miami, which provides executive, evening and weekend business degree programs. Parking costs for are \$19,874 per month to the university, which would equate to \$101 per student per month.

### Privatization Alternatives Analyses

As a part of its ongoing strategy to review the efficacy of private alternatives, the university engaged the services of Timothy Haas & Associates, Inc. to assess options to fund construction and operate a garage. The analysis concluded that the university's recommendation to build and operate the new garage provides the most cost-effective solution to student, faculty and staff parking. The Tim Haas analysis examined the four most viable combinations garage construction, parking operation and location scenarios:

1. FIU funded and operated, on-campus
2. Developer funded and operated, on-campus

3. Developer funded and operated, on-campus with ground lease
4. Developer funded and operated, off-campus

The analysis concluded that option 2 would not be viable because of “the additional costs incurred by FIU students and staff, as well as the strain of a potential to revenue guarantee for the developer.”

Option 3 would further exacerbate the problem with “the addition of ground lease costs” while option 4 would include “transportation costs from the off-campus lot [that] would result in significant cost increases and inconvenience to students and staff.”

Additionally, FIU contracted with Walker Parking Consultants to evaluate the feasibility of off-campus student parking. Similar to Walker Parking Consultants’ finding for Florida Atlantic University, a developer funded and developer operated parking garage off-campus would result in a considerable increase in cost to our students.

The Timothy Haahs and Associates, Inc. and Walker Parking Consultants studies are included for your review and consideration.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Kenneth A. Jessell". The signature is written in a cursive, flowing style.

Kenneth A. Jessell, Ph.D.  
CFO and Senior Vice President

Attachments:

Timothy Haahs and Associates, Inc. Feasibility Study  
Walker Parking Consultants Feasibility Study



**RICK SCOTT**  
GOVERNOR

February 18, 2013

Chairman Dean Colson  
Colson Hicks Eidson  
255 Alhambra Circle, Penthouse  
Coral Gables, Florida 33134

Dear Chairman Colson:

As Governor, the Cabinet and I are often asked to vote on whether to approve bond issuances for university construction projects. When reviewing potential bond deals, my view is simple: borrowing must be thoroughly scrutinized because overreliance on debt will push the cost of a university education beyond the reach of many Florida families.

I know that universities share these concerns and are constantly evaluating ways to reduce costs and improve quality. This includes working together to determine the need for additional facilities and the best way to finance them. In particular, universities and the Board of Governors have a joint responsibility to critically evaluate and justify the use of debt as a financing tool. Quantitative metrics must be used to ensure that each dollar borrowed is essential to our universities' core mission of educating tomorrow's leaders.

Accordingly, projects financed through the issuance of bonds, certificates of participation, long-term leases, or similar contractual arrangements must clearly provide tangible benefits to students. Before advancing such projects, universities should:

- Review quantitative metrics justifying the need for construction;
- Calculate a return-on-investment for revenue-generating projects and other appropriate measures for non-revenue-generating projects; and
- Assess whether the private sector can offer a comparable alternative at a lower cost.

Further, in order to enhance accountability, those using debt to finance construction should compare the projections used during the evaluation and approval process with the actual results achieved. These policies should apply whether facilities are financed directly by universities or through direct support organizations.

THE CAPITOL  
TALLAHASSEE, FLORIDA 32399 • (850) 488-2272 • FAX (850) 922-4292

Chairman Dean Colson

February 18, 2013

Page Two

Since taking office, I have consistently called on universities to lower costs and increase efficiencies. I believe that our goal of ensuring that college remains both affordable and high-quality is achievable if universities focus on their core mission and on creating operational efficiencies.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Scott", with a large, stylized initial "R" and a long, sweeping horizontal stroke at the end.

Rick Scott  
Governor

cc: Chancellor Frank Brogan, Florida Board of Governors



4904 Eisenhower Boulevard, Suite 150  
Tampa, FL 33634

Office: 813.888.5800  
Fax: 813.888.5822  
www.walkerparking.com

February 22, 2013

via e-mail: kjessell@fiu.edu

Kenneth A. Jessell, Ph.D.  
Senior Vice President and Chief Financial Officer  
11200 SW 8<sup>th</sup> Street, PC 523  
Miami, FL 33199

Florida International University  
885 SW 109 Avenue, PG5 Market Station  
Miami, FL 33199-0001

Re: *Off-Campus Student Parking – Feasibility Review*  
*Florida International University*  
*Miami, Florida*  
*Walker Project No. 15-1951.00*

Dear Dr. Jessell:

In response to your request, Walker Parking Consultants is pleased to submit this report evaluating the feasibility and practicality of privately owned and managed off-campus student parking.

## **BACKGROUND**

The Miami Campus of Florida International University (FIU) currently provides on-campus parking for its students and staff in five structured parking facilities and several surface parking lots spread throughout the campus. A sixth parking structure is currently in the design phase. With the growth of the University enrollment, need for sites for new campus buildings has meant a steady encroaching on the existing surface parking lots. While the demand for parking is increasing with the University's growth, the land available for surface parking, and therefore, the parking supply, will decrease without addition of new structured parking. With a land-locked campus, the only way FIU can meet its parking needs is with additional structured parking. Given the cost of structured parking, the State has asked the University for an evaluation of the feasibility of providing off-campus privately owned and operated parking. The model used for this concept is that of privately provided off-site parking near major airports wherein patrons are typically shuttled to and from their destination.

## ANALYSIS AND EVALUATION

The University's headcount enrollment for Fall of 2012 was approximately 50,000. A total of 14,629 parking spaces were provided for staff and faculty in 2012. The parking system is supported primarily by revenues derived from three sources. A mandatory transportation access fee charged to all students enrolled at the University, citations, and metered spaces. FIU currently charges \$89 per semester [\$83 during summer] for student access fee. The access fees include parking decals. The faculty/staff pay for parking decals and the fees range from a low of \$133 to a high of \$972 per year depending on staff/faculty grade. More than 88% of the access fee/decal revenue is derived from student access fees. The parking decals allow unlimited parking in designated areas of the campus. Proceeds from the fee are used by the University to sustain the parking program.

Off-campus parking can be provided as surface parking or structured parking. For off-campus parking to be desirable, it needs to be located close to the campus and affordable to students. In terms of possible locations, the area surrounding the Miami campus of FIU is densely populated and lacking sites large enough for surface parking lots or for placement of a parking structure. The University is immediately adjacent to Florida turnpike on the west side. Area across S.W. 8<sup>th</sup> Street on the north side is all residential. Area on the east side with the exception of strip shopping centers, a school and a church is all residential. There are tracts of empty land on the south side, but this is used for the Miami Dade County youth fair and Tamiami Park, neither one of them is available to FIU. Also, there is no ability for a private operator to buy the land and build a garage. Thus, areas large enough for surface parking lots are rarely if ever available for land acquisition, leaving structured parking as the only option provided land was available within a reasonable distance from the campus and a shuttle service was provided.

Structured parking may cost anywhere from \$10,000 per space to \$15,000 per space, not including cost of the land. A private owner/operator will be subject to property taxes unlike University owned properties. In addition, the operator will need to provide a shuttle service to and from the campus either on-demand or throughout the operating hours. As a business, in addition to being able to pay all ownership and operating costs, the owner/operator will need to make a reasonable profit. All this will have to be accomplished from the revenues derived from the single facility.

It is estimated that the owner/operator will need to charge a minimum of \$6 to \$8 per space per day of operation. For a commuting student spending a minimum of three days on campus, this would translate into a parking cost of over \$80 per month or over \$300 per semester. This will be in stark contrast to the \$89 per semester access fee currently being charged by FIU. In addition, the student or staff paying \$80 or more per month will have to use parking far less convenient than that available on campus. Even if you ignore the profit portion and the property tax liability of the private operator, the reason FIU can have a self-sustaining parking program at a substantially lower rate is because nearly 60% of the parking is provided in low cost, minimal maintenance

surface lots and it can charge access fees for up to 50,000 students in addition to faculty/staff decals for 14,629 available spaces.

## CONCLUSION

Therefore, the cost differential alone makes provision of the off-site privately owned and operated parking an option that will not be supported or used by students. This factor is why local market demand for parking is insufficient to attract private vendors. Further, FIU subsidizing off-campus parking defeats the primary goal for this option. We are, therefore of the opinion that the provision of off-site privately owned and operated parking is neither desirable, nor financially workable for FIU.

We trust that the above provides you with the evaluation you have requested. Please call if you have any questions or need additional clarification.

Sincerely,

WALKER PARKING CONSULTANTS



Uday A. Kirtikar, P.E.  
Vice President/Managing Principal

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

March 6, 2013

**Subject: Increase in Orientation Fee**

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**Proposed Committee Action:**

Recommend that the Florida International University Board of Trustees request that the State University System of Florida Board of Governors (BOG) approve an increase to the Orientation Fee in the amount of \$15.00.

---

**Background Information:**

Florida Statute 1009.24 (14) (b) authorizes an orientation fee not to exceed \$35.00. Florida Statute 1009.24 (15) (a) authorizes the BOG to approve a proposal from a university board of trustees to increase the existing fee.

The Orientation Fee has not been increased since 2002. The increase will be utilized to fund enhancements to the orientation program as described in the supporting documentation which have been made recently and additional enhancements that will be made. The increase will be effective for students whose enrollment begins in Fall 2014.

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<b>Supporting Documentation:</b>	Request to Increase an Existing Fee – Orientation Fee Statement of Revenues, Expenditures, and Available Balances – Orientation Fee
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<b>Facilitator/Presenter:</b>	Kenneth A. Jessell
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**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

**University: Florida International University**

Date	
University Board of Trustees approval date:	<b>March 6, 2013</b>
Proposed fall implementation date (year):	<b>Fall 2013</b>
Description	
Fee to be increased:	Orientation Fee
Amount of current fee:	\$35.00
Incremental increase to current fee:	\$15.00
Amount of new fee:	\$50.00
Fee Approval Process	
<p>Describe the process used to determine the need for the increase, including any student involvement:</p> <p>The orientation program is an essential tool in meeting the strategic mission and goals at Florida International University. A complete review and assessment of current operational costs was completed. This assessment included student input for improving the program. It was determined that the orientation program must provide expanded and enhanced programmatic initiatives to meet the changing needs of our students and families.</p> <p>The maximum Student Orientation Fee has been capped at \$35.00, while inflation has increased 28% since 2002 and direct costs associated with providing orientation programs have increased throughout these years. In addition, with the increased enrollment numbers, the Orientation and Parent Programs office has had to expand the programmatic offerings which also cost more than what the current fee covers.</p> <p>The increased demand on the transitional program has led to additional costs to the Orientation and Parent Programs office. The office does charge students and parents for the direct cost of food and housing that is associated with the program. All additional costs are paid by the orientation fee that is collected.</p>	
Current Service / Operation	
<p>Explain the service or operation currently being funded by this fee. What steps, if any, could or have been taken to become more efficient in an effort to alleviate the need for any increase in the fee?</p> <p>Orientation participation is required for all new degree-seeking undergraduate students entering FIU as research shows that comprehensive orientation programs contribute to the success and retention of students.</p>	

**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

Orientation and Parent Programs offers two different orientation tracks based upon the students admit type.

Freshman Student Orientation- this is a mandatory two day overnight orientation. The program introduces all of the attendees to the various support services available on campus, as well as informs them of critical information such as curricular and co-curricular opportunities, campus policies, financial aid opportunities, campus safety/security, academic expectations as well as the initial registration, and a setting to meet and network with new and current students/faculty/staff. Academic advising and registration for their classes are part of the orientation process. Nonattendance at this orientation will prevent the student from enrolling for their courses at FIU.

Transfer Student Orientation- this is a one day orientation program that aids in a transfer students transition to FIU. The program provides vital information regarding financials, academic expectations, transfer equivalencies, advising, course registration, and rotating sessions that include various topics such as Campus Life, Career Services, Parking and Transportation, FIU Business Services, Housing, Veteran Services, and Student Health Services.

Parent and Family Orientation- parent and family members are strongly encouraged to participate in the orientation experience with their student in order to strengthen affinity and success along with setting desired expectations. Parent and family members who are in attendance receive vital information on transitional initiatives, support and resources at FIU.

During each orientation, regardless of track, students and family members have the opportunity to experience firsthand the variety of opportunities that students have to get involved with on campus during the Involvement and Resource Fair.

Over the past several years, session facilitation has grown from 15 freshman orientations to 21 in 2012. We also increased the number of transfer orientation sessions from 15 to 21 as well. These additional sessions have and will continue to result in increased facilities cost (i.e.: room rental, cleaning) and student labor costs, which still does not take into account inflation and increases in minimum wage laws, facilities cost, food cost, and material costs.

With the increase in the enrollment numbers as well as the total number of orientations offered, the operations of the department has grown significantly in terms of professional and staff support. Due to this demand, we have seen the addition of a Coordinator, an Assistant Director, and 7 staff support. This additional support is needed for a quality Orientation program.

**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

**Expanded Service / Operation**

Identify the additional or enhanced service or operation to be implemented with the increase and whether other resources were considered to meet this need:

The orientation program is a very important element for all new students who are transitioning to FIU. The program itself must be designed to meet evolving student and parental needs when it comes to academic, transitions and resources.

Although FIU has successfully run a quality orientation program, due to the increasing costs, we have been limited in expanding or improving the services to keep pace with our contemporary students and parent needs.

According to the assessment that was given to all of the orientation students, there was a common thread in improvement areas. The results showed: the need to continue current frequency of offerings, increase activities for the overnight stay, more interaction with Athletics, enhanced technology, and a user-friendly website.

- We are implementing the orientation student's access to the swimming pool during the overnight stay, which will require additional costs for lifeguards and support staff to be present.
- Also, in regard to the request to provide more interaction with Athletics, a portion of the orientation programming will include a tour of the football stadium, and additional activities in the stadium club. This, too, will require additional support staff and room rental fees, event setup fees, and custodial costs. According to our survey results, interaction with Athletics will increase the student's spirit and affinity for FIU.
- Students and parents also requested that the lecture style presentation regarding services and resources needs to include technology (ex. videos, interactive technology).
- The Orientation and Parent Programs website is not user-friendly; we will contract to overhaul the site. Although some of this is a one-time cost, the website will need to be managed and maintained with resources and information that is tailored to the changing needs of the students which will be a recurring cost.
- The Orientation and Parent Programs office will contract to create an online orientation for transfer students. The online Orientation session will include information to assist new students and their guests with an interactive campus tour and overview of university services and policies. The online sessions will cover: Financial Aid, Registration, Career Services, Campus Life, Transfer Equivalencies and graduation requirements. The implementation of the online orientation will allow us to better serve our transfer student population.

Increasing the orientation programming fee will allow FIU to expand upon the current services/programs to meet the important needs of our future students.

**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

**Impact to Student**

Describe the financial impact to the typical student, including those with financial need:

The requested \$15 increase will have minimal impact to the students as this is a one-time expense to new students. The total charge for orientation participation includes the orientation program fee (currently \$35.00) and designated direct costs based on student and family member program type.

Increasing the orientation program fee will cover the costs of office supplies, routine support operations, orientation leader/peer advisor training, development of new transition initiatives to include additional overnight activities, increased involvement with Athletics, increase the technological presentations, and an efficient Orientation and Parent Programs website. These new programmatic pieces will improve the students' personal success, retention, and affinity for FIU.

**Revenues / Expenditures**

Current annual revenue collected:

**\$308,420**

Incremental annual revenue to be collected:

**\$132,180**

Describe the current expenditures from revenue generated by this fee (attach operating budget expenditure form).

Current expenditures include professional staff salaries/benefits, peer advisors, professional development/training, supplies, room rentals, signage, parking/transportation, promotional materials, resource materials and general expenses such as postage and office supplies in addition to direct costs associated with overnight programs and meals.

**Other Information**

The University has, to date, accounted for both program and direct fees and expenses in the same department finance recorded for orientation therefore account records show all revenue expenses not just the program fee and program expenses. However, for illustrative purposes, only the orientation fee and related expenses are provided in the attached revenue/expense detail.

The orientation program overlaps the fiscal year with the peak of actual sessions occurring in June, July and August.

**STATE UNIVERSITY SYSTEM OF FLORIDA**  
**Statement of Revenues, Expenditures, and Available Balances**  
**University:**  
**Fiscal Year 2012-2013 and 2013-14**

**Fee Title: Orientation Fee**

	<sup>2</sup> Estimated Actual 2012-13 -----	Estimated 2013-14 -----
<b><u>Balance Forward from Prior Periods</u></b>		
Balance Forward		\$ -
Less: Prior-Year Encumbrances	-	-
Beginning Balance Available:	\$ -	\$ -
<b><u>Receipts / Revenues</u></b>		
Fee Collections	\$ 308,420	440,600
Interest Revenue - Current Year		
Interest Revenue - From Carryforward Ba	-	-
Total Receipts / Revenues:	\$ 308,420	\$ 440,600
<b><u>Expenditures</u></b>		
Salaries & Benefits	\$ 141,450	\$ 190,370
Other Personnel Services	79,266	84,605
Expenses	87,704	165,625
Operating Capital Outlay		-
Student Financial Assistance	-	-
Expended From Carryforward Balance	-	-
<sup>1</sup> Other Category Expenditures:	-	-
Total Expenditures:	\$ 308,420	\$ 440,600
Ending Balance Available:	\$ -	\$ -

<sup>1</sup>Provide details for "Other Categories" used.

<sup>2</sup>Column not needed if a request for a new fee.

To be attached to new or increased fee requests or block tuition proposals.

For block tuition proposals only the incremental revenue should be reported.

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

March 6, 2013

**Subject: Increase in Graduate Student Application Fee**

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**Proposed Committee Action:**

Recommend that the Florida International University Board of Trustees request that the State University System of Florida Board of Governors (BOG) approve an increase to the Graduate Student Application Fee in the amount of \$25.00.

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**Background Information:**

Florida Statute 1009.24 (14) (a) authorizes an application fee not to exceed \$30.00. Florida Statute 1009.24 (15) (a) authorizes the BOG to approve a proposal from a university board of trustees to increase the existing fee.

The Graduate Student Application Fee has not been increased since 2002. The increase will be utilized to fund increasing costs of processing graduate and international student applications. The increase will be effective for students whose enrollment begins in Fall 2014.

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**Supporting Documentation:**

Request to Increase an Existing Fee – Graduate Student Application Fee

Statement of Revenues, Expenditures, and Available Balances – Graduate Student Application Fee

**Facilitator/Presenter:**

Kenneth A. Jessell

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**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

**University: Florida International University**

Date	
University Board of Trustees approval date:	<b>March 6, 2013</b>
Proposed fall implementation date (year):	<b>Fall 2013</b>
Description	
Fee to be increased:	Graduate Student Application Fee
Amount of current fee:	\$30
Incremental increase to current fee:	\$25
Amount of new fee:	\$55
Fee Approval Process	
<p>Describe the process used to determine the need for the increase, including any student involvement:</p> <p>The total costs of processing graduate applications were identified, including anticipated increases. Although the application fee has not increased in 11 years, processing costs have increased along with additional federal compliance requirements for international graduate students. In fact, inflation alone has increased 28% during this time and the inability to increase this fee has limited the University's ability to provide a timely response in determining an applicant's admission eligibility in a highly competitive environment.</p>	
Current Service / Operation	
<p>Explain the service or operation currently being funded by this fee. What steps, if any, could or have been taken to become more efficient in an effort to alleviate the need for any increase in the fee?</p> <p>The current application fee covers only a portion of the total costs associated with the review, assessment and processing of graduate applications. Undergraduate applications are handled centrally whereas graduate applications require the involvement of the department to which the applicant is applying. Graduate students are also further evaluated to determine whether they have the qualifications for, and will be offered graduate assistantships. Furthermore, international applications make up a larger portion of applications at the graduate level than at the undergraduate level. These applications require additional evaluation for compliance with immigration law requirements.</p>	

**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

**Expanded Service / Operation**

Identify the additional or enhanced service or operation to be implemented with the increase and whether other resources were considered to meet this need:

This fee increase will cover the existing services and allow improvements in processing times and enhancements to the systems for processing applications through technological improvements. These activities should not be subsidized by tuition or tuition differential due to the need to balance the needs of the enrolled students with the limited existing state funding. No other funding sources are available.

**Impact to Student**

Describe the financial impact to the typical student, including those with financial need:  
The requested fee aligns with other graduate programs outside the state of Florida as illustrated below and is in line with proposals from other large SUS graduate programs.

Institution	Graduate Application Fee
University of Texas*	\$65
University of Maryland	\$75
University of North Carolina	\$85
North Carolina State University*	\$65
University of Georgia	\$50
Georgia Tech	\$50
University of Miami	\$65
University of Virginia	\$60
University of Colorado Boulder*	\$50
Pennsylvania State University	\$65

\*Charge \$10 - \$25 additional for international students

**Revenues / Expenditures**

Current annual revenue collected:	<b>\$369,450</b>
Incremental annual revenue to be collected:	<b>\$290,550</b>

**State University System  
Florida Board of Governors  
Request to Increase an Existing Fee - Regulation 7.003(2)(a)-(k)**

Describe the current expenditures from revenue generated by this fee (attach operating budget expenditure form).

This fee covers the processing costs of graduate applications. Specifically, personnel to review applications and correspond with prospective students, support for call center operations, software license and support, credit card servicing fees along with office equipment and supplies.

Other Information

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**STATE UNIVERSITY SYSTEM OF FLORIDA**  
**Statement of Revenues, Expenditures, and Available Balances**  
**University:**  
**Fiscal Year 2012-2013 and 2013-14**

**Fee Title: Graduate Student Application Fee**

	<sup>2</sup> Estimated Actual 2012-13 -----	Estimated 2013-14 -----
<b><u>Balance Forward from Prior Periods</u></b>		
Balance Forward	\$ -	\$ -
Less: Prior-Year Encumbrances	-	-
Beginning Balance Available:	\$ 20,000	\$ -
<b><u>Receipts / Revenues</u></b>		
Fee Collections	\$ 369,450	660,000
Interest Revenue - Current Year	-	-
Interest Revenue - From Carryforward Ba	-	-
Total Receipts / Revenues:	\$ 369,450	\$ 660,000
<b><u>Expenditures</u></b>		
Salaries & Benefits	\$ 297,048	\$ 366,045
Other Personal Services	153,000	153,000
Expenses	72,131	140,631
Operating Capital Outlay	-	-
Student Financial Assistance	-	-
Expended From Carryforward Balance	-	-
<sup>1</sup> Other Category Expenditures:	(132,729)	-
Total Expenditures:	\$ 389,450	\$ 659,676
Ending Balance Available:	\$ -	\$ 324

<sup>1</sup>Provide details for "Other Categories" used.

<sup>2</sup>Column not needed if a request for a new fee.

To be attached to new or increased fee requests or block tuition proposals.

For block tuition proposals only the incremental revenue should be reported.

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**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES  
Finance and Audit Committee**

March 6, 2013

**Subject: Foundation Report**

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**Proposed Committee Action:**  
None. Discussion Item.

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**Background information:**

The Florida International University Foundation, Inc. Report contains the Financial Statements Recaps and Investment Summaries as of December 31, 2012.

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**Supporting Documentation:** FIU FOUNDATION, INC. – Financial Statements Recaps and Investment Summaries, December 31, 2012

**Facilitator/Presenter:** Richard Brilliant

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**FIU FOUNDATION, INC.**

**FINANCIAL STATEMENTS RECAP  
& INVESTMENT SUMMARIES**

**December 31, 2012**

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**FIU FOUNDATION, INC.**  
**Recap of Statement of Activities**  
**For the Six Months Ended December 31, 2012**

(In 000's)

	2012-13 6-Months <u>Budget</u>	2012-13 6-Months <u>Actuals</u>	<u>Variance</u>		2012-13 Annual <u>Budget</u>	2011-12 6-Months <u>Actuals</u>	2011-12 Total Year <u>Actuals</u>
<b>REVENUES:</b>							
<u>Contributions:</u>							
Endowments	\$ 5,645	\$ 4,592	\$ (1,053)	[1]	\$ 12,898	\$ 1,499	\$ 2,322
Non-Endowed Funds:							
Scholarships & Programs	4,222	5,606	1,384		8,549	3,782	8,957
Building Funds	127	221	94		1,751	86	1,128
Unrestricted Annual Revenues	421	364	(57)	[2]	903	244	467
Pledged Revenue	-	(1,226)	(1,226)	[3]	-	13,298	20,218
<b>TOTAL CONTRIBUTIONS</b>	<b>\$ 10,415</b>	<b>\$ 9,558</b>	<b>\$ (857)</b>		<b>\$ 24,100</b>	<b>\$ 18,909</b>	<b>\$ 33,092</b>
<u>Other Revenues:</u>							
MARC Building	\$ 835	\$ 958	\$ 123		\$ 1,669	\$ 888	\$ 1,815
Foundation Enterprise Holdings	125	102	(23)	[4]	249	158	311
Estimated Investment Returns	6,715	9,023	2,308	[5]	12,818	(12,232)	(2,446)
Administrative Reserve	-	9	9		2,605	-	1,181
<b>TOTAL OTHER REVENUES</b>	<b>\$ 7,674</b>	<b>\$ 10,092</b>	<b>\$ 2,418</b>		<b>\$ 17,342</b>	<b>\$ (11,186)</b>	<b>\$ 861</b>
<b>TOTAL REVENUES</b>	<b>\$ 18,089</b>	<b>\$ 19,650</b>	<b>\$ 1,561</b>		<b>\$ 41,442</b>	<b>\$ 7,723</b>	<b>\$ 33,953</b>
<b>EXPENSES:</b>							
<u>University Programs:</u>							
Scholarships & Programs	\$ 5,492	\$ 3,729	\$ 1,763		\$ 10,148	\$ 3,754	\$ 10,343
Building Funds	3,301	179	3,122	[6]	3,301	-	2,212
Unrestricted Annual Expenses	554	509	45		809	429	801
<b>TOTAL UNIVERSITY PROGRAM EXPENSES</b>	<b>\$ 9,347</b>	<b>\$ 4,416</b>	<b>\$ 4,931</b>		<b>\$ 14,257</b>	<b>\$ 4,183</b>	<b>\$ 13,357</b>
<u>Operational:</u>							
MARC Building	\$ 417	\$ 241	\$ 176		\$ 909	\$ 331	\$ 655
Foundation Enterprise Holdings	131	101	30		159	126	268
Administrative Reserve	802	733	69		1,609	695	1,391
General Reserve	525	231	293		1,949	59	114
Administrative Fee	-	-	-		2,605	-	1,181
<b>TOTAL OPERATIONAL EXPENSES</b>	<b>\$ 1,874</b>	<b>\$ 1,305</b>	<b>\$ 569</b>		<b>\$ 7,231</b>	<b>\$ 1,212</b>	<b>\$ 3,610</b>
<b>TOTAL EXPENSES</b>	<b>\$ 11,221</b>	<b>\$ 5,722</b>	<b>\$ 5,500</b>		<b>\$ 21,488</b>	<b>\$ 5,395</b>	<b>\$ 16,967</b>
<b>EXCESS REVENUES OVER EXPENSES</b>	<b>\$ 6,868</b>	<b>\$ 13,928</b>	<b>\$ 7,060</b>		<b>\$ 19,954</b>	<b>\$ 2,328</b>	<b>\$ 16,986</b>

\*These financial statements recap reflect revenues and expenses on a modified accrual basis.

\*\*Please refer to Appendix A for detailed variance notes.

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**Florida International University Foundation, Inc.**  
**Performance Summary**  
**Ending December 31, 2012**

<i><b><u>Fund/Manager/Inception Date</u></b></i>	<b>Market Value</b>	<b>Current Allocation</b>	<b>Tactical Target Allocation</b>	<b>Strategic Target Allocation</b>	<b>Current Month 11/30/2012 12/31/2012</b>	<b>Trailing 3 Months 9/30/2012 12/31/2012</b>	<b>Fiscal YTD 6/30/2012 12/31/2012</b>	<b>Trailing 1 Year 12/31/2011 12/31/2012</b>	<b>Trailing 3 Year 12/31/2009 12/31/2012</b>	<b>Trailing 5 Year 12/31/2007 12/31/2012</b>	<b>Since Investment Inception</b>
<b>Total Fund (6/30/00)</b>	<b>\$187,433,797</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.8%</b>	<b>0.7%</b>	<b>5.2%</b>	<b>11.4%</b>	<b>6.6%</b>	<b>0.9%</b>	<b>3.2%</b>
Total Fund Composite					1.0%	0.5%	4.6%	10.1%	6.7%	1.3%	2.6%
<b>Total Equity Accounts (6/30/00)</b>	<b>\$89,122,370</b>	<b>47.5%</b>	<b>45.6%</b>	<b>55.0%</b>	<b>0.6%</b>	<b>-0.1%</b>	<b>5.5%</b>	<b>13.2%</b>	<b>5.2%</b>	<b>-1.8%</b>	<b>1.9%</b>
Total Equity Composite					1.1%	0.1%	5.8%	14.3%	7.5%	-0.3%	0.7%
<b>Total Fixed Income Accounts (6/30/00)</b>	<b>\$43,509,188</b>	<b>23.2%</b>	<b>22.7%</b>	<b>22.0%</b>	<b>0.8%</b>	<b>1.6%</b>	<b>5.4%</b>	<b>10.4%</b>	<b>9.7%</b>	<b>8.6%</b>	<b>7.1%</b>
Total Fixed Income Composite					0.2%	0.3%	3.1%	6.0%	7.2%	6.5%	6.0%
<b>Total Alternative Investments (3/1/02)</b>	<b>\$52,457,220</b>	<b>28.0%</b>	<b>31.2%</b>	<b>23.0%</b>	<b>1.2%</b>	<b>1.4%</b>	<b>4.6%</b>	<b>9.2%</b>	<b>7.1%</b>	<b>0.7%</b>	<b>4.9%</b>
Total Alternative Composite					1.3%	1.3%	4.0%	6.9%	4.4%	-0.9%	3.0%
<b>Total Cash &amp; Equivalents Investments (6/30/10)</b>	<b>\$2,345,019</b>	<b>1.3%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.5%</b>	<b>1.3%</b>	<b>3.2%</b>	<b>N/A</b>	<b>N/A</b>	<b>2.7%</b>
90 Day Treasury Bills					0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.1%

Florida International University Foundation, Inc.  
Preliminary Performance Summary  
Ending December 31, 2012

<i>Fund/Manager/Inception Date</i>	Market Value	Current Alloc.	Tactical Target Alloc.	Strategic Target Alloc.	Current Month 11/30/2012 12/31/2012	Trailing 3 Months 9/30/2012 12/31/2012	Fiscal YTD 6/30/2012 12/31/2012	Trailing 1 Year 12/31/2011 12/31/2012	Trailing 3 Year 12/31/2009 12/31/2012	Trailing 5 Year 12/31/2007 12/31/2012	Since Investment Inception
<b>INTECH Broad LCG (11/22/11)</b> Russell 1000 Growth Index	\$12,612,777	6.7%	7.5%	N/A	-1.3% 0.0%	-1.7% -1.3%	3.8% 4.7%	17.1% 15.3%	N/A 11.4%	N/A 3.1%	15.1% 13.7%
<b>Wells Fundamental Select LCG (11/9/11)</b> Russell 1000 Growth Index	\$13,140,752	7.0%	7.5%	N/A	-0.4% 0.0%	-1.1% -1.3%	5.6% 4.7%	18.4% 15.3%	N/A 11.4%	N/A 3.1%	14.6% 13.7%
<b>Wedge Capital Large Cap Value QVM (12/29/06)</b> Russell 1000 Value Index	\$12,286,545	6.6%	10.0%	N/A	1.5% 2.1%	1.3% 1.5%	6.8% 8.1%	14.8% 17.5%	10.8% 10.9%	0.4% 0.6%	1.1% 0.5%
<b>Advisory Research SMID Cap Value (11/1/12)</b> Russell 2500 Value Index	\$10,169,531	5.4%	5.0%	N/A	2.7% 3.1%	N/A 4.1%	N/A 10.2%	N/A 19.2%	N/A 12.9%	N/A 4.5%	2.4% 4.5%
<b>IronBridge Small Cap Core Equity (12/2/03)</b> Russell 2000 Small Cap Index	\$8,801,357	4.7%	5.0%	N/A	2.1% 3.6%	1.0% 1.9%	5.0% 7.2%	13.1% 16.3%	10.4% 12.2%	2.6% 3.6%	6.6% 6.2%
<b>Student Investment Management Fund (3/31/09)</b>	\$222,979	0.1%	0.1%	N/A	0.0%	-0.1%	4.0%	7.9%	2.8%	N/A	2.9%
<b>iShares Russell 1000 Growth Fund (07/31/11)</b> Russell 1000 Growth Index	\$14,754,479	7.9%	N/A	N/A	0.0% 0.0%	-1.1% -1.3%	4.6% 4.7%	15.1% 15.3%	N/A 11.4%	N/A 3.1%	8.3% 8.2%
<b>Morgan Stanley Buy Write (12/06/11)</b> CBOE Buy Write Index S&P 500 Index	\$12,978,786	6.9%	6.5%	N/A	0.3% 0.1% 0.9%	-0.8% -2.5% -0.4%	3.9% 0.4% 6.0%	10.4% 5.2% 16.0%	N/A 5.6% 10.9%	N/A 1.1% 1.7%	12.4% 7.9% 15.8%
<b>Subtotal: Domestic Equity</b>	\$84,967,206	45.3%	41.6%	35.0%							
<b>Wentworth Hauser &amp; Violich (3/31/10)</b> MSCI EAFE Index	\$2,087,287	1.1%	2.0%	N/A	3.3% 3.2%	4.3% 6.6%	11.1% 13.9%	12.3% 17.3%	N/A 3.6%	N/A -3.7%	2.0% 3.6%
<b>Thornburg International Equity (1/31/11)</b> MSCI EAFE Index	\$2,067,877	1.1%	2.0%	N/A	2.7% 3.2%	5.4% 6.6%	11.7% 13.9%	15.8% 17.3%	N/A 3.6%	N/A -3.7%	-0.5% 0.4%
<b>Subtotal: International Equity</b>	\$4,155,164	2.2%	4.0%	20.0%							
<b>TOTAL EQUITY INVESTMENTS</b>	\$89,122,370	47.5%	45.6%	55.0%							
<b>Core Fixed Income Managed Accounts</b>											
<b>Newfleet Asset Management (5/31/2001)</b> Barclays Custom Index	\$13,249,688	7.1%	7.5%	N/A	0.3% 0.3%	1.3% 1.2%	5.3% 5.1%	12.2% 10.0%	10.1% 9.0%	9.4% 8.8%	7.2% 7.0%
<b>Hillswick Asset Management (6/1/01)</b> Barclays Aggregate Index	\$5,570,465	3.0%	2.5%	N/A	-0.4% -0.1%	-0.1% 0.2%	1.1% 1.8%	3.6% 4.2%	7.9% 6.2%	7.8% 5.9%	7.0% 5.8%
<b>Shenkman Convertible Bond Fund (12/23/11)</b> BofA ML All US Convertibles Index	\$9,049,657	4.8%	5.0%	N/A	0.9% 2.1%	1.3% 2.8%	4.8% 7.8%	9.4% 15.0%	N/A 8.4%	N/A 4.1%	8.4% 13.9%
<b>Brandywine Global Opp Bond (1/1/08)</b> Citigroup World Gov't Bond Index	\$10,008,049	5.3%	5.0%	N/A	1.6% -0.9%	2.8% -1.7%	7.8% 1.2%	13.2% 1.6%	11.4% 4.4%	8.7% 5.3%	8.7% 5.3%
<b>First Eagle (7/11/12)</b> BofA Merrill Lynch US High Yield Master II TR	\$5,318,144	2.8%	2.5%	N/A	1.4% 1.6%	2.7% 3.2%	7.1% 7.9%	N/A 15.6%	N/A 11.6%	N/A 10.0%	7.1% 7.9%
<b>SunTrust Balanced Annuity Account (10/22/03)</b> 70% Barclays Aggregate / 30% S&P 500	\$313,185	0.2%	0.2%	N/A	0.6% -0.1%	0.7% 0.2%	1.7% 1.8%	5.6% 4.2%	7.2% 6.2%	4.6% 5.9%	5.5% 5.3%
<b>TOTAL FIXED INCOME INVESTMENTS</b>	\$43,509,188	23.2%	22.7%	22.0%							



Florida International University Foundation, Inc.  
Preliminary Performance Summary  
Ending December 31, 2012

<i>Fund/Manager/Inception Date</i>	Market Value	Current Alloc.	Tactical Target Alloc.	Strategic Target Alloc.	Current Month 11/30/2012 12/31/2012	Trailing 3 Months 9/30/2012 12/31/2012	Fiscal YTD 6/30/2012 12/31/2012	Trailing 1 Year 12/31/2011 12/31/2012	Trailing 3 Year 12/31/2009 12/31/2012	Trailing 5 Year 12/31/2007 12/31/2012	Since Investment Inception
<b><u>Alternative Investments</u></b>											
<b>Ironwood Partners (3/1/04)</b> HFR FOF: Conservative	\$7,918,981	4.2%	4.5%	N/A	1.7% 0.7%	3.6% 1.3%	5.5% 3.2%	8.7% 3.9%	6.6% 1.7%	-0.1% -1.5%	3.9% 1.9%
<b>Ironwood Partners (NDM Gift) (8/1/05)</b> HFR FOF: Conservative	\$2,289,440	1.2%	1.3%	N/A	1.7% 0.7%	4.0% 1.3%	5.9% 3.2%	9.1% 3.9%	6.8% 1.7%	0.0% -1.5%	3.3% 1.6%
<b>Titan Advisors (3/1/07)</b> HFR FOF: Diversified	\$8,964,083	4.8%	5.0%	N/A	0.7% 1.5%	0.7% 1.9%	3.8% 4.2%	7.2% 5.4%	4.4% 1.8%	2.7% -1.4%	4.5% 0.0%
<b>Archstone Offshore (5/1/10)</b> HFR FOF: Diversified	\$8,275,751	4.4%	4.5%	N/A	0.7% 1.5%	2.0% 1.9%	5.9% 4.2%	8.3% 5.4%	N/A 1.8%	N/A -1.4%	2.4% 1.1%
<b>Cohen and Steers Realty (12/16/08)</b> NAREIT US REIT Index	\$9,263,225	4.9%	5.0%	N/A	3.7% 3.6%	2.1% 3.1%	2.1% 4.2%	15.6% 19.7%	16.3% 18.4%	N/A 5.7%	20.2% 20.7%
<b>Deutsche Bank Liquid Comm. Fund (1/1/08)</b> S&P GSCI	\$3,656,101	2.0%	2.0%	N/A	-1.1% -0.6%	-3.1% -3.3%	7.8% 7.9%	3.5% 0.1%	3.9% 2.5%	N/A -8.1%	-3.7% -8.2%
<b>PIMCO Real Return Liquid Comm. Fund (2/28/12)</b> Dow Jones UBS Commodities Index (IR)	\$1,455,122	0.8%	1.0%	N/A	-2.8% -2.6%	-5.8% -6.3%	5.6% 2.7%	N/A -1.1%	N/A 0.1%	N/A -5.2%	-3.0% -3.4%
<b>PIMCO All Assets All Authority (7/18/12)<sup>2</sup></b> 50% MSCI World/50% Barclays Global Aggregate	\$143,466	N/A	N/A	N/A	1.6% 0.8%	3.1% 1.0%	10.2% 6.0%	N/A 10.1%	N/A 6.3%	N/A 2.5%	10.2% 6.0%
<b>DTC Private Equity II (\$5 Million)<sup>1</sup> (12/15/05)</b>	\$3,633,007	1.9%	3.0%	N/A			6.9%				7.0%
<b>DTC Private Equity III (\$2.5 Million)<sup>1</sup> (07/10/08)</b>	\$1,268,300	0.7%	1.5%	N/A			31.0%				10.7%
<b>Greenspring Global Partners IV (\$2.5 Million)<sup>1</sup> (8/8/08)</b>	\$2,335,137	1.2%	1.5%	N/A			16.3%				12.3%
<b>Greenspring Global Partners V (\$2.5 Million)<sup>1</sup> (1/19/12)</b>	\$677,387	0.4%	1.5%	N/A			18.1%				18.1%
<b>Medley Opportunity Fund II (\$2 Million)<sup>1</sup> (9/14/12)</b>	\$1,835,517	1.0%	N/A	N/A			N/A				6.1%
<b>Apollo EPF Fund II (\$2 Million)</b>	\$167,703	0.1%	N/A	N/A			N/A				N/A
<b>Foundation Enterprise Holdings I (3/31/11)<sup>1</sup></b>	\$574,000	0.3%	0.4%	N/A			0.0%				3.7%
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>\$52,457,220</b>	<b>27.9%</b>	<b>31.2%</b>	<b>23.0%</b>							
<b><u>Cash &amp; Cash Equivalents</u></b>											
<b>State of Florida Treasury Fund (7/01/10)</b> 90 Day Treasury Bills	\$2,345,019	1.3%	0.5%	N/A	0.2% 0.0%	0.5% 0.0%	1.3% 0.0%	3.2% 0.1%	N/A 0.1%	N/A 0.3%	2.6% 0.1%
<b>TOTAL CASH &amp; EQUIVALENTS INVESTMENTS</b>	<b>\$2,345,019</b>	<b>1.3%</b>	<b>0.5%</b>	<b>0.0%</b>							
<b>TOTAL FUND</b>	<b>\$187,433,797</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>							

\*These are short-term liquid funds

<sup>1</sup> For these investments, the returns displayed represent the internal rate of return.

<sup>2</sup> Deferred compensation

<sup>3</sup> The strategy and benchmark expanded to small/mid cap effective 10.1.12

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**Variance Notes:**

[1] The negative variance of \$1.1 million for endowed revenues is a result of timing of receipt of various endowment gifts.

[2] The negative variance of \$57,000 in unrestricted annual revenues is a result of funds in-transit from the University related to President's Council membership dues; delays in implementation of charge-back fee to units related to the Annual Giving Campaign program; and collection of pledge installments on grandfathered gifts not subject to the gift fee.

[3] The Board of Directors agreed not to budget the change in contributions receivable for FY 2012-13 since at the time the budget is created, it relates primarily to gift requests and agreements under negotiations. The actual change in contributions receivable for the six months ended December 31, 2012 totals \$(1.2) million, representing an excess of pledged payments over new signed gift agreements.

Below is a preliminary aging schedule of all Foundation contributions receivable as of December 31, 2012 net of a 0.7% allowance for doubtful accounts equal to \$470,056, \$41.96 million relates State Match:

	<b>Current Year</b>	<b>1 - 2 Years</b>	<b>3 - 4 Years</b>	<b>5+ Years</b>	<b>TOTAL</b>
<b>Non-Endowed*</b>	\$ 5,084,182	\$ 4,761,532	\$ 1,421,721	\$ 1,093,820	\$ 12,361,256
<b>Endowed*</b>	\$ 3,926,280	\$ 9,887,756	\$ 10,955,166	\$ 25,061,000	\$ 49,830,202
<b>COMBINED TOTAL*</b>	<b>\$ 9,010,462</b>	<b>\$ 14,649,288</b>	<b>\$ 12,376,887</b>	<b>\$ 26,154,820</b>	<b>\$ 62,191,458</b>

[4] Budgeted rental income in the amount of \$33,500 from FIU Parking & Transportation related to the FEH property for the first and second quarters has not materialized. The negative variance has been offset by the budgeted 10% allowance for vacancies totaling \$10,122 for the first quarter.

[5] Investment returns for fiscal year 2012-13 were projected at 7.0% or \$12.8 million, based on a beginning balance of \$175 million. The monthly budgeted returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Fiscal year-to-date investment gains on the portfolio total 5.2%, or \$9.0 million. The biggest contributors to these gains were equities (our largest asset class), which were up 5.5%. Adding to the positive returns were gains made in fixed income and alternative investments of 5.4% and 4.6%, respectively.

[6] Based on the University's construction schedules, the following building funds were anticipated to be transferred to the University by December 31, 2012: \$1.5 million for the Mixed Use Auxiliary Building; \$1 million for the Hospitality Management Dining Facility; and \$801,000 for Stocker Astrophysics Center. Due to delays in reimbursement requests from the University, these funds have not yet been requested from the Foundation but are anticipated in the second half of the fiscal year.

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Office of Internal Audit Status Report**

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**Proposed Committee Action:**  
None. Discussion Item.

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**Background Information:**

The Office of Internal Audit Report provides an update on completed audits, audit work in progress, and investigations since the Finance and Audit Committee last met on November 29, 2012.

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**Supporting Documentation:** Office of Internal Audit Status Report

**Facilitator/Presenter:** Allen Vann

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# **Office of Internal Audit Status Report**

**BOARD OF TRUSTEES**

**March 6, 2013**

**Date:** March 6, 2013

**To:** Board of Trustees and Finance and Audit Committee

**From:** Allen Vann, Audit Director

**Subject:** OFFICE OF INTERNAL AUDIT STATUS REPORT

---

I am pleased to provide you with the quarterly update on the status of our office's work activities. Our last update to you was on November 29, 2012.

### **Completed Audits**

We completed the following three internal audits:

- 1. University Compliance with the National Collegiate Athletic Association (NCAA) Eligibility** – Due to previous eligibility infractions in 2008, the University was placed on a four year probation by the NCAA. Significant strengthening of procedures resulted, which includes the division of responsibility between an Athletics Compliance Officer reporting to the General Counsel, the University Registrar, and Undergraduate Education.

At the start of the 2011/2012 academic year the University's Athletics Department had approximately 400 student-athletes in 17 Division I sports teams. We tested a total of 79 student-athletes for NCAA eligibility requirements. No exceptions were found for initial and transfer eligibility. We did find exceptions in continuing eligibility and general eligibility while other aspects of current procedures need to be strengthened, such as: spring football certification, squad list approval, and record keeping. Management agreed to implement all of our recommendations

- 2. FIU Football Attendance for the 2012 Season in Accordance with NCAA Operating Bylaws (Athletics)** – We performed an annual audit to certify the accuracy of attendance at University home football games reported to the NCAA for the 2012 season. Based on the methodology adopted by the Athletics Department, we concluded that the 13,572 in average home game paid attendance data reported to the NCAA are sufficiently supported.



**3. School of Journalism and Mass Communication (Academic Affairs)** – The primary objective of this audit was to determine whether established financial controls and procedures are: adequate and effective; being adhered to; and are in accordance with the University policies and procedures, applicable laws, rules and regulations. As of September 30, 2012, the School had 46 full-time employees with annual Education and General and Auxiliary funding totaling close to \$4 million. The total student enrollment for the fall of 2012 was 1,729 undergraduate and 116 graduate students.

Overall, our audit disclosed that the School's procedures relating to revenues and expenditures were adequate and appropriately aligned with the University policies and procedures, applicable laws, rules and regulations. We made audit recommendations, which were accepted by management in areas of: payroll administration, contract administration, asset management, distance learning fee related expenditures, student information, and workstation security.

### **Audit Work In Progress**

Pursuant to our annual plan we are working on the following audits:

1. University College Online Program (University College)
2. Wolfsonian-FIU (Academic Affairs)
3. Healthcare Network's Information Systems Security Controls (Herbert Wertheim College of Medicine)
4. Controls over Salary Costs Charged to Grants (Division of Research)
5. University Police Campus Safety (Police Department)
6. University Health Services (Student Affairs)
7. Construction (Facilities)

### **Investigations**

We completed two investigations. The first was an investigation involving the activities of an employee in the Department of Parking and Transportation and the Office of University Sustainability; the employee resigned from the University. The second was an investigation of a professor's travel and research activities that were requested by the Herbert Wertheim College of Medicine, our recommendations are in the process of being acted upon.

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Financial Performance Review – Second Quarter FY 2012-13**

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**Proposed Committee Action:**  
None. Discussion Item.

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**Background Information:**

The Financial Summary Overview provides the budget variance analysis for the second quarter of Fiscal Year 2012-13.

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**Supporting Documentation:** Financial Summary Overview, Second Quarter FY 2012-13

**Facilitator/Presenter:** Kenneth A. Jessell

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**Florida International University**  
**Financial Summary Overview <sup>1</sup>**  
**FY 2012-13**

	Year To Date December 2012			
	Budget	Current Year Actual	Variance	
			\$	%
(\$ in millions)				
<b>Revenue / Receipts</b>				
<b>University</b>				
Educational and General (net) <sup>2</sup>	248.4	246.4	(2.0)	-1%
University	224.5	222.8	(1.7)	-1%
College of Medicine	23.8	23.6	(0.2)	-1%
FIU Self-Insurance Program	0.5	0.5	0.0	7%
Auxiliary Enterprises	117.4	121.9	4.4	4%
Intercollegiate Athletics	17.6	17.9	0.3	2%
Activities and Service	12.3	12.0	(0.2)	-2%
Technology Fee	6.6	6.4	(0.2)	-3%
Board Approved Fees	0.4	0.2	(0.2)	-57%
Contracts and Grants	44.7	46.7	1.9	4%
Student Financial Aid	95.8	83.4	(12.5)	-13%
Concessions	0.2	0.2	(0.0)	-2%
<b>Direct Support Organizations</b>				
FIU Athletic Finance Corp	2.3	2.8	0.5	20%
FIU Foundation Inc	11.4	10.6	(0.7)	-7%
FIU Health Care Network	0.6	0.4	(0.2)	-39%
FIU Research Foundation	-	0.1	0.1	0%
Interfund Adjustments <sup>3</sup>	(9.2)	(9.8)	(0.6)	6%
<b>Total Operating Revenues</b>	<b>548.9</b>	<b>539.5</b>	<b>(9.4)</b>	<b>-2%</b>
University Treasury (net)	6.3	12.1	5.8	92%
FIU Foundation Inc	6.7	9.0	2.3	34%
<b>Total Investment Revenues</b>	<b>13.0</b>	<b>21.1</b>	<b>8.1</b>	<b>62%</b>
<b>Total Revenues / Receipts</b>	<b>561.9</b>	<b>560.6</b>	<b>(1.3)</b>	<b>0%</b>
<b>Expenses</b>				
<b>University</b>				
Educational and General (net)	188.2	177.1	11.0	6%
University	171.3	161.4	10.0	6%
College of Medicine	16.8	15.8	1.0	6%
FIU Self-Insurance Program	0.5	0.0	0.5	96%
Auxiliary Enterprises	85.0	74.8	10.1	12%
Intercollegiate Athletics	12.1	11.5	0.7	6%
Activities and Service	11.2	11.5	(0.3)	-2%
Technology Fee	4.2	2.3	1.9	45%
Board Approved Fees	0.3	0.1	0.2	59%
Contracts and Grants	45.0	45.6	(0.7)	-1%
Student Financial Aid	75.0	70.6	4.3	6%
Concessions	0.4	0.2	0.1	32%
<b>Direct Support Organizations</b>				
FIU Athletic Finance Corp	1.3	1.3	(0.1)	-4%
FIU Foundation Inc	11.2	5.7	5.5	49%
FIU Health Care Network	1.6	1.4	0.2	13%
FIU Research Foundation	0.0	0.0	(0.0)	-72%
Interfund Adjustments <sup>3</sup>	(9.2)	(9.8)	0.6	-6%
<b>Total Expenses</b>	<b>426.5</b>	<b>392.5</b>	<b>34.0</b>	<b>8%</b>
Principal Payment of Debt <sup>4</sup>	0.1	0.1	(0.0)	0%
<b>Change in Net Assets (incl. Investments)</b>	<b>135.2</b>	<b>168.0</b>	<b>32.8</b>	<b>24%</b>
<b>Change in Net Assets (excl. Investments)</b>	<b>122.2</b>	<b>146.9</b>	<b>24.7</b>	<b>20%</b>

**Notes:**

- <sup>1</sup> *The financials presented above reflects the state budgeting methodology which differs from full accrual Financial Statements. The following have the most significant impact:*
- *Depreciation of Assets: For budgeting purposes equipment purchases are fully expensed in their acquisition year, therefore depreciation is not included in the budget.*
  - *Payables: At fiscal year-end, E&G expenses will include year end commitments (encumbrances) which have not yet been invoiced.*
  - *Unrealized gains and losses: The investment results are recognized as revenues in the budget however GASB accounting principles require that it be recorded as a non-operating revenue / expense.*
- <sup>2</sup> *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts and 30% Financial Aid need-based amounts per BOG regulation. The difference between E&G Revenues and Expenses will be funded from prior years carry forward.*
- <sup>3</sup> *Interfund transfers have been included resulting in higher revenue and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments above eliminate this double counting. However, interfund transactions such as tuition funded by scholarships and auxiliary services provided to other units have not been eliminated. Since revenues and expenses are equal, the interfund adjustments are the same for both.*
- <sup>4</sup> *Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.*

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: University Compliance Report**

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**Proposed Committee Action:**  
None. Discussion Item.

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**Background Information:**

The University Compliance Program Report provides an update on the status of compliance initiatives since the last report dated October 30, 2012.

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**Supporting Documentation:** University Compliance Report

**Facilitator/Presenter:** Leyda Benitez

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**MEMORANDUM**

University Compliance Office

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**To:** The Florida International University  
Board of Trustees Finance and Audit Committee

**From:** Leyda Benitez, J.D.  
University Compliance Officer and Interim Privacy Officer

**Subject:** University Compliance Program Report

**Date:** February 6, 2013

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The University Compliance Office respectfully submits this report to the Finance and Audit Committee of The Florida International University Board of Trustees on the status of compliance initiatives since the October 30, 2012 report.

Executive Summary

Marking the mid-way point of this fiscal year, the University Compliance Office continues to make progress on its annual work plan in general and, in particular, on two major compliance initiatives. The first, necessitated both by a new Florida law in effect as of October 1, 2012 as well as by the tragic events that have unfolded at Penn State University that should nowhere else be repeated, is to create an infrastructure for compliance with new reporting requirements in the event that a University administrator or law enforcement agency learns from faculty or staff that there is known or suspected child abuse, neglect or abandonment taking place on a University campus or during a University sponsored event. The second is to continue to make progress in refining the University's outside activities/conflicts of interest electronic portal in light of the new U.S. Department of Health and Human Services Public Health Service regulations on financial conflicts of interest effective as of August 24, 2012.

Education and training efforts continue in high risk compliance areas. Additionally, compliance initiatives in the areas of privacy and policies and procedures are more fully described in the report below.

A. Current Compliance Initiatives and Activities

1. New Florida Law: Mandatory Reporting of Known or Suspected Child Abuse, Neglect or Abandonment for Universities: As reported on October 30, 2012, the Florida Legislature has taken a proactive approach to ensure the safety and security of minors visiting our campuses with the passage of House Bill 1355, Florida Statutes, known as the Vulnerable Persons Act. This Act became effective on October 1, 2012. Any public or private college or university whose administrators or law enforcement agency “knowingly and willfully,” upon receiving information from faculty, staff, or other institution employees, fail to report known or suspected child abuse, abandonment, or neglect committed on the property of the university, college, or school, or during an event or function sponsored by the university, college, or school, or who knowingly and willfully prevent another person from doing so, shall be subject to a fine of \$1 million for each such failure. Section 39.205, Florida Statutes.

The current status of FIU’s implementation efforts follows:

- a. A draft policy entitled Mandatory Reporting of Child Abuse, Abandonment and Neglect was drafted and has received input from the Chief Financial Officer/Senior Vice President of Finance & Administration, the Provost and Executive Vice President, the Vice President for the Division of Human Resources, the University General Counsel, and the University Chief of Police, among others. It is anticipated that this policy will be presented to the University’s Operations Committee for the second time on February 18, 2013 for final review and recommendation for approval to the Provost and University President.
- b. A communications campaign will accompany the implementation of this policy. Steps taken in connection with this campaign include incorporating standardized slides in compliance-related trainings offered by the University through various units including, without limitation, the Division of Human Resources through its Office of Equal Opportunity Programs and Diversity and Talent Management & Development, the Division of Research through the Research Administrators Certificate Course, the Athletics Compliance Office, the University Police Department, the Office of the General Counsel and the University Compliance Office.
- c. A draft of an online training presentation created on behalf of the Florida Board of Governors (BOG) by a member of the State

University System/BOG work group was circulated on December 19, 2012. Work is ongoing to provide voice over the presentation which eventually will be posted on the BOG website. This will be one of the resources available to receive education and training on this topic.

- d. The University work group continues to meet and provide valuable feedback in terms of implementation steps. The work group and subgroups have met on September 7, 2012, September 24, 2012, October 1, 2012, October 8, 2012, October 25, 2012 (attendance at BOG workshop) and December 7, 2012. Feedback from the work group on the most recent version of the draft policy and various other documents is expected by no later than February 8, 2013. The next work group meeting will be scheduled in late February, with various tasks to be accomplished by subgroups before then as we move forward on identified and agreed upon implementation steps.
  - e. Work has begun on Phase II of this project which is to address what minimum safeguards should be in place for those activities and enrichment programs involving the participation of minors that take place on our campus or are sponsored by the University. The University Compliance Office is gathering data to develop a current inventory. Two initiatives are ongoing – one is a University policy that will address these safeguards; the second is an automated process that will create a single repository for outside groups to seek the approval of the University in using the University facilities for any such activities. A preliminary presentation of these initiatives was made to senior leadership by the Office of the General Counsel and the University Compliance Office. The projected timeline for completion of Phase II as it relates to the policy itself is within the next 90 days.
2. Freeh Report (Penn State): Following the assessment done by the Office of the General Counsel and the University Compliance Office of the recommendations set forth in the Freeh Sporkin & Sullivan, LLP Report of the Special Investigative Counsel Regarding the Actions of The Pennsylvania State University Related to the Child Sexual Abuse Committed by Gerald A. Sandusky, dated July 12, 2012, the University General Counsel has distributed various sections of the report's recommendations to the University representatives who are taking the lead in conducting the assessments for their respective areas. The results of such assessments are due to the University General Counsel in late

January-early February 2013. Once the University General Counsel has received all reports, one comprehensive assessment document will be created to present to the University's senior leadership for their information and action. The projected time frame for completion of this assessment is the end of the 2012-2013 fiscal year.

3. Jeanne Clery Act Compliance Obligations: During the previous fiscal year, FIU reviewed its Clery Act compliance status through the efforts of the University Police Department and the Office of the General Counsel. In light of the new Florida child abuse reporting requirements, additional efforts are underway to ensure the integration of the federal and state law mandates. Relatedly, work continues to ensure that the registration requirements under Florida sexual offender and sexual predator laws are being followed.
4. U.S. Department of Education Program Integrity Rules (PIR) Work Group: The PIR work group continues to oversee and review their various areas for compliance designed and maintained so as to strengthen the integrity of the federal student aid program and ensure that taxpayer funds are used appropriately.
  - a. On August 23, 2012, members of the work group attended a webinar sponsored by the National Association of College and University Attorneys (NACUA) entitled, "Managing Long-Distance Relationships: Current Regulatory and Compliance Issues in Online and Distance Education."
  - b. On January 28, 2013, the work group held a meeting to update and discuss the status of the regulations in light of two recent legal challenges, continue to assess the University's compliance readiness, and assist in the implementation of new requirements. A status report was given for each of the areas addressed by the work group members, which are as follow:
    - i. State Authorization - Distance Learning (*Ongoing*)
    - ii. Incentive Compensation (*Completed and Ongoing*)
    - iii. Credit Hours Definition (*Completed*)
    - iv. Prohibition on Misrepresentation (*Completed and Ongoing*)
    - v. Gainful Employment - Reporting/Disclosure (*Ongoing*)
    - vi. Evaluating HS Diploma Validity (*Completed*)
    - vii. Written Agreements between Institutions (*Completed*)
    - viii. Satisfactory Academic Progress (*Completed*)
    - ix. Retaking Coursework (*Completed*)
    - x. Ability to Benefit - 6 Hour Rule (*Not Applicable*)

- xii. Return of Title IV Funds (*Completed*)
    - xiii. Timeliness/Method: Books and Supplies (*Completed*)
  - c. As part of the meeting, an update was provided on two current decisions impacting the areas of "State Authorization," "Misrepresentation" and "Gainful Employment." The impact of these court decisions to our current work plan was also discussed.
  - d. Lastly, the work group discussed the very significant issues raised by the U. S. Department of Education in its October 20, 2011 "Dear Colleague Letter" regarding "Fraud in Postsecondary Distance Education Programs – Urgent Call to Action." Although a separate work group has addressed the "Dear Colleague Letter" recommendations, this was seen as an opportune moment to discuss what additional safeguards the University should have in place to verify the identity of those students who enroll in University courses.
  - e. The work group continues to help to provide a framework for ongoing discussion and decision regarding PIR issues. It was determined that no further meetings of the entire PIR work group were needed at this time.
- 5. Compliance Project Management Tool: As part of the Office's annual work plan, the Assistant Compliance Officer has been conducting research regarding available software tools that would facilitate the identification, management and tracking of compliance initiatives and projects. Research in this area is ongoing, and a full report of findings will be completed within the next thirty to sixty days.
- 6. Controlled Substances Safety Manual: Research and review has been conducted for additional chapters to be included in the FIU Controlled Substances Safety Manual. The standard operating procedures addressing federal law requirements have been completed and the ones addressing Florida law requirements are currently being developed. In addition, at the recommendation of the University Compliance Officer, a physician has been added to the membership of the University's Controlled Substances Safety Committee. The standard operating procedures will need to be presented to the University Controlled Substances Safety Officer for his review and approval and presentation to the University Controlled Substances Safety Committee. A timeline for completion of this project is the end of this fiscal year.

7. Florida International University Drug-Free Campus/Workplace Drug and Alcohol Abuse Prevention Policy Notification Statement: The University Compliance Office took a lead role in the development of an updated annual notification regarding the University's drug and alcohol abuse prevention policy and program, as required by the Higher Education Act of 1965, as amended.

## B. Monitoring and Reporting

1. Inquiries/Reports: Thus far, during FY 2012-2013, the University Compliance Office has received a total of 31 inquiries and 13 EthicsPoint reports.
2. Electronic Portal for Disclosures of Outside Activities/ Conflicts of Interest (OA/COI): As previously reported, the Conflict of Interest in Research Policy was recently revised to meet the new regulatory mandates set forth in the U.S. Department of Health Public Health Service regulations addressing financial conflicts of interest effective as of August 24, 2012. At present, the University Compliance Office, the Division of Research and the Division of Human Resources continue to work to improve upon how the information is captured by the OA/COI portal. Current work includes:
  - a. Assessing the ability to move the current portal to the PeopleSoft environment and discussing the need or ability to amend any business processes as a result of such move;
  - b. Reviewing and maximizing the efficiency of how the information is captured in the electronic system;
  - c. Determining whether there should be a crossover or other safeguards as it relates to the Controller's Office travel authorization processes; and
  - d. Assessing the level of completion of OA/COI disclosures and next steps that should be taken for those who have not yet completed them.
3. Increased Awareness of Ethics & Compliance Hotline: The EthicsPoint Reports Review Committee discussed during its last meeting ways to raise awareness and increase the visibility of the ethics and compliance hotline. During the month of January, 2013, the hotline was announced for one week through Univmail, which is sent daily to all FIU employees and displayed on the large screen monitors in front of the Starbucks café in the Green Library. This awareness campaign will take place for one week each

month. The University Compliance Office is requesting permission from Graham Center representatives to display the hotline on the screen monitors located in the Graham Center. In addition, language regarding the availability of the hotline will be added to the electronic paycheck on a quarterly basis.

4. Research Compliance Field Work: The Division of Research and the University Compliance Office are working on a series of questions on research compliance that will be posed to research administrators and faculty members. Following the second cycle of the Research Administrators Certificate Course, this exercise is deemed to establish a baseline regarding research compliance knowledge on the operational front and areas of need for possible education and training refreshers and/or improvement.

C. University Privacy and Data Security Matters

1. Online Campus Solutions Parent/Guest Access System: The University Compliance Office continues to work closely with UTS-PantherSoft representatives in the Division of Information Technology to review, assess, and revise the content of the recent initiative from Academic Affairs for the Campus Solutions Parent/Guest Access system in accordance with federal and state privacy laws and regulations. The student information system, MyFIU, will allow students the ability to authorize additional online access to parents and/or guests to view portions of their education records or to make payments. Additionally, new terms and conditions regarding third-party access have been created.
2. Internet Privacy Notification and Refund Policies for the Wertheim Performing Arts Center: The University Compliance Office worked with the Office of the Controller to review and revise, as needed, the Wertheim Performing Arts Center Internet Privacy Notification and Refund Policies, pursuant to the merchant requirements set out by the Payment Card Industry Data Security Standards (PCI DSS). The policies have been posted on the Center's website and this work has been completed.
3. Use, Collection and Disclosure of Social Security Numbers: Monitoring the use, collection and disclosure of Social Security Numbers (SSNs) throughout the University is a shared responsibility of the various units that have the business need to use SSNs as well as the Office of the General Counsel, the University Compliance Office and the Information

Technology Security Office. Practices that are questioned by the various units are brought to the attention of the offices above mentioned and are usually referred to the University Compliance Office for handling. The University Compliance Office conducts an assessment to determine whether the unit's use, collection or disclosure practices comport with the requirements of the State of Florida law and, if applicable, federal law. During the FY 2012-2013, the Assistant Compliance Officer has taken a lead in conducting the proper interviews and follow up and thus far, the following assessments have been conducted in connection with SSN use, collection and disclosure:

- i. Office of Veteran and Military Affairs in connection with VA benefit purposes
  - ii. Student Financial Services for third-party collection services
  - iii. Sorority & Fraternity Campus Life in connection with housing contracts
  - iv. University Dining Services in connection with a vendor's routine practices for processing students/staff's reimbursement requests
  - v. Undergraduate Education, the Center for Leadership & Service, and the Registrar's Office in connection with disclosures for student notification and recognition by honorary societies
  - vi. Information Technology Security Office in connection with the proper method to dispose of metal merchant plates from old manual credit card machines
4. Privacy Breaches: The University Compliance Office and the IT Security Office have assisted two university units in addressing four breaches of privacy which were minor in terms of the number of individuals impacted and the amount of information inadvertently exposed. One of these breaches has been corrected and three are in the review, investigation and/or corrective action processes.

#### D. Education and Training Efforts

1. Current Fiscal Year Compliance Education and Training: Since the beginning of Fiscal Year 2012-2013, compliance-related education and training opportunities made available to the University Community have included 46 sessions in total (one online; 45 in person) with a total of 1037 attendees.



FY 2012-2013		
Training	# of Presentations	# Attending
Child Abuse Reporting Requirements	1	43
Conflict of Interest	3	120
Ethics	5	102
Export Controls*	2	22
HIPAA	8	111
Identity Theft	6	46
Information Technology Security - Privacy	2	67
New Faculty Orientation	1	104
New Employee Experience	16	396
Program Integrity Rules	2	26
<b>TOTAL</b>	<b>46</b>	<b>1037</b>

\*Includes On Line Training

2. HIPAA Online Education and Training: The Offices of University Compliance, Academic Health Center/College of Medicine Compliance and Information Technology Security have joined efforts to develop an online HIPAA Privacy and Security training that will be offered to all FIU workforce members who need to receive this training.

#### E. University Policies and Procedures

1. New/Revised Policies: Since the last report to this Committee, the following areas have added new policies or had existing policies or procedures revised or transitioned and posted to the University Policies and Procedures Library:
  - i. Division of Finance and Administration
    - a. Electronic Funds Transfer
    - b. University Golf Cart and Other Motorized Carts Safety Policy
    - c. University Golf Cart and Other Motorized Carts Safety Procedure

- ii. Division of Research (DOR)
  - a. Conflict of Interest in Research
  - b. Deadlines for Proposal Submissions for Division of Research or Review
  - c. Export Controls
  - d. Within the DOR, thirteen policies and procedures were updated to replace all references of the Electronic Internal Clearance Form (e-ICF) with the Electronic Proposal Routing Approval Form (e-PRAF)
- iii. University Graduate School – The Assistant Director of Compliance worked closely with the Associate Dean of the University Graduate School to update, transition and post 33 University Graduate School policies to the Policies and Procedures Library and archive 8 University Graduate School policies. Work continues to provide a second level of review and update the abstracts used in the Policy Library for all 38 University Graduate School policies.

- 2. University-Wide Policies under Development/Review: Other major policies under development and review, or previously reported on, are the University Volunteer Policy (Human Resources) and the Automated External Defibrillator (AED) Program and Policy (Department of Emergency Management and Disaster Management and Emergency Operations).

I respectfully submit this report to the Finance and Audit Committee of The Florida International University Board of Trustees in anticipation of the meeting scheduled to take place on Wednesday, March 6, 2013. As always, I welcome your questions, comments and concerns. Thank you for your kind attention.

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

March 6, 2013

**Subject: Division of Information Technology Report**

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**Proposed Committee Action:**

None. Discussion item.

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**Background Information:**

Vice President of Information Technology and Chief Information Officer Robert Grillo will present an update on current projects and initiatives that improve the efficiency of university operations and expand and strengthen critical services.

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**Supporting Documentation:** N/A

**Facilitator/Presenter:** Robert Grillo

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**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES  
Finance and Audit Committee**

March 6, 2013

**Subject: Review of Financial Audit for Fiscal Year Ended June 30, 2012**

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**Proposed Committee Action:**  
None. Discussion Item.

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**Background information:**

The results of the State of Florida Auditor General's Financial Audit of the University for the fiscal year ended June 30, 2012 are submitted for Board of Trustees review.

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**Supporting Documentation:** Financial Audit for Fiscal Year ended June 30, 2012

**Facilitator/Presenter:** Kenneth A. Jessell

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# FLORIDA INTERNATIONAL UNIVERSITY

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2012



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

Albert Maury, Chair  
Michael M. Adler, Vice Chair  
Sukrit Agrawal  
Cesar L. Alvarez  
Dr. Jose J. Armas  
Jorge L. Arrizurieta  
Robert T. Barlick, Jr., from 3-22-12 (1)  
Thomas A. Breslin (2)  
Joseph L. Caruncho to 1-18-12 (1)  
Marcelo Claure  
Mayi de la Vega  
Laura Farinas from 5-07-12 (3)  
Gerald C. Grant, Jr., from 9-15-11 (4)  
Patrick O'Keefe to 5-06-12 (3)  
Claudia Puig

Dr. Mark B. Rosenberg, President

Notes: (1) Position remained vacant from January 19, 2012,  
through March 21, 2012.  
(2) Faculty Senate Chair.  
(3) Student body president.  
(4) Position was vacant from July 1, 2011,  
through September 14, 2011.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Michael K. Hollinger, and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



**FLORIDA INTERNATIONAL UNIVERSITY  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Audit Objectives and Scope

Our audit objectives were to determine whether Florida International University and its officers with administrative and stewardship responsibilities for University operations had:

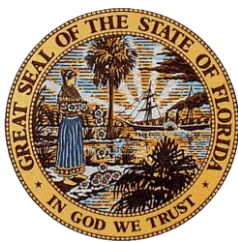
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida International University and of its aggregate discretely presented component units as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Florida International University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA  
February 25, 2013

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

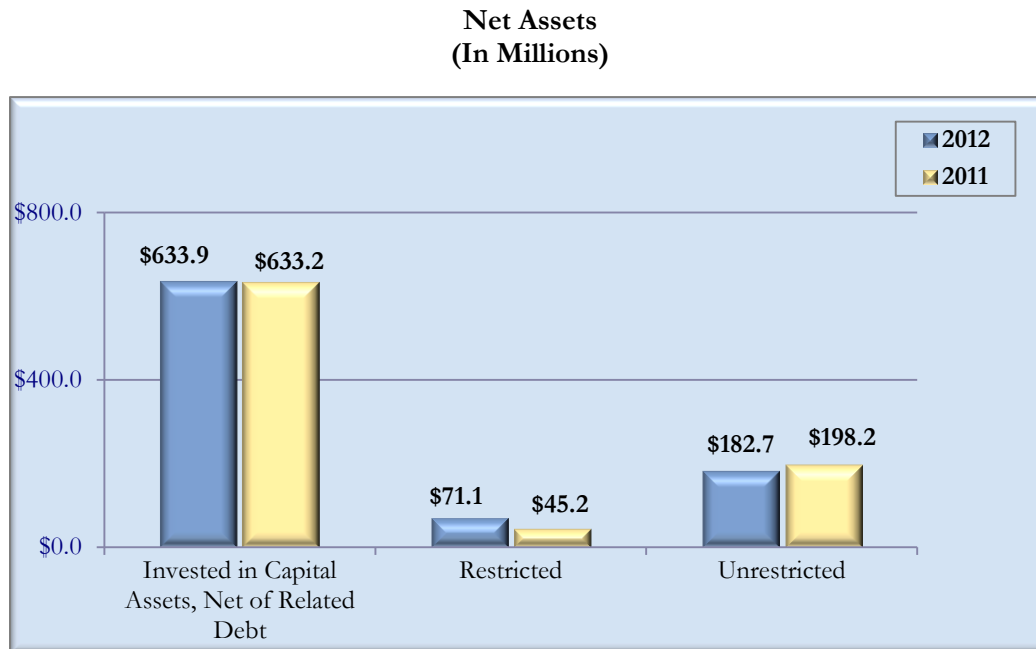
**FINANCIAL HIGHLIGHTS**

The University's assets totaled \$1.3 billion at June 30, 2012. This balance reflects a \$24.5 million, or 2 percent, increase as compared to the 2010-11 fiscal year. Investments increased \$62.7 million due in part to investment of bond proceeds for the Parkview Housing facility. The amount due from the State decreased by \$28.4 million as funds were drawn down and used for State funded construction projects. In addition, there was a \$5.6 million decrease in net capital assets, resulting from a change in the University's capitalization threshold as further explained in the capital asset section of this MD&A. While assets increased, liabilities increased by a lesser amount of \$13.4 million, or 3.8 percent, totaling \$363.6 million at June 30, 2012, as compared to \$350.2 million at June 30, 2011. A new bond issue increased debt by \$47.5 million and other post employment benefits payable increased \$7.1 million. As a result, the University's net assets increased by \$11.1 million, resulting in a year-end balance of \$887.7 million.

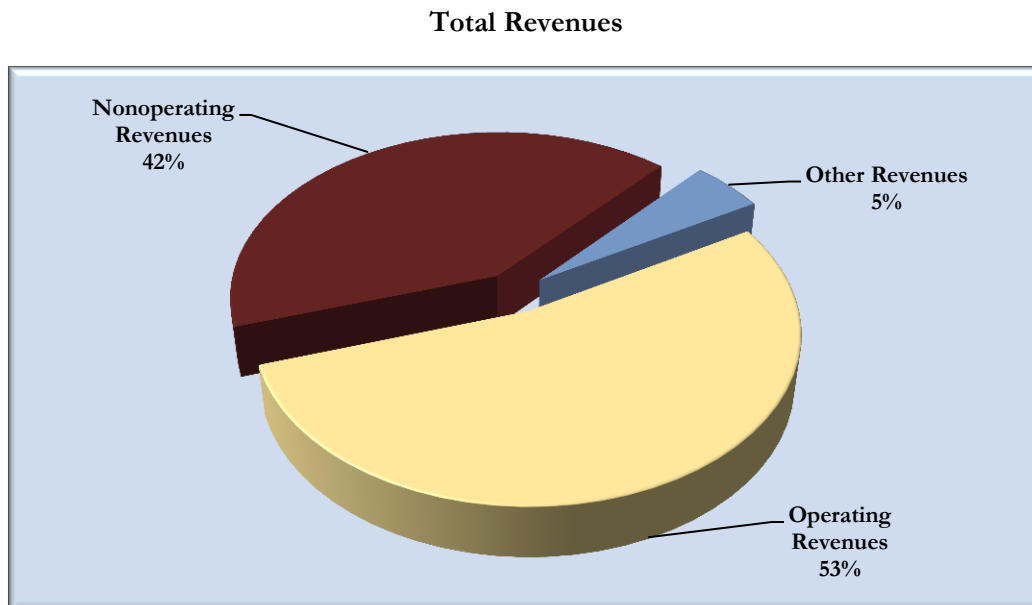
The University's operating revenues totaled \$419 million for the 2011-12 fiscal year, representing a \$42 million, or 11.1 percent, increase over the 2010-11 fiscal year. Major components of operating revenues are student tuition and fees, auxiliary enterprise revenues, and grants and contracts. Student tuition and fees revenues increased \$30.8 million as a result of tuition and fee increases combined with a 4.7 percent increase in student enrollment, auxiliary enterprise revenues increased 7.3 percent as a result of increases in fees for continuing education programs, while grants and contract revenue decreased \$2.2 million. Operating expenses totaled \$738.1 million for the 2011-12 fiscal year, representing an increase of \$42.4 million, or 6.1 percent, over the 2010-11 fiscal year due mainly to an increase in compensation and employee benefits of \$23.2 million and an increase in services and supplies of \$13.9 million.

Net nonoperating revenues and expenses decreased by \$64.8 million in the 2011-12 fiscal year. This decrease was partly due to the termination of American Recovery and Reinvestment Act revenue, which represented \$14.5 million. State noncapital appropriations also decreased \$19.1 million. Additionally, due to the change in the capitalization threshold, there were other nonoperating expenses of \$28 million for noncash, nonrecurring capital assets removed from the accounting records.

Net assets represent the residual interest in the University's assets after deducting liabilities. The University's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2011-12 fiscal year:



## OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Florida International University Foundation, Inc. (Foundation) – The purpose of the Foundation is to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of Florida International University and its objectives.
- Florida International University Research Foundation, Inc. (Research Foundation) – The purpose of the Research Foundation, Inc., includes the promotion and encouragement of, and assistance to, the research and training activities of faculty, staff, and students of Florida International University through income from contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.
- FIU Athletics Finance Corporation (Finance Corporation) – The purpose of the Finance Corporation includes the support to the University in matters pertaining to the financing of the FIU football stadium and, subsequently, the managing and operating of the facility.
- Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (Health Care Network) – The purpose of the Health Care Network is to improve and support health education at FIU.
- FIU College of Medicine Self-Insurance Program (Self-Insurance Program) – The purpose of the Self-Insurance Program is to provide professional and general liability protection for the Florida International University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine's faculty, staff, and resident physicians.

Based upon the application of the criteria for determining component units, the Self-Insurance Program is included within the University reporting entity as a blended component unit, and the Foundation, Research Foundation, Finance Corporation, and Health Care Network are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

### THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

**Condensed Statement of Net Assets at June 30**  
(In Millions)

	2012	2011
<b>Assets</b>		
Current Assets	\$ 416.5	\$ 441.6
Capital Assets, Net	751.4	757.0
Other Noncurrent Assets	83.4	28.2
<b>Total Assets</b>	<u>1,251.3</u>	<u>1,226.8</u>
<b>Liabilities</b>		
Current Liabilities	102.8	185.8
Noncurrent Liabilities	260.8	164.4
<b>Total Liabilities</b>	<u>363.6</u>	<u>350.2</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	633.9	633.2
Restricted	71.1	45.2
Unrestricted	182.7	198.2
<b>Total Net Assets</b>	<u>\$ 887.7</u>	<u>\$ 876.6</u>

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2011-12 and 2010-11 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Years**  
(In Millions)

	2011-12	2010-11
Operating Revenues	\$ 419.0	\$ 377.0
Less, Operating Expenses	738.1	695.7
<b>Operating Loss</b>	(319.1)	(318.7)
Net Nonoperating Revenues	291.2	356.0
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(27.9)	37.3
Other Revenues, Expenses, Gains, or Losses	39.0	33.1
<b>Net Increase In Net Assets</b>	11.1	70.4
Net Assets, Beginning of Year	876.6	806.2
<b>Net Assets, End of Year</b>	<u>\$ 887.7</u>	<u>\$ 876.6</u>



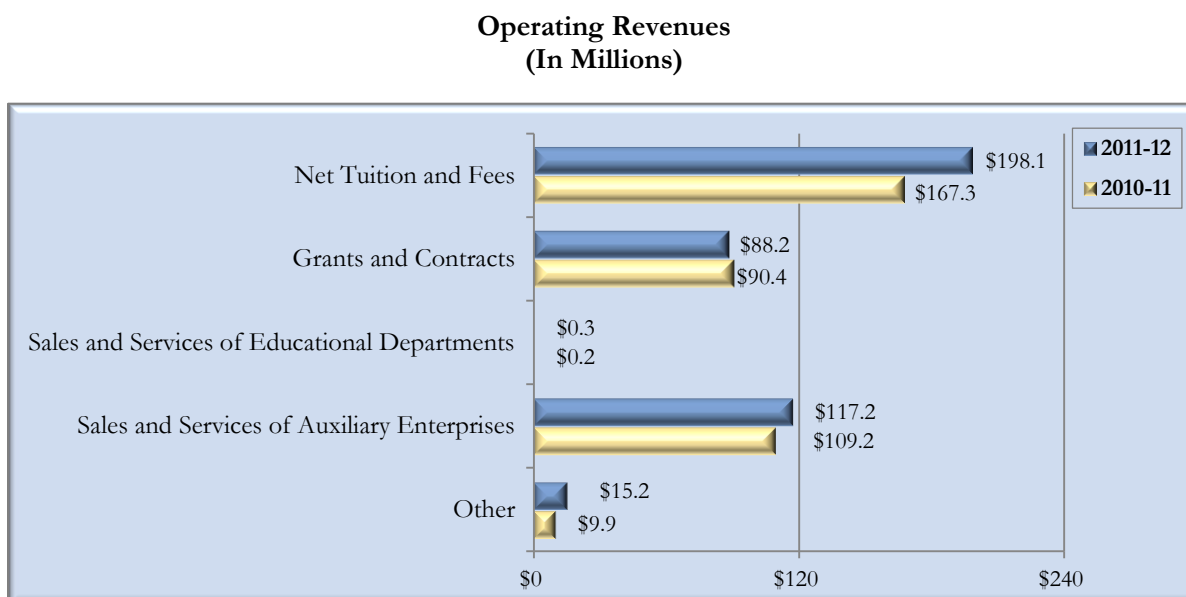
## Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2011-12 and 2010-11 fiscal years:

Operating Revenues (In Millions)		
	2011-12	2010-11
Net Tuition and Fees	\$ 198.1	\$ 167.3
Grants and Contracts	88.2	90.4
Sales and Services of Educational Departments	0.3	0.2
Sales and Services of Auxiliary Enterprises	117.2	109.2
Other	15.2	9.9
<b>Total Operating Revenues</b>	<b>\$ 419.0</b>	<b>\$ 377.0</b>

The following chart presents the University's operating revenues for the 2011-12 and 2010-11 fiscal years:



University operating revenue changes were the result of the following factors:

- Student tuition and fees increased \$30.8 million. The increase was primarily due to an 8 percent Statewide tuition increase for undergraduate students and a tuition differential that allowed the University to increase undergraduate tuition up to 15 percent. Additionally, there was a 4.7 percent increase in student enrollment.
- Grants and contracts decreased \$2.2 million. Although Federal Grants increased \$2.3 million, State and Local grants decreased \$4.8 million, as a result of State budget reductions. Less funding was available and the average amount received per grant was lower than prior years.
- Sales and services of auxiliary enterprises increased \$8 million primarily due to increases in fees for continuing education programs.

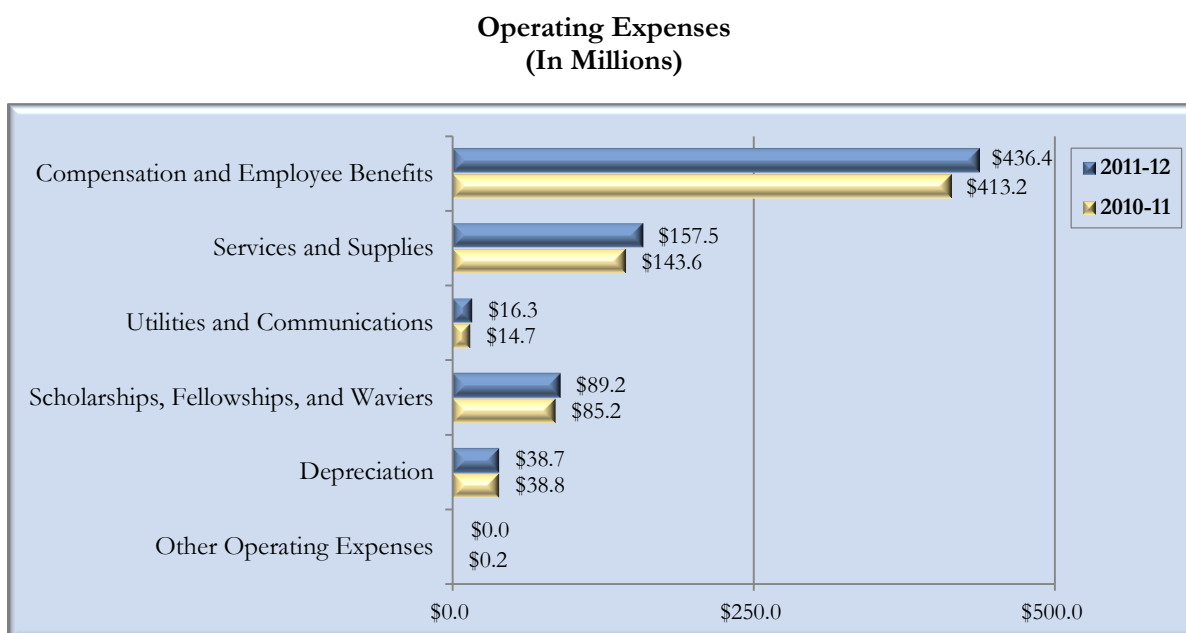
## Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2011-12 and 2010-11 fiscal years:

<b>Operating Expenses For the Fiscal Years (In Millions)</b>		
	<b>2011-12</b>	<b>2010-11</b>
Compensation and Employee Benefits	\$ 436.4	\$ 413.2
Services and Supplies	157.5	143.6
Utilities and Communications	16.3	14.7
Scholarships, Fellowships, and Waivers	89.2	85.2
Depreciation	38.7	38.8
Other Operating Expenses		0.2
<b>Total Operating Expenses</b>	<b>\$ 738.1</b>	<b>\$ 695.7</b>

The following chart presents the University's operating expenses for the 2011-12 and 2010-11 fiscal years:



Changes in operating expenses were the result of the following factors:

- Compensation and employee benefits increased \$23.2 million. This increase was due to an increase in employees and was partially offset by decreases in benefits. The primary decrease in benefits was a reduction of retirement benefit costs for employees participating in the State University System Retirement Programs.

- Services and supplies increased \$13.9 million. One factor contributing to the increase was the change in the capitalization threshold limit. In prior years, purchases for qualifying items were capitalized if the cost exceeded \$1,000; during the current year this limit was increased to \$5,000 and, as a result, more capital purchases were expensed. Expenses related to the additional Federal grants and contracts were another factor in increased service and supplies expenses. Furthermore, increased repairs and maintenance costs also contributed to the 2011-12 fiscal year increase.

### Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses) (In Millions)		
	2011-12	2010-11
State Noncapital Appropriations	\$ 195.0	\$ 214.1
Federal and State Student Financial Aid	112.4	109.9
State Appropriated American Recovery and Reinvestment Act Funds		14.5
Investment Income	9.0	23.9
Other Nonoperating Revenues	9.5	1.2
Loss on Disposal of Capital Assets	(0.5)	
Interest on Capital Asset-Related Debt	(6.1)	(6.3)
Other Nonoperating Expenses	(28.1)	(1.3)
<b>Net Nonoperating Revenues</b>	<b>\$ 291.2</b>	<b>\$ 356.0</b>

Net nonoperating revenues decreased by \$64.8 million, or 18.2 percent, from the prior fiscal year due mainly to the following factors:

- There was a decrease of \$19.1 million in State noncapital appropriations and a decrease of \$14.9 million in investment income. The decreases were partially offset by an increase of \$8.3 million in other nonoperating revenue which was the result of increases in amounts reported as contributed by component units to the University.
- The 2010-11 fiscal year was the second and final year the University received State Appropriated American Recovery and Reinvestment income. The termination of this program resulted in a \$14.5 million decrease in revenue.
- Other nonoperating expenses increased \$26.8 million primarily due to the inclusion of a nonrecurring, noncash item, totaling \$28 million, reflecting a change in capitalization threshold, see Note 1, Capital Assets for more details regarding this transaction.

### Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

**Other Revenues, Expenses, Gains, or Losses**  
(In Millions)

	2011-12	2010-11
State Capital Appropriations	\$ 34.3	\$ 31.9
Capital Grants, Contracts, Donations, and Fees	4.7	1.2
<b>Total</b>	<b>\$ 39.0</b>	<b>\$ 33.1</b>

Other revenues, expenses, gains, or losses totaled \$39 million for the 2011-12 fiscal year. This represents a 17.8 percent increase compared to the 2010-11 fiscal year and was due to a \$2.4 million increase in State capital appropriations earned from approved authorized encumbrances for current projects and a \$3.5 million increase in capital donations. The Foundation contributed \$2 million for the construction of a dining hall for the Hospitality and Tourism School and the Finance Corporation contributed \$1.5 million for the football stadium expansion.

### THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2011-12 and 2010-11 fiscal years:

**Condensed Statement of Cash Flows**  
(In Millions)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (272.1)	\$ (281.2)
Noncapital Financing Activities	315.5	334.6
Capital and Related Financing Activities	3.5	(59.1)
Investing Activities	(53.7)	7.7
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(6.8)</b>	<b>2.0</b>
Cash and Cash Equivalents, Beginning of Year	10.0	8.0
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3.2</b>	<b>\$ 10.0</b>

Major sources of funds came from State noncapital appropriations (\$198.6 million), proceeds from issuance of capital improvement debt (\$75.6 million), net student tuition and fees (\$207.4 million), grants and contracts (\$90.6 million), sales and services of auxiliary enterprises (\$124.7 million), Federal direct student loans (\$243.6 million), proceeds from sales and maturities of investments (\$841.6 million), and Federal and State student financial aid (\$112.2 million). Major uses of funds were for payments made to and on behalf of employees (\$432.5 million), payments to suppliers (\$169.6 million), Federal direct student loans (\$242 million), purchases of investments (\$904.3 million), and payments to and on behalf of students for scholarships (\$89.2 million).

## CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2012, the University had \$1.1 billion in capital assets, less accumulated depreciation of \$379.3 million, for net capital assets of \$751.4 million. The 2011-12 fiscal year net capital assets decreased \$5.6 million compared to the 2010-11 fiscal year. This decrease is due to the removal of \$28 million of capital assets from the accounting records as a result of a change in the University's capitalization threshold. On May 18, 2011, the Florida Board of Governors approved Regulation 9.002, *Recording and Marking of Property*. The Regulation revised the capitalization threshold to achieve administrative efficiencies and cost savings by increasing the capitalization threshold of University tangible personal property. The decrease was partially offset by the addition of \$18.9 million for buildings and \$2.1 million for infrastructure and other improvements. Depreciation charges for the current fiscal year totaled \$38.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30**  
(In Millions)

	2012	2011
Land	\$ 31.0	\$ 31.0
Works of Art and Historical Treasures	3.0	4.3
Construction in Progress	79.8	80.6
Buildings	552.9	534.0
Infrastructure and Other Improvements	4.1	2.0
Furniture and Equipment	33.6	47.5
Library Resources	45.7	56.1
Property Under Capital Leases and Leasehold Improvements	0.5	0.6
Computer Software	0.8	0.9
<b>Capital Assets, Net</b>	<b>\$ 751.4</b>	<b>\$ 757.0</b>

Additional information about the University's capital assets is presented in the notes to financial statements.

### CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2012, were incurred on the following projects: \$18.7 million for the Science Classroom Complex, \$3.2 million for the Parkview Housing, \$2.1 million for the Satellite Chiller Plant and \$2 million for the USCB Arena Expansion. The University's major capital commitments at June 30, 2012, are as follows:

	Amount (In Millions)
Total Committed	\$ 297.6
Completed to Date	(79.8)
<b>Balance Committed</b>	<b>\$ 217.8</b>

Additional information about the University's capital commitments is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2012, the University had \$166.1 million in outstanding capital improvement debt payable and capital leases payable, representing an increase of \$41 million, or 32.8 percent, from the prior fiscal year. During the 2011-12 fiscal year, \$47.5 million of new capital improvement debt was issued to fund the construction of the Parkview Housing facility. In addition, \$29.4 million of 1998 Series and 2000 Series housing capital improvement debt payable was refunded during the 2011-12 fiscal year to take advantage of lower interest rates and achieve interest expense savings for future years. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

<b>Long-Term Debt, at June 30</b>		
<b>(In Millions)</b>		
	<b>2012</b>	<b>2011</b>
Capital Improvement Debt	\$ 165.8	\$ 124.3
Capital Leases	0.3	0.8
<b>Total</b>	<b>\$ 166.1</b>	<b>\$ 125.1</b>

Additional information about the University's long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The slower than anticipated economic recovery in Florida has affected funding at all levels of education and this was particularly evident in the appropriations for the State University System (SUS). The State Legislature approved a nonrecurring reduction of \$300 million to the SUS for the 2012-13 academic year. FIU's share of the SUS nonrecurring reduction was \$24.3 million. This decline in State noncapital appropriations is offset with incremental tuition revenues, mainly generated from the 15 percent differential tuition increase the Florida Board of Governors approved for undergraduate students, a graduate tuition increase, and university reserves.

The FIU Herbert Wertheim College of Medicine (COM) will welcome its fourth and largest class in August 2012. Nearly 4,000 applications were received and 120 students were accepted. The COM receives line-item appropriations from the Florida Legislature; for the 2012-13 fiscal year State appropriations to the COM increased by \$0.6 million to \$26.9 million. The 2012-13 fiscal year COM budget is aligned with the implementation plan approved by the Florida Board of Governors in 2007.

In the 2012-13 fiscal year, FIU will continue to deliver on core mission and goals investing in initiatives focusing on student success and student access consistent with the long-range Strategic Plan. This has been done through a disciplined allocation of incremental revenues and reserves. FIU is hopeful that the nonrecurring reduction for 2012-13 fiscal year will be restored in the 2013-14 fiscal year. However, should the \$24.3 million not be reinstated, FIU will be prepared to implement budget reductions that are guided by FIU's Worlds Ahead 2010-15 Strategic Plan and 2013-14 Work Plan. This will encompass exploring cost-savings and efficiency programs along with revenue enhancements in a transparent, accountable, and consistent process.

Overall, the global and national economic situation and the State's priorities will continue to influence appropriations to higher education. In the State of Florida, there continues to be increased interest in strengthening the efficiency and effectiveness of the higher education system; FIU is closely monitoring possible policy changes and potential impacts to higher education funding.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer and Senior Vice President for Finance and Administration, Dr. Kenneth Jessell, at Florida International University, 11200 Southwest 8<sup>th</sup> Street , Miami, Florida 33199.

## BASIC FINANCIAL STATEMENTS

### FLORIDA INTERNATIONAL UNIVERSITY A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2012

	University	Component Units
	<hr/>	<hr/>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,115,987	\$ 5,944,761
Investments	270,227,544	170,255,203
Accounts Receivable, Net	28,112,443	62,177,935
Loans and Notes Receivable, Net	1,002,705	
Due from State	111,622,679	
Due from Component Units/University	947,385	346,050
Inventories	490,524	
Other Current Assets	995,084	2,183,971
	<hr/>	<hr/>
<b>Total Current Assets</b>	416,514,351	240,907,920
	<hr/>	<hr/>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	66,596	2,516,656
Restricted Investments	72,734,343	3,061,976
Loans and Notes Receivable, Net	2,118,671	
Depreciable Capital Assets, Net	637,660,930	13,647,071
Nondepreciable Capital Assets	113,763,001	2,500
Due from Component Units/University	6,322,413	
Other Noncurrent Assets	2,154,726	31,412,078
	<hr/>	<hr/>
<b>Total Noncurrent Assets</b>	834,820,680	50,640,281
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 1,251,335,031</u>	<u>\$ 291,548,201</u>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 13,114,473	\$ 312,951
Construction Contracts Payable	3,225,643	
Salaries and Wages Payable	4,675,127	
Deposits Payable	6,700,155	
Due to State	179,269	
Due to Component Units/University	346,050	947,385
Deferred Revenue	64,803,570	1,585,606
Other Current Liabilities		208,386
Long-Term Liabilities - Current Portion:		
Bonds Payable		636,987
Capital Improvement Debt Payable	7,147,618	
Notes Payable		640,000
Capital Leases Payable	162,571	
Compensated Absences Payable	2,461,037	
Liability for Self-Insured Claims	21,280	
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	102,836,793	4,331,315
	<hr/>	<hr/>



**FLORIDA INTERNATIONAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
**June 30, 2012**

	<u>University</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$	\$ 32,384,102
Capital Improvement Debt Payable	158,683,325	
Notes Payable		7,540,000
Capital Leases Payable	133,155	
Compensated Absences Payable	30,886,349	
Due to Component Units/University		6,322,413
Other Postemployment Benefits Payable	19,185,000	
Liability for Self-Insured Claims	191,518	
Other Long-Term Liabilities	51,738,141	8,435,274
<b>Total Noncurrent Liabilities</b>	<u>260,817,488</u>	<u>54,681,789</u>
<b>TOTAL LIABILITIES</b>	<u>363,654,281</u>	<u>59,013,104</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	633,863,274	2,772,984
Restricted for Nonexpendable:		
Endowment		181,575,076
Restricted for Expendable:		
Debt Service	2,533,608	
Loans	325,540	
Capital Projects	25,609,706	
Other	42,587,094	33,472,532
Unrestricted	182,761,528	14,714,505
<b>TOTAL NET ASSETS</b>	<u>887,680,750</u>	<u>232,535,097</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,251,335,031</u>	<u>\$ 291,548,201</u>

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA INTERNATIONAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**

	<b>University</b>	<b>Component Unit(s)</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$89,722,332	\$ 198,058,478	\$
Federal Grants and Contracts	71,358,734	
State and Local Grants and Contracts	7,084,446	
Nongovernmental Grants and Contracts	9,776,275	
Sales and Services of Educational Departments	278,512	
Sales and Services of Auxiliary Enterprises	117,184,867	
Sales and Services of Component Units		1,432,095
Gift and Donations		32,629,646
Interest on Loans and Notes Receivable	55,864	
Other Operating Revenues	15,163,378	5,710,963
<b>Total Operating Revenues</b>	<b>418,960,554</b>	<b>39,772,704</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	436,424,088	
Services and Supplies	157,463,013	15,252,747
Utilities and Communications	16,328,149	158,739
Scholarships, Fellowships, and Waivers	89,193,592	
Depreciation	38,657,865	560,353
Other Operating Expenses		6,259,963
<b>Total Operating Expenses</b>	<b>738,066,707</b>	<b>22,231,802</b>
<b>Operating Income (Loss)</b>	<b>(319,106,153)</b>	<b>17,540,902</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	195,097,841	
Federal and State Student Financial Aid	112,475,420	
Investment Income (Loss)	8,980,856	(2,288,598)
Other Nonoperating Revenues	9,454,191	
Loss on Disposal of Capital Assets	(523,243)	
Interest on Capital Asset-Related Debt	(6,112,259)	(1,463,952)
Other Nonoperating Expenses	(28,147,676)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>291,225,130</b>	<b>(3,752,550)</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(27,881,023)</b>	<b>13,788,352</b>
State Capital Appropriations	34,319,664	
Capital Grants, Contracts, Donations, and Fees	4,666,039	
<b>Increase in Net Assets</b>	<b>11,104,680</b>	<b>13,788,352</b>
Net Assets, Beginning of Year	876,576,070	218,746,745
<b>Net Assets, End of Year</b>	<b>\$ 887,680,750</b>	<b>\$ 232,535,097</b>

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA INTERNATIONAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>University</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 207,361,769
Grants and Contracts	90,613,487
Sales and Services of Educational Departments	278,513
Sales and Services of Auxiliary Enterprises	124,688,616
Interest on Loans and Notes Receivable	66,222
Payments to Employees	(432,514,081)
Payments to Suppliers for Goods and Services	(169,624,695)
Payments to Students for Scholarships and Fellowships	(89,193,592)
Loans Issued to Students	(7,700,669)
Collection on Loans to Students	7,393,283
Other Operating Disbursements	(3,491,730)
<b>Net Cash Used by Operating Activities</b>	<u>(272,122,877)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	198,590,798
Federal and State Student Financial Aid	112,246,793
Federal Direct Loan Program Receipts	243,571,723
Federal Direct Loan Program Disbursements	(242,015,247)
Operating Subsidies and Transfers	(3,061,411)
Net Change in Funds Held for Others	(2,162,532)
Other Nonoperating Receipts	8,321,366
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>315,491,490</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt and Leases	75,624,418
State Capital Appropriations	26,445,579
Capital Grants, Contracts, Donations, and Fees	4,391,244
Proceeds from Sale of Capital Assets	57,835
Other Receipts for Capital Projects	1,778,927
Capital Subsidies and Transfers	14,700
Purchase or Construction of Capital Assets	(63,016,906)
Principal Paid on Capital Debt and Leases	(35,424,937)
Interest Paid on Capital Debt and Leases	(6,386,943)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>3,483,917</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	841,556,824
Purchase of Investments	(904,317,146)
Investment Income	9,055,286
<b>Net Cash Used by Investing Activities</b>	<u>(53,705,036)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(6,852,506)
Cash and Cash Equivalents, Beginning of Year	10,035,089
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,182,583</u>

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Fiscal Year Ended June 30, 2012**

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (319,106,153)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	38,657,865
Change in Assets and Liabilities:	
Receivables, Net	2,436,308
Inventories	(92,569)
Other Assets	(420,141)
Accounts Payable	4,098,835
Salaries and Wages Payable	(2,370,722)
Deposits Payable	(3,254,974)
Compensated Absences Payable	(822,271)
Deferred Revenue	1,678,913
Liability for Self-Insurance	(30,968)
Other Postemployment Benefits Payable	7,103,000
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (272,122,877)</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (101,017)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (523,243)
The change in the capitalization threshold for tangible personal property was recognized on the statement of revenues, expenses, and changes in net assets as other nonoperating expenses, but are not cash transactions for the statement of cash flows.	\$ (27,951,210)

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Blended Component Unit.** Based on the application of the criteria for determining component units, the Florida International University College of Medicine Self-Insurance Program (the Program) is included within the University's reporting entity as a blended component unit. The Program was created June 18, 2009, by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes and provides professional and general liability protection for faculty, medical residents, and students of the College of Medicine.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida International University Foundation, Inc. (Foundation) – Encourages, solicits, receives, and administers gifts and bequests of property and funds for the advancement of the University and its objectives.

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

- Florida International University Research Foundation, Inc. (Research Foundation) – Promotes, encourages, and assists research and training activities of faculty, staff, and students of the University through income from contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.
- FIU Athletics Finance Corporation (Finance Corporation) – Supports the University in matters pertaining to the financing of the University's football stadium and subsequent managing and operating of the facility.
- The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (Health Care Network) – Improves and supports health education at FIU.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Florida International University Foundation, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations. The Florida International University Research Foundation, Inc., the FIU Athletics Finance Corporation, and the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc., and the blended component unit follow the GASB standards of accounting and financial reporting because they meet the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the organization's governing body by one or more State or local governments.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments) and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

**Concentration of Credit Risk – Component Units**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash in banks. The Foundation places substantially all of its cash with high quality financial institutions which the Foundation believes limits this risk. At June 30, 2012, the Foundation did not exceed these limits. Cash and cash equivalents held with the Foundation's brokerage account at Merrill Lynch are insured by the Securities Investor Protector Corp. The balance of this account was \$100 as of June 30, 2012.

In addition to insurance provided by the Federal Depository Insurance Corporation (FDIC), the Foundation, the Finance Corporation, the Health Care Network, and the Research Foundation deposits, with the exception of the Research Foundation's deposits held in Tanzania and Burkina Faso in West Africa, are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits, with the exception noted in the preceding paragraph, are insured or collateralized with securities held by the entity or its agent in the entity's name.

Financial instruments that potentially subject the Finance Corporation to concentration of credit risk consist principally of cash in banks.

In February 2012, the Research Foundation opened a bank account in Burkina Faso in West Africa to support the operations pertaining to the West Africa Water Supply, Sanitation and Hygiene (WA-WASH) Program under a U.S. Agency for International Development (USAID) grant. The balance in this account of \$90,138 as of June 30, 2012, is not FDIC insured and is subject to foreign exchange risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

**Capital Assets.** University capital assets consist of land; works of art and historical treasures; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; computer software; and property under capital leases and leasehold improvements. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.



**FLORIDA INTERNATIONAL UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The Florida Board of Governors approved Regulation 9.002, *Recording and Marking of Property*, effective July 1, 2011, revising the capitalization threshold for tangible personal property. The revision to the regulation was designed to achieve administrative efficiencies and cost savings by increasing the capitalization threshold of University tangible personal property from \$1,000 to \$5,000 and library resources from \$25 to \$250. Previously capitalized tangible personal property costing between \$1,000 and \$5,000 and library resources costing between \$25 to \$250 and related accumulated depreciation amounts as of June 30, 2011, were written off during the 2011-12 fiscal year. The adjustment column in the capital assets note disclosure shows the change by category resulting from the increase in the threshold.

The change in the capitalization threshold resulted in \$27,951,210 other nonoperating expense in the statement of revenues, expenses, and changes in net assets. This is a nonrecurring, noncash item and has been reported as a supplemental disclosure of noncash investing and capital financing activities in the statement of cash flows.

The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for buildings, leasehold improvements and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 15 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Leases – 5 years
- Leasehold Improvements – Various based on lease terms
- Computer Software – 5 years

Depreciable assets of the Foundation are stated at cost and are net of accumulated depreciation of \$3,302,069. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Depreciable assets of the Health Care Network are stated at cost and are net of accumulated depreciation of \$165,793. Depreciation is provided using the straight-line method over the estimated useful lives from 5 to 15 years for the assets.

**Noncurrent Liabilities.** Noncurrent liabilities include capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insurance, and other long-term liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

## 2. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2012, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 68,679,810
State Board of Administration Florida PRIME	395
State Board of Administration Fund B Surplus Funds	
Trust Fund	8,896
State Board of Administration Debt Service Accounts	4,651,901
Mutual Funds:	
Limited Partnerships	30,880,261
Equities	72,252,794
Fixed Income and Bond Mutual Funds	107,196,845
Commodities	24,178,165
Money Market Mutual Funds	<u>35,112,820</u>
<b>Total University Investments</b>	<b><u>\$ 342,961,887</u></b>

### External Investment Pools

#### State Treasury Special Purpose Investment Account

The University reported investments at fair value totaling \$68,679,810 at June 30, 2012, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**State Board of Administration Florida PRIME**

At June 30, 2012, the University reported investments totaling \$395 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

**State Board of Administration Fund B Surplus Funds Trust Fund**

The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2012, the University reported investments at fair value of \$8,896 in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The University reported investments totaling \$4,651,901 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Fixed Income and Bond Mutual Funds**

The University invested in various mutual funds in accordance with the University's investment policy. The following risks apply to the University's fixed income and bond mutual fund investments:

**FLORIDA INTERNATIONAL UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(6), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. The future maturities of the securities held in the fixed income and bond mutual funds at June 30, 2012, are as follows:

**University Debt Investment Maturities**

Type of Investment	Investment Maturities (In Years)				
	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund	\$ 64,190,865	\$ 8,909,692	\$ 30,034,906	\$ 11,560,775	\$ 13,685,492
TIPS Index Fund	20,817,959	59,293	7,364,392	7,001,080	6,393,194
High Yield Bond Mutual Fund	22,188,021	3,683,212	7,042,478	10,197,615	1,264,716
<b>Total</b>	<b>\$ 107,196,845</b>	<b>\$ 12,652,197</b>	<b>\$ 44,441,776</b>	<b>\$ 28,759,470</b>	<b>\$ 21,343,402</b>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2012, the securities held in the fixed income and bond mutual funds had credit quality ratings by a nationally-recognized rating agency (i.e., Standard & Poor's or Moody's), as follows:

**University Debt Investment Credit Quality Ratings**

Type of Investment	Fair Value	AAA / Aaa	AA / Aa	A	BBB / Baa to Not Rated
Fixed Income Mutual Fund	\$ 64,190,865	\$ 39,060,142	\$ 1,598,353	\$ 9,249,904	\$ 14,282,466
TIPS Index Fund	20,817,959	20,812,793			5,166
High Yield Bond Mutual Fund	22,188,021	643,453		1,393,408	20,151,160
<b>Total</b>	<b>\$ 107,196,845</b>	<b>\$ 60,516,388</b>	<b>\$ 1,598,353</b>	<b>\$ 10,643,312</b>	<b>\$ 34,438,792</b>

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy addresses the issue of concentration of credit risk by establishing the following restrictions:

- Maximum position in an individual security (excluding Government securities) must not exceed 5 percent of the account market value.
- Maximum position in any one issuer (excluding Government securities) must not exceed 5 percent of the account market value.

**Component Units Investments**

The Foundation's investments at June 30, 2012, are reported at fair value as follows:

**FLORIDA INTERNATIONAL UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

<u>Investment Type</u>	<u>Amount</u>
Domestic Common Stocks and Equity Funds	\$ 87,337,046
Fixed Income Securities and Funds	39,591,721
Hedge Funds and Interest in Private Equity Partnerships and Limited Liability Companies	33,581,817
International Equity Securities	<u>7,635,585</u>
<b>Subtotal</b>	168,146,169
Plus Accrued Income	<u>368,417</u>
<b>Total</b>	<u><u>\$ 168,514,586</u></u>

*Concentration of Credit Risk:* The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation, subject to various limitations. At June 30, 2012, \$168,514,586 was held in these accounts. The Foundation believes that the number, diversity, and financial strength of the issuers mitigates the credit risks associated with all investments.

The Finance Corporation investments are made in accordance with the trust indenture dated April 1, 2007. The investments at June 30, 2012, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Board of Administration:	
Fund B Surplus Funds Trust Fund	\$ 574,230
Money Market Funds	<u>4,228,363</u>
<b>Total</b>	<u><u>\$ 4,802,593</u></u>

*Concentration of Credit Risk:* The Finance Corporation maintains investment accounts with financial institutions that are not insured by FDIC. Fund shares are not guaranteed by the United States government. Current and future portfolio holdings are subject to risk. At June 30, 2012, \$4,802,593 was held in these accounts. The Finance Corporation believes that the number, diversity, and financial strength of the issuers mitigate the credit risks associated with all investments.

At June 30, 2012, the Finance Corporation reported investments in a Federated Government Obligations Fund at fair value of \$4,228,363. This is a money market mutual fund seeking to provide current income consistent with stability of principle by investing in a portfolio of short-term, U.S. treasury and government securities. The Fund prices of fixed-income securities generally fall when interest rates rise. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The money market mutual fund WAM at June 30, 2012, is 42 days while the WAL is 76 days. The fund is rated AAAM by Standard & Poor's, Aaa-mf by Moody's and AAAMmf by Fitch. The fund complies with the requirements of Rule 2a-7 under the 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds.

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### 3. RECEIVABLES

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable.

As of June 30, 2012, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 20,256,414
Contracts and Grants	7,602,078
Other	<u>253,951</u>
<b>Total Accounts Receivable, Net</b>	<b><u>\$ 28,112,443</u></b>

**Loans and Notes Receivable.** Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Student tuition and fees receivable, contracts and grants receivable, other receivables, and loans and notes receivable, are reported net of allowances of \$19,489,241, \$1,074,231, \$473,842 and \$1,384,160, respectively, at June 30, 2012.

### 4. DUE FROM STATE

This amount consists of \$111,622,679 of Public Education Capital Outlay funds due from the State for the construction of University facilities.

### 5. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are comprised of telephone, information technology, and pharmaceutical supplies, and items maintained at the University's duplicating service center. Merchandise inventories are reported on the statement of net assets, and are valued at cost using the first-in, first-out, method.

### 6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

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Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 30,989,550	\$	\$	\$	\$ 30,989,550
Works of Art and Historical Treasures	4,280,494	(1,484,235)	225,392	36,182	2,985,469
Construction in Progress	80,559,266		41,943,386	42,714,670	79,787,982
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 115,829,310</b>	<b>\$ (1,484,235)</b>	<b>\$42,168,778</b>	<b>\$42,750,852</b>	<b>\$ 113,763,001</b>
<b>Depreciable Capital Assets:</b>					
Buildings	\$ 743,907,869	\$	\$40,300,712	\$ 187,298	\$ 784,021,283
Infrastructure and Other Improvements	14,676,851		2,414,958		17,091,809
Furniture and Equipment	180,786,730	(63,878,734)	14,772,595	22,557,445	109,123,146
Library Resources	116,940,310	(19,862,899)	7,202,810		104,280,221
Property Under Capital Leases and Leasehold Improvements	2,940,122		394,288	2,696,758	637,652
Computer Software	2,751,656	(743,444)	499,961	681,878	1,826,295
<b>Total Depreciable Capital Assets</b>	<b>1,062,003,538</b>	<b>(84,485,077)</b>	<b>65,585,324</b>	<b>26,123,379</b>	<b>1,016,980,406</b>
<b>Less, Accumulated Depreciation:</b>					
Buildings	209,860,306		21,318,647	29,468	231,149,485
Infrastructure and Other Improvements	12,703,292		320,476	1,947	13,021,821
Furniture and Equipment	133,228,905	(46,780,594)	7,816,989	18,804,944	75,460,356
Library Resources	60,820,067	(10,720,039)	8,445,692		58,545,720
Property Under Capital Leases and Leasehold Improvements	2,367,472		474,395	2,696,758	145,109
Computer Software	1,833,344	(517,469)	281,666	600,556	996,985
<b>Total Accumulated Depreciation</b>	<b>420,813,386</b>	<b>(58,018,102)</b>	<b>38,657,865</b>	<b>22,133,673</b>	<b>379,319,476</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 641,190,152</b>	<b>\$ (26,466,975)</b>	<b>\$26,927,459</b>	<b>\$ 3,989,706</b>	<b>\$ 637,660,930</b>

Note: (1) The adjustment to capital assets is the result of a change in the capitalization threshold for tangible personal property from \$1,000 to \$5,000, effective July 1, 2011.

## 7. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay (PECO) and Capital Improvement Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2012, to spend the funds, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. In addition, deferred revenue also includes prepaid stadium rental income received from the Finance Corporation, contracts and grants payments received in advance, nonrefundable admission fees, student housing fees, athletic revenues and student trust fund fees received prior to fiscal year-end related to subsequent accounting periods.

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As of June 30, 2012, the University reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Capital Appropriations	\$ 56,708,742
Contracts and Grants	4,327,076
Admission Fees	1,675,812
Stadium Rental Income	1,221,959
Student Housing Fees	821,434
Athletic Revenues	44,747
Student Trust Fund Fees	3,800
<b>Total Deferred Revenue</b>	<b>\$ 64,803,570</b>

## 8. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2012, include capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other long-term liabilities. Other long-term liabilities consist of the long-term portion of deferred revenues and Federal advances payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$124,242,506	\$ 77,510,117	\$ 35,921,680	\$165,830,943	\$ 7,147,618
Capital Leases Payable	824,866	55,796	584,936	295,726	162,571
Compensated Absences Payable	34,169,658	1,862,921	2,685,193	33,347,386	2,461,037
Other Postemployment Benefits Payable	12,082,000	8,561,000	1,458,000	19,185,000	
Liability for Self-Insured Claims	243,766	55,785	86,753	212,798	21,280
Other Long Term Liabilities	2,572,065	49,239,496	73,420	51,738,141	
<b>Total Long-Term Liabilities</b>	<b>\$174,134,861</b>	<b>\$137,285,115</b>	<b>\$ 40,809,982</b>	<b>\$270,609,994</b>	<b>\$ 9,792,506</b>

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2012:



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Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2004A Student Apartments	\$ 53,915,000	\$ 38,472,623	4.00 - 5.00	2034
2011A Student Apartments Refunding	22,210,000	23,276,571	3.00 - 5.00	2025
2012A Student Apartments	53,655,000	54,188,883	3.00 - 4.25	2041
<b>Total Student Housing Debt</b>	<b>129,780,000</b>	<b>115,938,077</b>		
Parking Garage Debt:				
1995 Parking Garage	7,780,000	2,274,440	5.375	2016
1999 Parking Garage	7,530,000	3,580,916	5.25 - 5.625	2019
2002 Parking Garage	22,915,000	13,732,036	3.50 - 4.60	2022
2009 Parking Garage A&B	32,000,000	30,305,474	2.00 - 6.875	2039
<b>Total Parking Garage Debt</b>	<b>70,225,000</b>	<b>49,892,866</b>		
<b>Total Capital Improvement Debt</b>	<b>\$ 200,005,000</b>	<b>\$ 165,830,943</b>		

Note: (1) Amount outstanding includes unamortized discounts and premiums, and deferred losses on refunding issues.

The University has pledged a portion of future housing rental revenues, parking fees, and an assessed transportation fee per student to repay \$200,005,000 in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and student housing facilities. The bonds are payable solely from housing rental income, parking fees, and assessed transportation fees per student and are payable through 2041. The University has committed to appropriate each year from the housing rental income, parking fees, and assessed transportation fees per student amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$264,571,064, and principal and interest paid for the current year totaled \$12,827,890. During the 2011-12 fiscal year, housing rental income, traffic and parking fees, and assessed transportation fees totaled \$25,059,246, \$4,833,571, and \$8,216,137, respectively.

The University extinguished long-term capital improvement debt obligations by the issuance of new long-term capital improvement debt instruments as follows:

- On December 21, 2011, the Florida Board of Governors issued \$22,210,000 of Capital Improvement Housing Revenue Refunding Bonds, Series 2011A. The University's portion of the refunding bonds \$22,210,000 was used to defease \$23,215,000 of outstanding Capital Improvement Housing Revenue Bonds, Series 1998 and 2000. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$3,607,328 over the next 14 years and obtained an economic gain of \$2,982,190. At June 30, 2012, there was no outstanding balance of the defeased debt.

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- On May 3, 2012, the Florida Board of Governors issued \$53,655,000 of Capital Improvement Housing Revenue Bonds, Series 2012A. A portion of the capital improvement debt proceeds was used to defease the remaining \$6,220,000 of outstanding Capital Improvement Housing Revenue Bonds, Series 1998, with the remaining portion used to finance the construction of a housing facility on the main campus of the University. A portion of the proceeds will be placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$646,260 over the next 17 years and obtained an economic gain of \$432,709. At June 30, 2012, there was no outstanding balance of the defeased debt.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,790,000	\$ 7,456,451	\$ 14,246,451
2014	8,095,000	7,180,382	15,275,382
2015	8,430,000	6,855,999	15,285,999
2016	8,780,000	6,487,368	15,267,368
2017	6,430,000	6,097,542	12,527,542
2018-2022	34,440,000	26,076,276	60,516,276
2023-2027	29,075,000	19,251,583	48,326,583
2028-2032	25,510,000	12,891,838	38,401,838
2033-2037	22,620,000	6,701,387	29,321,387
2038-2041	13,910,000	1,492,238	15,402,238
<b>Subtotal</b>	164,080,000	100,491,064	264,571,064
Plus: Net Bond Discounts, Premiums, and Losses on Bond Refundings	1,750,943		1,750,943
<b>Total</b>	<u>\$ 165,830,943</u>	<u>\$ 100,491,064</u>	<u>\$ 266,322,007</u>

**Capital Leases Payable.** Food service equipment and vehicles in the amount of \$960,415 are being acquired under capital lease agreements. The stated interest rates range from 3.45 to 5.50 percent.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 174,817
2014	66,402
2015	66,403
2016	12,390
2017	2
<b>Total Minimum Payments</b>	320,014
Less, Amount Representing Interest	(24,288)
<b>Present Value of Minimum Payments</b>	<u>\$ 295,726</u>

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**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$33,347,386. The current portion of the compensated absences liability, \$2,461,037, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

**Other Postemployment Benefits Payable.** The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 369 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,458,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$2,194,000.

*Annual OPEB Cost and Net OPEB Obligation.* The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 4,803,000
Amortization of Unfunded Actuarial Accrued Liability	3,367,000
Interest on Normal Cost and Amortization	<u>327,000</u>
<b>Annual Required Contribution</b>	8,497,000
Interest on Net OPEB Obligation	483,000
Adjustment to Annual Required Contribution	<u>(419,000)</u>
<b>Annual OPEB Cost (Expense)</b>	8,561,000
Contribution Toward the OPEB Cost	<u>(1,458,000)</u>
<b>Increase in Net OPEB Obligation</b>	7,103,000
Net OPEB Obligation, Beginning of Year	<u>12,082,000</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 19,185,000</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 5,521,000	24.6%	\$ 8,240,000
2010-11	5,222,000	26.4%	12,082,000
2011-12	8,561,000	17.0%	19,185,000

*Funded Status and Funding Progress.* As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$101,015,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$101,015,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$280,051,835 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the University's 2011-12 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Healthcare cost trend rates were 7.24, 8.38, and 8.57 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 5.81, 3.11, and 8.42 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5 percent in the fourth year, grading identically to 5.0 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

**Other Long-Term Liabilities.** This amount includes the long-term portion of deferred revenues (\$49,239,496), related to PECO and Capital Improvement Trust Fund appropriations and prepaid stadium rental income received from the Finance Corporation, and of Federal advances payable (\$2,498,645) provided to fund the University's Federal Perkins Loan Program.

## **9. COMPONENT UNIT DEBT ISSUES**

### **Notes Payable – Florida International University Foundation, Inc.**

On January 20, 2000, the Miami-Dade County Educational Facilities Authority (the Authority) issued \$13 million tax-exempt revenue bonds (Florida International University Foundation Project – Series 1999). These bonds are payable from and secured by a pledge of payments to be made to the Authority under a loan agreement dated December 1, 1999, between the Foundation, and the Authority.

The bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see note 13). The \$13 million original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on 50 percent of the original issue, \$6.5 million, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank (see note 10). The bond proceeds are being used to acquire, construct, and equip a multi-function support complex located on the Modesto A. Maidique campus and to pay issuance costs. As of June 30, 2012, the outstanding principal balance due under this note payable was \$8.18 million. For the year ended June 30, 2012, total interest incurred and paid was \$351,171.

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On December 1, 1999, the Foundation entered into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to \$13 million through December 15, 2004, bearing interest at the prime rate plus 2 percent. On November 29, 2004, this agreement was extended, with the same terms and conditions, through December 15, 2009. There were two additional extensions subsequent to that date through July 30, 2010. The Foundation must pay an annual commitment fee of 0.45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

Under the letter of credit agreement and loan agreement noted above, the Foundation is obligated under certain debt covenants with which they are in compliance.

The bonds were repurchased by the Trustee under the SunTrust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five year tax exempt qualified loan. After the initial five year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional five year period. The Foundation agrees to pay interest at a rate of 67 percent of one month London Interbank Offered Rate (LIBOR) plus 1.68 percent. The bond maturity date of May 1, 2022, remains unchanged as does the swap agreement. On July 30, 2010, the Foundation paid \$52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments.

The aggregate maturities of the notes payable, as of June 30, 2012, are shown in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 640,000
2014	670,000
2015	705,000
2016	745,000
2017	785,000
Thereafter	<u>4,635,000</u>
<b>Total</b>	<b><u>\$ 8,180,000</u></b>

**Notes Payable – The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.**

On June 1, 2009, the Health Care Network entered into a loan agreement totaling \$100,000 with FIU in order to fund startup costs associated with the operations. This agreement was amended on January 25, 2010, reducing the total principal payment due to \$51,100. Interest on the loan accrues at 3.25 percent and the loan is scheduled to mature on May 31, 2013.

On August 27, 2010, the Health Care Network entered into a loan agreement totaling \$5,321,198 with the University in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other University clinical activities. Interest on the loan accrues at 2 percent simple interest and the loan is scheduled to mature on June 1, 2030. Draw downs on

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the loan for the fiscal year ended June 30, 2012, totaled \$3,587,313, of which \$1,636,001 were expended for construction leasehold improvements to the site at PG 5 Market Station and related furniture and equipment to make the site operational. Furthermore, \$1,710,266 of these drawdowns were related to expenses paid directly by the University on behalf of the Health Care Network. The loan also includes approximately \$29,000 of accrued interest as of June 30, 2012. Payments on the loan are scheduled to begin on June 1, 2015, at which time draw downs on the loan will be completed and a final amortization schedule will be available.

Estimated principal and interest payments for the life of the amounts due to the University based on the balances as of June 30, 2012, are due as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 27,674	\$ 77,347	\$ 105,021
2014		77,977	77,977
2015		77,977	77,977
2016		77,977	77,977
2017		77,977	77,977
2018-2022	1,355,009	342,410	1,697,419
2023-2027	1,496,040	195,682	1,691,722
2028-2030	971,363	40,691	1,012,054
<b>Total</b>	<b>\$ 3,850,086</b>	<b>\$ 968,038</b>	<b>\$ 4,818,124</b>

**Bonds Payable – FIU Athletics Finance Corporation**

On December 1, 2009, the Finance Corporation issued \$30,000,000 of Miami-Dade County Industrial Development Authority Revenue Bonds Series 2009A and \$5,310,000 of Miami-Dade County Industrial Development Authority Taxable Revenue Bonds Series 2009B.

These bonds were issued and secured under and pursuant to the Trust Indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and nonoperating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis. The interest rate on the Series 2009A Bonds is equal to the sum of 63.7 percent of three-month LIBOR plus 1.90 percent. The interest rate on the Series 2009B Bonds shall be at a rate equal to three-month LIBOR plus 2.65 percent. The total proceeds from the new bond issue were used solely to retire and refund the outstanding Series 2007 A and B bonds and pay costs of issuance of the bonds and other refinancing costs. The bonds are secured by operating and nonoperating revenues as well as University athletic fees, not to exceed 5 percent of the total athletic fees collected. Total principal due at June 30, 2012, was \$33,385,910.

The Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund currently totals \$3,061,976 and is presented in restricted investments.

The Finance Corporation is required to maintain minimum deposits of \$2,500,000 with Regions Bank. The deposit is to be held in an interest-bearing additional reserve fund and is presented in restricted cash.

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The interest rate on these bonds is both fixed and variable and is subject to a swap agreement (see note 10) that was entered into to reduce the exposure to market risks from changing interest rates. Interest is computed on the basis of the actual number of days elapsed over a year of 365 or 366 days.

The aggregate maturities of these bonds as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 636,987	\$ 1,627,027	\$ 2,264,014
2014	656,479	1,677,592	2,334,071
2015	676,567	1,719,051	2,395,618
2016	697,270	1,684,647	2,381,917
2017	1,090,035	1,649,191	2,739,226
2018-2022	7,121,429	7,232,351	14,353,780
2023-2027	8,885,714	5,136,675	14,022,389
2028-2032	11,085,714	2,521,878	13,607,592
2033	2,535,715	136,308	2,672,023
Subtotal	33,385,910	23,384,720	56,770,630
Less: Amount Deferred on Refunding	(364,821)		(364,821)
<b>Total</b>	<b>\$ 33,021,089</b>	<b>\$ 23,384,720</b>	<b>\$ 56,405,809</b>

# **10. DERIVATIVE FINANCIAL INSTRUMENTS – COMPONENT UNITS**

The Foundation and the Finance Corporation entered into derivative instruments (i.e., interest rate swap agreements) to reduce their exposure to market risks from changing interest rates. For interest rate swap agreements, the differential to be paid or received is accrued and recognized as interest expense and may change as market interest rates change. These interest rate swap agreements, and a related Letter of Credit agreement entered into by the Finance Corporation, are discussed below.

## **Florida International University Foundation, Inc.**

On February 1, 2000, the Foundation entered into an interest rate swap agreement with a commercial bank on a notional amount of \$6,500,000 which represents 50 percent of the principal amount of the bond issue, as described in note 9. Under the original interest rate swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one-month U.S. Dollar London Interbank Offered Rate (LIBOR). Effective October 1, 2005, the Foundation renegotiated the interest rate swap agreement reducing the interest rate swap to 4.63 percent per annum. The renegotiated interest rate swap agreement expires on February 1, 2015. The derivative liability at June 30, 2012, was \$432,872.

## **FIU Athletics Finance Corporation**

*Objectives.* As a means to lower its borrowing costs and increase its savings, the Finance Corporation entered into an interest rate swap agreement in connection with its \$30,000,000 2009A Miami-Dade County Industrial Development Authority Revenue Bond issuance. The intention of the interest rate swap agreement was to



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effectively change the Finance Corporation's variable interest rate on the bonds to a synthetic fixed rate of 5.50 percent, which is the fixed rate payable by the Finance Corporation under the interest rate swap agreement of 3.60 percent plus 1.90 percent.

*Terms.* On December 22, 2009, the Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on \$21,000,000 of the principal amount of the 2009A Bonds. This represents the fixed portion of the tax exempt bonds payable mentioned above. Under the interest rate swap agreement, the Finance Corporation agrees to pay a synthetic fixed rate of 5.50 percent and receive a variable rate equal to 63.7 percent of three-month LIBOR. The interest rate swap agreement has a maturity date of March 1, 2033.

*Fair Value.* As of June 30, 2012, the Finance Corporation interest rate swap agreement has a derivative liability of \$5,960,658 as reported in the statement of net assets. The negative fair value was determined using Mark-to-Market Value and represents the closing mid-market values.

As of June 30, 2012, the fair value of the Series 2007A ineffective interest rate swap agreement was \$2,009,534. This interest rate swap agreement was not terminated when the bonds were refunded in December 2009. The interest rate on the refunded Series 2009 bonds reflects a higher rate due to not terminating this interest rate swap agreement. Accordingly, the fair value of \$2,009,534 of the ineffective Series 2007A interest rate swap agreement is being amortized to interest expense over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Finance Corporation determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap agreement is presented in the component unit column of the statement of net assets as an other noncurrent asset in the amount of \$3,951,124.

*Credit Risk:* As of June 30, 2012, the Finance Corporation was not exposed to credit risk because the interest rate swap agreement had a negative fair value. However, should interest rates change and the fair value of the interest rate swap agreement become positive, the Finance Corporation would be exposed to credit risk in the amount of the derivative's fair value. The interest rate swap agreement counterparty (Regions Bank) was rated Ba2 by Moody's Investors Service, BBB- by Standard & Poor's and BBB- by Fitch Ratings.

*Basis Risk:* Basis risk arises when different indexes are used in connection with a derivative. Given that both the bond and the interest rate swap agreement are based on 63.7 percent of the three-month LIBOR rate, there is limited basis risk.

*Termination Risk.* The derivative contract uses the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an "additional termination event". That is, the interest rate swap agreement may be terminated if: (i) the loan or other indebtedness in connection with which a transaction entered into by the Finance Corporation for the purpose or with the effect of altering the net combined payment from a floating to

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fixed or a fixed to floating rate basis is repaid, whether upon acceleration of principal, at maturity, or otherwise, or for any other reason ceases to be an obligation of the Finance Corporation, with or without the consent of the counterparty (Regions Bank); or (ii) any credit support document expires, terminates or ceases to be of full force and effect. Also, the interest rate swap agreement may be terminated or assigned by the Finance Corporation if the counterparty's (Regions Bank) long-term, senior, unsecured, unenhanced debt rating is withdrawn, suspended, or falls below at least two of the following: a) "Baa3" as determined by Moody's; or b) "BBB-" as determined by Standard & Poor's; or c) "BBB-" as determined by Fitch.

*Swap Payments and Associated Debt.* Using rates as of June 30, 2012, debt service requirements of the variable-rate portion of the debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

Fiscal Year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2013	\$	\$ 399,617	\$ 755,383	\$ 1,155,000
2014		399,617	755,383	1,155,000
2015		399,617	755,383	1,155,000
2016		399,617	755,383	1,155,000
2017	260,000	399,617	755,383	1,415,000
2018-2022	4,985,000	1,792,186	3,387,714	10,164,900
2023-2027	6,220,000	1,272,874	2,406,076	9,898,950
2028-2032	7,760,000	624,924	1,181,276	9,566,200
2033	1,775,000	33,777	63,848	1,872,625
<b>Total</b>	<b>\$ 21,000,000</b>	<b>\$ 5,721,846</b>	<b>\$ 10,815,829</b>	<b>\$ 37,537,675</b>

Note: As rates vary, variable-rate bond interest payments and net swap payments will vary.

## 11. RETIREMENT PROGRAMS

**Florida Retirement System.** Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after

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25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement System, Special Risk	3.00	14.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

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The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$8,493,631, \$9,998,061, and \$7,113,640, respectively, which were equal to the required contributions for each fiscal year.

There were 436 University participants in the Investment Plan during the 2011-12 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled \$1,511,468, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.92 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 2,597 University participants during the 2011-12 fiscal year. The University's contributions to the Program totaled \$13,325,757 and employee contributions totaled \$9,169,959 for the 2011-12 fiscal year.

## **12. CONSTRUCTION COMMITMENTS**

The University's major construction commitments at June 30, 2012, are as follows:

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Project Description	Total Commitment	Completed to Date	Balance Committed
Parkview Housing	\$ 51,805,661	\$ 3,176,624	\$ 48,629,037
Science Classroom Complex	57,763,409	21,283,256	36,480,153
Mixed-use Auxiliary Building	29,575,000	411,605	29,163,395
Robert Stempel College of Public Health and Social Science	23,300,000	1,690,053	21,609,947
Student Academic Support Center	20,146,976	305,934	19,841,042
International Hurricane Center	15,000,000	474,320	14,525,680
FIU Ambulatory Care Center	10,040,500	71,248	9,969,252
Satellite Chiller Plant	7,610,000	2,095,363	5,514,637
USCB Arena Expansion	7,592,137	2,030,231	5,561,906
Football Stadium Expansion	4,820,322	771,103	4,049,219
Utilities/Infrastructure/Capital Renewal	7,259,960	3,396,667	3,863,293
<b>Subtotal</b>	234,913,965	35,706,404	199,207,561
Projects with Balance Committed Under \$3 Million	62,683,796	44,081,578	18,602,218
<b>Total</b>	<u>\$ 297,597,761</u>	<u>\$ 79,787,982</u>	<u>\$ 217,809,779</u>

### 13. OPERATING LEASE COMMITMENTS

The University leased building space under operating leases, which expire in 2027. These leased assets and the related commitments are not reported on the University's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations.

Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 3,829,071
2014	4,235,782
2015	3,274,324
2016	3,349,790
2017	3,463,257
2018-2022	16,374,983
2023-2027	1,515,000
<b>Total Minimum Payments Required</b>	<u><u>\$ 36,042,207</u></u>

### 14. OPERATING LEASE COMMITMENTS – RELATED PARTY TRANSACTIONS

#### Florida International University Foundation Inc.

On December 1, 1999, the former Board of Regents of the State University System of the State of Florida for and on behalf of the University entered into a ground lease agreement with the Foundation. Under this agreement, the Foundation leases from the University the grounds on which a multi-function support complex facility was built on the Modesto A. Maidique campus. The consideration required to be paid by the Foundation is

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\$10 annually. The ground lease will expire on December 31, 2024, or on the date the Foundation makes its final payment under a letter of credit agreement related to the financing of the facility. Total amounts paid to the Foundation under this agreement were \$1,327,862 and \$1,270,027 for the years ended June 30, 2012, and 2011, respectively.

On December 1, 1999, the former Board of Regents on behalf of the University also entered into a 20-year operating lease agreement with the Foundation for the facility. Under the terms of the operating lease, the University will pay the Foundation rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and loan agreement related to the financing of the facility. The payments also include any costs of operating and maintaining the facility, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the facility became operational. The lease will terminate on May 1, 2022, which is the date of maturity of the loan agreement.

The facility under the above operating lease is not recorded as an asset on the statement of net assets; however, the operational lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred.

The following schedule by years presents management's best estimate of future minimum rental payments for this noncancelable operating lease as of June 30, 2012:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 1,260,000
2014	1,260,000
2015	1,260,000
2016	1,260,000
2017	1,260,000
Thereafter	5,040,000
<b>Total Minimum Payments Required</b>	<b><u><u>\$ 11,340,000</u></u></b>

**FIU Athletics Finance Corporation**

The University and the Finance Corporation entered into two 25-year ground sublease agreements dated April 1, 2007, rendering the rights to the Finance Corporation to issue a series of capital improvement bonds of which a portion of the proceeds, along with contributions from the University, was to finance a stadium improvement project located on University premises. Under this agreement the Finance Corporation prepaid to the University for rental of the premises the sum of \$31,937,211.

The following schedule by years represents management's best estimate of future minimum rental expense that will be recognized for these sublease agreements:

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<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 1,304,083
2014	1,304,083
2015	1,304,083
2016	1,304,083
2017	1,304,083
2018-2022	6,520,416
2023-2027	6,520,416
2028-2032	6,520,416
2033	1,195,410
<b>Total</b>	<b>\$ 27,277,073</b>
<b>Reconciliation of Statement of Net Assets to the Lease Commitment</b>	
Other Current Assets	\$ 1,319,900
Other Noncurrent Assets	25,972,990
Less: Other Current Assets	(15,817)
<b>Total Lease Commitments</b>	<b>\$ 27,277,073</b>

**15. GIFT AGREEMENT – FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.**

The Wolfsonian, Inc. (Wolfsonian), was established in 1986 to create and operate a museum and research center in Miami Beach, Florida, and to support a comprehensive program focused on the collection, exhibition, interpretation, preservation, research and publication of the decorative, or design and architectural arts. The Wolfsonian has been loaned the Mitchell Wolfson, Jr., collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century. It encompasses furniture, sculpture, paintings, books, graphics and other works of art on paper, as well as archives relating to the period. Through a series of academic study and fellowship programs, national and international traveling exhibitions, and scholarly initiatives, the Wolfsonian promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 period.

On July 1, 1997, the Foundation entered into a gift agreement (Agreement) with Mitchell Wolfson, Jr., the Wolfsonian, and the University, whereby Mitchell Wolfson, Jr., agreed to donate all rights, title, and interest in and to all objects constituting the Mitchell Wolfson, Jr., Collection of Decorative and Propaganda Arts to the Foundation, subject to a loan agreement made and entered into by the Wolfsonian and Mr. Wolfson, Jr., dated July 29, 1991. The loan agreement was extended through to July 2021.

The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of “collection” as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated Collection of Decorative and Propaganda Arts is not reflected in the accompanying University’s financial statements. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the

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assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

As a result of the Agreement, the Wolfsonian amended its articles of incorporation and bylaws to provide that all its directors be appointed and removed at any time with or without cause by the Foundation, to effect a transfer of complete control of all of the assets, interest, and obligations of the Wolfsonian to the Foundation. On May 26, 1999, the Foundation passed a revision to the bylaws of the Wolfsonian to make the Foundation the sole voting member of the Wolfsonian.

The gifts are conditional upon the provisions outlined in the Agreement, including but not limited to the Foundation continuing the museum and educational activities and operations that were conducted by the Wolfsonian. As a result of the Agreement, the University and Foundation have assumed all administrative functions and operating costs of the Wolfsonian.

The most significant of the obligations under the Agreement is for the University to provide the Wolfsonian with the same financial support from its general budget, as provided to other departments, and to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of approximately \$1.9 million during the 2011-12 fiscal year for Wolfsonian expenses which included salaries, equipment, administrative expenses, insurance premiums for the art collection, and building security. In addition, the University provided support of approximately \$169,000 during the 2011-12 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

## **16. RISK MANAGEMENT PROGRAMS**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2011-12 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$61 million for named windstorm and flood losses through February 14, 2012, and decreased to \$50 million starting February 15, 2012. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.



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Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

**University Self-Insurance Program.** The Florida International University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes, on June 18, 2009. The Self-Insurance Program provides professional and general liability protection for the Florida International University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff and resident physicians. Liability protection is afforded to the students of the college. The Self-Insurance Program provides legislative claims bill protection.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides: \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$300,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$300,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$100,000 for a claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other health care facility for educational purposes not to exceed per occurrence limit of \$1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported.

Changes in the balances of claims liability for the Self-Insurance Program during the 2011-12 fiscal year and the two preceding fiscal years are presented in the following table:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2010	\$	\$ 83,688	\$ (8,429)	\$ 75,259
June 30, 2011	75,259	182,510	(14,003)	243,766
June 30, 2012	243,766	55,785	(86,753)	212,798

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 229,017,423
Research	77,924,672
Public Services	8,860,439
Academic Support	79,192,578
Student Services	49,795,378
Institutional Support	46,689,588
Operation and Maintenance of Plant	66,423,001
Scholarships, Fellowships, and Waivers	89,193,592
Depreciation	38,657,865
Auxiliary Enterprises	52,298,722
Loan Operations	<u>13,449</u>
<b>Total Operating Expenses</b>	<b><u>\$ 738,066,707</u></b>

**18. SEGMENT INFORMATION**

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Housing and Parking facilities represents identifiable activities for which one or more bonds are outstanding:

**FLORIDA INTERNATIONAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**Condensed Statement of Net Assets**

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
<b>Assets</b>		
Current Assets	\$ 21,603,809	\$ 9,252,622
Capital Assets, Net	85,439,696	71,843,742
Other Noncurrent Assets	47,807,640	3,439,620
<b>Total Assets</b>	<u>154,851,145</u>	<u>84,535,984</u>
<b>Liabilities</b>		
Current Liabilities	5,520,019	3,176,993
Noncurrent Liabilities	111,786,402	47,254,554
<b>Total Liabilities</b>	<u>117,306,421</u>	<u>50,431,547</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	15,143,695	22,577,495
Restricted - Expendable	2,773,448	2,845,412
Unrestricted	19,627,581	8,681,530
<b>Total Net Assets</b>	<u>\$ 37,544,724</u>	<u>\$ 34,104,437</u>

**Condensed Statement of Revenues, Expenses,  
and Changes in Net Assets**

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Operating Revenues	\$ 25,060,118	\$ 13,049,708
Depreciation Expense	(2,890,780)	(2,142,548)
Other Operating Expenses	(14,684,558)	(7,181,127)
<b>Operating Income</b>	<u>7,484,780</u>	<u>3,726,033</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	219,150	128,434
Interest Expense	(3,202,061)	(2,883,276)
Other Nonoperating Expense	(162,621)	(125,584)
<b>Net Nonoperating Expenses</b>	<u>(3,145,532)</u>	<u>(2,880,426)</u>
<b>Income Before Transfers</b>	4,339,248	845,607
Net Transfers	1,933,861	(993,889)
Capital Grants		642,310
<b>Increase in Net Assets</b>	6,273,109	494,028
Net Assets, Beginning of Year	<u>31,271,615</u>	<u>33,610,409</u>
<b>Net Assets, End of Year</b>	<u>\$ 37,544,724</u>	<u>\$ 34,104,437</u>

**FLORIDA INTERNATIONAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**Condensed Statement of Cash Flows**

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	\$ 10,423,610	\$ 7,922,329
Noncapital Financing Activities	9,305	
Capital and Related Financing Activities	36,241,295	(5,596,168)
Investing Activities	<u>(48,510,610)</u>	<u>(2,426,863)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,836,400)</b>	<b>(100,702)</b>
Cash and Cash Equivalents, Beginning of Year	<u>2,493,864</u>	<u>352,061</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 657,464</u></b>	<b><u>\$ 251,359</u></b>

## 19. COMPONENT UNITS

The University has four discretely presented component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements.

The following financial information is from the most recently available audited financial statements for the component units:

**FLORIDA INTERNATIONAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

	Direct-Support Organizations				Total
	Florida International University Foundation, Inc.	Florida International University Research Foundation, Inc.	FIU Athletics Finance Corporation	FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.	
<b>Condensed Statement of Net Assets</b>					
Assets:					
Current Assets	\$ 235,777,831	\$ 436,183	\$ 4,313,715	\$ 380,191	\$ 240,907,920
Capital Assets, Net	12,174,915			1,474,656	13,649,571
Other Noncurrent Assets	122,590		36,868,120		36,990,710
<b>Total Assets</b>	<b>248,075,336</b>	<b>436,183</b>	<b>41,181,835</b>	<b>1,854,847</b>	<b>291,548,201</b>
Liabilities:					
Current Liabilities	2,530,105	247,165	1,424,817	129,228	4,331,315
Noncurrent Liabilities	8,866,317		41,993,060	3,822,412	54,681,789
<b>Total Liabilities</b>	<b>11,396,422</b>	<b>247,165</b>	<b>43,417,877</b>	<b>3,951,640</b>	<b>59,013,104</b>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	2,772,984				2,772,984
Restricted	215,047,608				215,047,608
Unrestricted	18,858,322	189,018	(2,236,042)	(2,096,793)	14,714,505
<b>Total Net Assets</b>	<b>\$ 236,678,914</b>	<b>\$ 189,018</b>	<b>\$ (2,236,042)</b>	<b>\$ (2,096,793)</b>	<b>\$ 232,535,097</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>					
Operating Revenues	\$ 35,839,013	\$ 70,000	\$ 3,542,338	\$ 321,353	\$ 39,772,704
Operating Expenses	(17,984,472)	(23,219)	(2,060,249)	(2,163,862)	(22,231,802)
<b>Operating Income (Loss)</b>	<b>17,854,541</b>	<b>46,781</b>	<b>1,482,089</b>	<b>(1,842,509)</b>	<b>17,540,902</b>
Net Nonoperating Expenses	(2,331,640)		(1,392,280)	(28,630)	(3,752,550)
<b>Increase (Decrease) in Net Assets</b>	<b>15,522,901</b>	<b>46,781</b>	<b>89,809</b>	<b>(1,871,139)</b>	<b>13,788,352</b>
Net Assets, Beginning of Year	221,156,013	142,237	(2,325,851)	(225,654)	218,746,745
<b>Net Assets, End of Year</b>	<b>\$ 236,678,914</b>	<b>\$ 189,018</b>	<b>\$ (2,236,042)</b>	<b>\$ (2,096,793)</b>	<b>\$ 232,535,097</b>

**FLORIDA INTERNATIONAL UNIVERSITY  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 48,762,000	\$ 48,762,000	0%	\$ 223,494,966	21.8%
7/1/2009		72,099,000	72,099,000	0%	239,559,653	30.1%
7/1/2011		101,015,000	101,015,000	0%	280,051,835	36.1%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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**FLORIDA INTERNATIONAL UNIVERSITY  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The July 1, 2011, unfunded actuarial accrued liability of \$101,015,000 was significantly higher than the July 1, 2009, liability of \$72,099,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
February 25, 2013

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Athletics Update**

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**Proposed Committee Action:**  
None. For information only.

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**Background Information:**  
The Athletics Update provides a fundraising report since the Finance and Audit Committee last met on November 29, 2012.

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**Supporting Documentation:** Athletics Update

**Facilitator/Presenter:** Pete Garcia

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**Finance and Audit Committee**  
**March 6, 2013**

**ATHLETICS UPDATE**

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**Reports** *(For Information Only – no action required)*

Pete Garcia, Executive Director of Sports and Entertainment

**Fundraising Report**

**FIU Foundation, Inc.**  
**Preliminary Recap of Statement of Activities**  
**Through the Period Ended December 31, 2012 (in thousands)**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Revenues	\$509.0	\$455.0	\$54.0

**Financial Highlights**

Based on Athletics Finance Corporation, unaudited preliminary recap through the period ended December 31, 2012

- Year-to-date Net Income excluding debt service was \$2.0 million and favorable \$394 thousand vs. budget
  - Primary drivers include:
    - Favorable Operating Revenues of \$249,782 driven by timing of Pepsi sponsorship
    - Operating Expenses unfavorable \$144,023 driven by repairs and replacement of exterior stadium wrap and accelerated payment of game management expenses versus budget.
- The debt coverage covenant requirement has been met for the period ended December 31, 2012.

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Treasury Report**

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**Proposed Committee Action:**  
None. For information only.

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**Background Information:**

The Treasury Report presents the treasury summary and provides an update on liquidity, investments, and a comparison of fiscal YTD performance vs. benchmarks by investment style for the quarter ending December 31, 2012.

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**Supporting Documentation:** Treasury Report

**Facilitator/Presenter:** Phong Vu

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## OVERVIEW

The University's total liquidity position of \$275.8 million was about 1.68 times the debt position of \$164.1 million at the quarter end and 1.35 times total debt of \$205.0 million, which includes Direct Support Organization ("DSO") outstanding balances.

This compares to the 2.35 Liquidity to University Debt ratio and 1.74 Liquidity to Total Debt ratio for the same period last year. These ratios have dropped significantly due to two factors: cash outflows in FY 2013 Q2 was \$39.6 million higher than in FY 2012 Q2 while debt increased by \$37 million compared to this time last year with the issuance of new housing debt.

## LIQUIDITY

### Real Days Payable<sup>1</sup>

Of the liquidity position of \$275.7 million, \$108.6 million, or 39 percent, of these balances were accessible within 5 business days. The university had 29 real days payable ("RDP") versus 67 RDP in FYTD 2012. The variance in RDP was mainly due to higher outflows in FYTD 2013.

### Stress Tests

The university analyzes the possible effect of negative market performance on its liquidity position. At quarter end, difficult investment conditions that generate a projected 10 percent portfolio loss scenario would equate to \$26.3 million in unrealized losses.

Liquidity, as measured by 5 day accessibility, would drop to \$104.9 million, still 38 percent of the total current available cash and investment balances. RDP would drop to 28 days based on FYTD outflows.

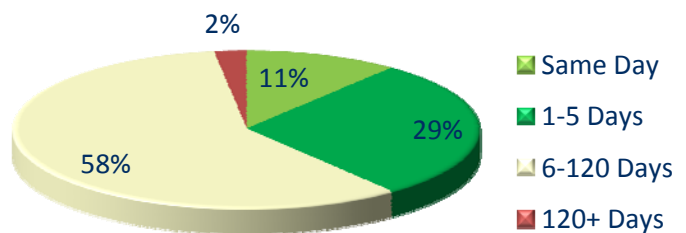
Extreme market conditions, represented by a 21 percent loss scenario or \$59.2 million in unrealized losses to the portfolio, would result in a projected drop in liquidity to \$64.8 million, or 24 percent of the total current available balances. This balance translates into 22 RDP based on FYTD outflows.

## Sources<sup>2</sup>

The University started the fiscal year with \$69.1 million in cash balances and added \$457.2 million through transfers from the state and operations. FYTD, the university has used \$488.2 million and ended the period with \$38.1 million in cash<sup>3</sup> balances.

The FY 2013 Q2 velocity of cash inflows was the same as FY 2012 Q2; \$3.5 million/day. Total FYTD cash inflows totaled \$457.2 million versus \$456.0 million for the same time period in FY 2012.

LIQUIDITY ALLOCATION



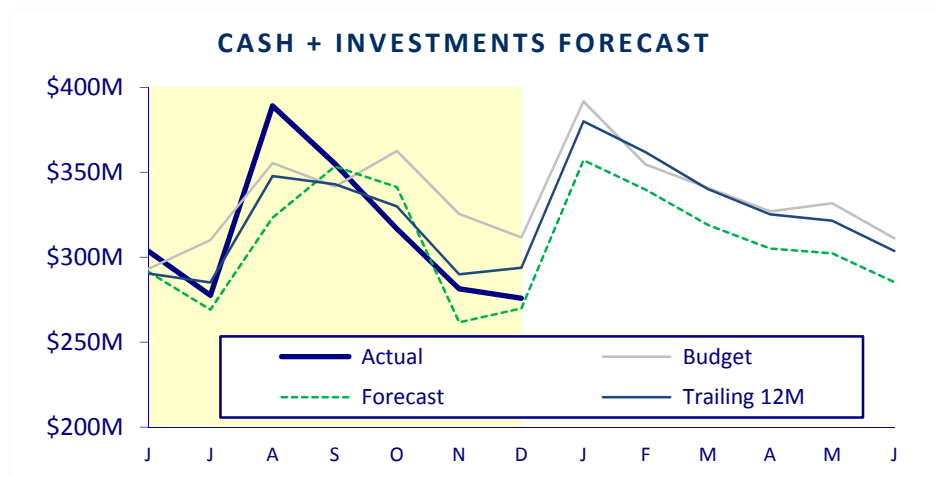
<sup>1</sup> Real Days Payable represents the available balance of liquid funds divided by the average cash outflows of the university. The calculation uses the available balance in the university's bank accounts plus the market value of investments that are accessible within 5 business days as its balance of liquid funds.

<sup>2</sup> Sources reported include transfers from the state, transfers from any bond proceeds on debt funded projects and cash from operations. The Treasury Summary details transfers from the state in the W/C (Working Capital Pool) Transfers.

<sup>3</sup> Cash includes Working Capital Pool assets and cash balances in the concentration bank account.

## Uses

The velocity FYTD 2013 Q2 cash outflows increased to \$3.7 million/day from \$3.4 million/day in FYTD 2012 Q2. The increase in average cash outflows FYTD resulted in uses totaling \$488.2 million versus \$448.6 million for the same time period in FY 2012. Cash flows from the university's A/P disbursement account increased by \$45.9 million in FY 2013 versus FY 2012. This increased outflow was offset by \$6.4 million less in disbursements from the student financial account in FY 2013 versus FY 2012 through the first two quarters.



## Forecast

Combined Cash and Investment Balances continue to follow historical seasonality. However, the \$39.6 million year-over-year increase in cash usage caused monthly deviations averaging 14.4 percent from the budgeted

balances. The rolling forecast returned to just a 2.1 percent deviation by period end. The start of the Spring semester will include large cash inflows with the projected balances to reach just over \$350 million by the end of January and gradually depleting through the Spring and Summer semesters.

## INVESTMENTS

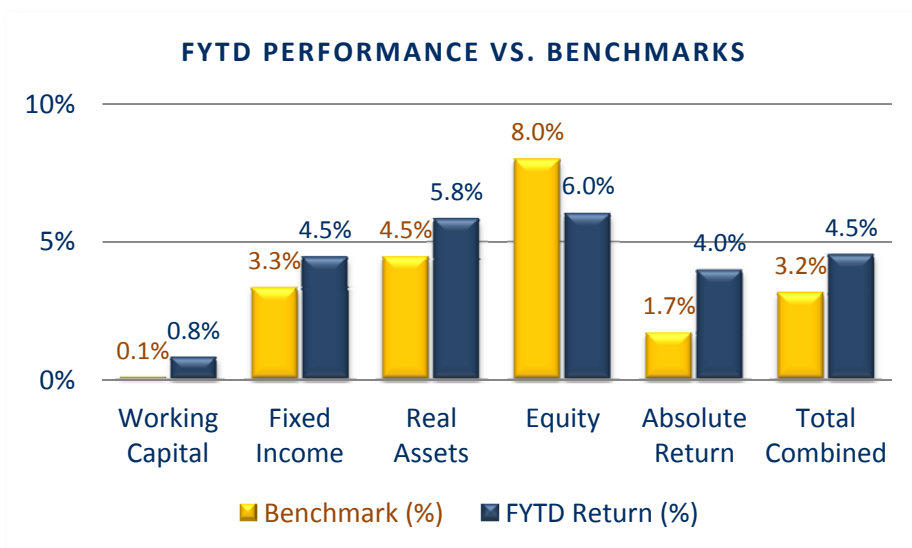
### Performance

FIU's operating portfolio continues to **outperform** the State Treasury investment pool ("SPIA"), returning 4.8 percent since inception versus the SPIA's 3.2 percent for the same time period. So far in FY 2013, the portfolio is up 4.5 percent. This compares to -0.6 percent for the same period last year. The Strategic and Reserve Capital Pools gained 5.6 percent while the Working Capital Pool gained 0.8 percent. Returns from the SPIA totaled 1.4 percent during the same period. This compares to 1.0 percent for the Working Capital Pool and -1.6 percent for the Strategic and Reserve Capital Pools as FYTD for the same period last year.

Four investment managers underperformed their benchmarks for the period: International Equity Manager (10.6 percent versus 12.1 percent), US Small Cap Manager (6.5 percent versus 7.2 percent), Global REITs Manager (11.4 percent versus 11.6 percent benchmark) and Commodities Manager (2.6 percent versus 2.8 percent benchmark).

### Composition

Asset allocations at the end of FY 2013 Q2 remained within policy guidelines. The University funded \$0.8 million in private equity capital calls during the quarter for the PAPEF VII Fund.



The quarter-end market value of the University's operating funds portfolio and cash totaled \$275.8 million. This balance reflects a decrease of \$79.2 million, or 22 percent, from the previous quarter. While the decrease is in line with seasonal movements, the magnitude of the decrease was larger than expected.

However, investment portfolio gains offset the larger outflows and the period ending value of the operating investment portfolio was just \$16.9 million, or 5.8 percent, lower than the ending balance of FY 2012 Q2 of \$292.7 million.

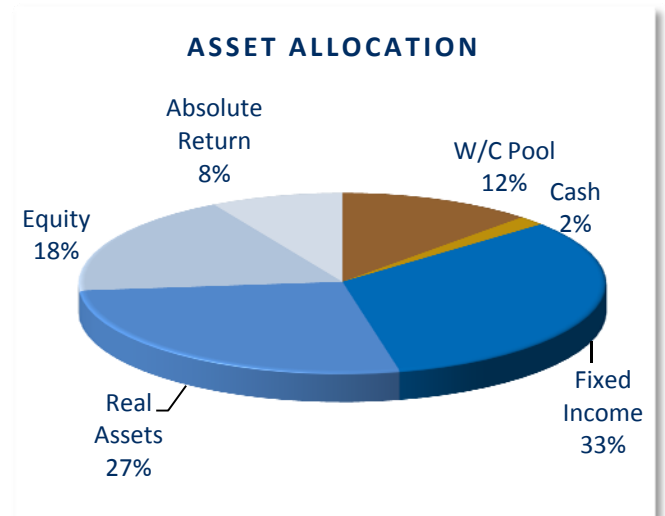
## DEBT

### Outstanding

The University and DSOs ended FY 2013 Q2 with \$205.0 million in outstanding debt. This compares with FY 2012 Q2 which was \$168.0 million in outstanding debt. The University outstanding debt of \$ 164.1 million consists of revenue bonds totaling \$114.0 million for housing and \$50.1 million for parking auxiliaries for FY 2013 Q2. In comparison, FY 2012 Q2 University debt consisted of revenue bonds totaling \$71.3 million for housing and \$52.8 million for parking auxiliaries.

Currently, DSOs' outstanding debt of \$40.9 million includes stadium bonds with \$33.4 million outstanding and a Foundation loan with \$7.5 million outstanding. In FY 2012 Q2, DSOs had outstanding debt of \$43.0 million including \$34.0 million outstanding and a Foundation loan with \$9.0 million outstanding.

The housing bonds are rated A+/ A/Aa3 (Fitch/S&P/Moody's). The parking bonds are rated A+/ AA-/ Aa3 (Fitch/S&P/Moody's). The bonds ratings are unchanged from last year.



### OVERVIEW

#### Liquidity Position

Cash + W/C Pool	\$ 38,086
Strategic + Reserve Pools	237,757
<b>Total</b>	<b>\$ 275,842</b>

#### Debt Position

University Debt	\$ 179,625
DSO Debt	40,916
<b>Total</b>	<b>\$ 220,541</b>

Liquidity/University Debt

1.54

Liquidity/Total Debt

1.25

### LIQUIDITY

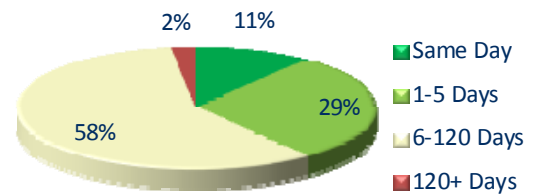
#### Availability

Same Day	\$ 29,845
1-5 Days	78,768
6-120 Days	160,820
120+ Days	6,410
<b>Total</b>	<b>\$ 275,842</b>

#### Real Days Payable (<5 Days)

MTD Outflows	35
QTD Outflows	31
YTD Outflow	29

### LIQUIDITY ALLOCATION



### CASH SOURCES AND USES

#### Sources

	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 43,368	\$ 113,218	\$ 58,336
Opening Cash Balance	2,185	6,517	10,801
From State	24,907	60,557	113,139
From Operations	32,412	92,283	344,021

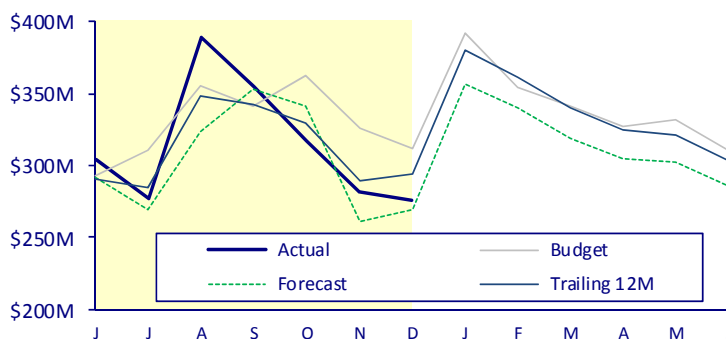
#### Uses

To Payroll	(37,335)	(123,136)	(213,728)
To Operations	(25,252)	(96,850)	(182,458)
To Student	(2,198)	(14,502)	(92,024)
<b>Cash + W/C Pool</b>	<b>\$ 38,086</b>	<b>\$ 38,086</b>	<b>\$ 38,086</b>

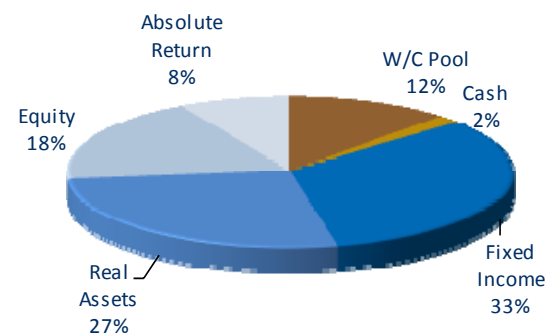
### INVESTMENTS

Cash + W/C Pool	Balance	FYTD	Last 1Y
W/C Pool	\$ 33,374	0.8%	1.7%
Cash	4,711	0.0%	0.0%
<b>Strategic + Reserve Pools</b>			
Fixed Income	90,221	4.5%	9.2%
Real Assets	74,118	5.8%	11.0%
Equity	50,696	6.0%	13.7%
Absolute Return	22,722	4.0%	7.6%
<b>Total</b>	<b>\$ 275,842</b>	<b>4.5%</b>	<b>8.1%</b>

### CASH + INVESTMENTS FORECAST



### ASSET ALLOCATION



### DEBT

#### University

	O/s Balance	Avg. Rate
Housing (Aa3/A/A+)*	\$ 129,520	4.0%
Parking (Aa3/AA-/A+)*	50,105	4.6%

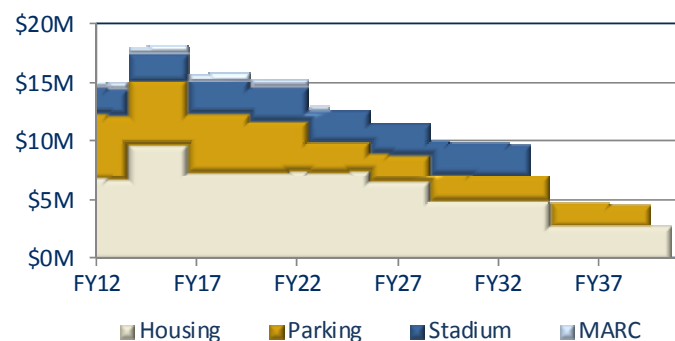
#### Direct Support Organizations

AFC (Stadium)	33,386	4.4%
Foundation (MARC)	7,530	3.9%
<b>Total Outstanding Debt</b>	<b>\$ 220,541</b>	<b>4.2%</b>

\* (Moody's/S&amp;P/Fitch)

Fixed Rate Debt	204,685	92.8%
Variable Rate Debt	15,856	7.2%

### ANNUAL DEBT SERVICE



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Business Services Update**

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**Proposed Committee Action:**  
None. For information only.

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**Background Information:**  
The Office of Business Services Update provides information on services, sales and venues.

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**Supporting Documentation:** Business Services Update

**Facilitator/Presenter:** Aime Martinez

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### UPDATES

Spring 2013

- At the start of the spring semester, the new and expanded **Sushi Maki** and **Almazar Mediterranean restaurant**, opened in the GC. The campus community is enthusiastic about the new locations and both have enjoyed immediate success with steady traffic and robust sales.
- FIU has partnered with Ricoh to open new full service copy, print, pack and ship stores at MMC and BBC. **Ricoh@FIU** offers full coping, printing and finishing services as well as packaging services, packaging supplies, shipping by all major carriers, photo printing and mailbox rentals.
- **The Fresh Food Company**, FIU's all-you-care-to-eat restaurant located in GC, will be fully renovated this summer. The project will include new food stations, expanded seating and an attractive modern décor.
- **The MANGO (Management and New Growth Opportunity) building** will feature Panda Express, Starbucks and Taco Bell with over 6,000 sq. ft. of seating designed to foster collaboration and community engagement. The price points, product offerings and brand recognition of these venues will allow us to create a new destination hub for the North West quadrant of MMC that will attract the entire FIU community. Design is underway for the new building which is expected to open fall of 2014.

### QUICK FACTS

#### Services Under Management

- 46 Food and Retail Venues, Beverage & Snack Vending, FIU *One Card* Program, Office Supplies, Printing and Copying, Multi-use Facilities, Property Management and University-Wide Advertising.

#### Investments

- This fiscal year Business Services is on track to invest \$7.2M to build out new facilities, expand services and increase indoor and outdoor seating to help foster affinity and retention at FIU. In addition, Business Services contributes over \$1.8M annually to fund university initiatives, provide scholarships, underwrite student services and support FIU facilities.

#### Revenues

- As of December 2012, year to date revenue from operations is up 12% over prior year. Expanded venues like Einstein and Sushi are showing strong gains. Services like the car wash and Wells Fargo are also experience significant growth.

#### Barnes & Noble at FIU

- Barnes and Noble will be launching multiple new websites this spring, including their new adoption tool Faculty Enlight. The site offers greater search tools for identifying texts, the ability to share data with peers, details on price points and formats and greatly streamlines the adoption process for faculty and staff.

#### FIU One Card/Wells Fargo

- Over 49,500 *One Cards* have been issued to students, faculty and staff and over 10,600 *One Cards* have been linked to a Wells Fargo account, which represents approximately a 25% penetration rate.

#### shopFIU

- With new retail space opening up in PG-6, an online survey was fielded to identify potential demand for new services and retail concepts to bring to FIU. Top choices include a pharmacy and a technology store.
- Ongoing marketing continues with several new campaigns, including Deal of the Day and Snack-it-Up & Win. These programs have proven very successful at driving traffic and building awareness of our products and services.

#### New Venues for spring 2013



Delicious Fishes, Positive Vibes & Healthier Lives

**RICOH@FIU**  
COPY PRINT PACK & SHIP

#### The Fresh Food Company Renovation Opening fall 2014



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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Construction Status Report**

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**Proposed Committee Action:**  
None. For information only.

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**Background Information:**

The Facilities and Construction Update provides an overview and the status of University projects.

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**Supporting Documentation:** Facilities and Construction Status Report

**Facilitator/Presenter:** John Cal

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**Finance and Audit Committee**  
**March 6, 2013**

**Facilities and Construction Update**  
*As of February 11, 2013*

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**Projects Completed**

- **U.S. Century Bank Arena Expansion (USCBA) (BT-837)** - \$7.6M (multiple sources) project budget. A/E – Gould Evans; CM – Arellano; first FIU project for both firms. The Student Government Association (SGA) commissioned panther sculpture was unveiled on January 10<sup>th</sup>. Final pricing has been set for the arena plaza improvements that include concrete brick pavers and enhanced landscaping. The target delivery date for the plaza improvements is April 2013 prior to graduation.

**Projects Under Construction**

- **Science Classroom Complex (SCC)/Academic Health Center 4 (AHC-4) (BT-876)** - \$57.8M Public Education Capital Outlay (PECO) project budget. A/E – Perkins + Will; CM – DPR; first FIU construction project for both firms. Substantial completion was achieved on schedule with award of the Temporary Certificate of Occupancy (TCO) on February 5, 2013. Final building commissioning continues and will be complete by the end of February. Furniture is now being installed in offices and classrooms. The first group to occupy the facility will begin in early March. Final space assignments are currently being determined by the Department of Research and the College of Arts and Sciences. As researchers are identified for specific lab space, final laboratory design and build-out will be initiated. Landscape installation is scheduled for mid-February. Student and classroom use will begin at the end of July 2013.
- **Parkview Housing 2013 (BT-889)** – \$54.1M (multiple sources) project budget. A/E: HADP/HKS Joint Venture; CM – Moss. Owner Direct Purchase (ODP) savings of approximately \$450k already exceed the 1% goal of \$412k; now working toward the 1.5% stretch goal of \$650k. Both wings are approximately 60% complete. The parking garage is 70% complete. All pre-cast panels have been installed. Interior finishes have begun with casework installation scheduled for mid-February. The elevators are also projected to be operational by mid-February. Commissioning of electrical and air conditioning systems will begin late February. Site work is approximately 20% complete and should be finished by the end of February 2013. Installation of glass on the 3<sup>rd</sup> floor bridge is scheduled for early March 2013. Target delivery date: July 2013.

- **Satellite Chiller Plant (BT-834)** - \$14.1M (PECO) project budget/\$7.6M funded to date. E/A – SGM Engineering; CM – Poole & Kent. FIU is using the available \$7.6M to construct the full building and outfit it with two chillers and two cooling towers; additional equipment and infrastructure work will follow as funding is available. The building envelope will be complete by mid-February. Chillers and cooling towers have been set in place and are now being connected to the distribution system. FPL has notified the university that they will be able to provide power to the facility at the end of March 2013. This will impact systems' commissioning, pushing it back approximately 60 days. This has no impact on any other project. New target delivery date: May 2013.
- **Stocker AstroScience Center (BT-814)** - \$3.7M (multiple sources) project budget. A/E – Siddiq Khan & Associates (SKA); CM – Stobs Brothers. Final reconciliation with Campus Master Plan has been completed. Building infrastructure and site work is 60% complete. Phase 2 GMP based on 100% construction documents (CD's) has been submitted. Target delivery date: August 2013.
- **Academic Health Center 5 (BT-877/895)** - \$44.9 M (multiple sources) project budget. A/E – Perkins + Will; CM – Skanska. The Robert Stempel College of Public Health and Social Work (\$23.3M) and the International Hurricane Center (IHRC) project (\$15.00 M) have been combined into one project. This new facility includes the Stempel College of Public Health, the Extreme Events Institute, and the Department of Earth & Environment. The foundations are complete. The building shell is 6% complete. The final Guaranteed Maximum Price (GMP) contract amendment has been negotiated and is now being executed. Target delivery date: January 2014.
- **Hospitality Management Dining & Kitchen Expansion Improvements (BT-855)** - \$2.0M (Auxiliary/SoBe proceeds). A/E – MC Harry w/Echeverria as specialty consultant; CM – Pirtle. Phase I (Dining Room Expansion) shell is 99% complete: windows overlooking bay are complete, MEP is 100% complete. Phase 2 (Dining Room Finishes) is now 90% complete. Kitchen equipment has been installed. Target delivery date: February 2013.
- **Management and New Growth Opportunities (MANGO) Mixed-Use College of Business Building- (BT-886)** - \$35.7M (multiple sources) project budget. A/E – HOK; CM- Arellano. Fire Marshal approved drawings. CM has mobilized. The primary design challenge has been the reconciliation of underground utilities and the expanded building footprint. The reconfiguration of utilities has delayed the project 60 days. Infrastructure for FP&L has been completed 2 weeks ahead of schedule, but still requires FP&L to install service conduits. Existing irrigation mains have been relocated. Final interior build out GPM has been presented and it is within budget. It has been submitted for approval by the university. Final interior layout coordination meeting with users will start in early March. Target delivery date: April 2014.

### **Projects in Design**

- **Student Academic Support Center (SASC) (BT-882)** - \$30.9M (PECO) project budget/\$20.1M PECO funded and \$4.5M CITF anticipated. A/E – Gould Evans; CM – Balfour Beatty. While the original project required \$30.9M, FIU will move forward with available funds of \$24.6M and adjust the program to fit the budget. Final program has been validated and is now being formally approved. Design kick-off meeting was held January 29, 2013. Early construction packages are scheduled for Summer 2013 to accelerate the project. Target delivery date: December 2014.
- **Ambulatory Care Center (BT-870)** - \$8.6M (County bond) project budget. A/E – AECOM; CM – Klewin. The ACC building program has been verified; negotiations continue with a potential partner for expanded space. A/E has committed to an accelerated process to design and produce construction documents. The CM will provide input beginning in Conceptual Schematics. The GMP proposal is projected to be ready for FIU review by the end of May 2013. The schedule is still in flux due to partner negotiations and is extremely aggressive. User desired delivery date: May 2014.

### **Projects in Planning Stage**

- **Parking Garage 6 (BT-868)** – \$42.6M (bond) project budget. A/E – PGAL; CM to be selected. This facility will reuse the PG5/Market Station design. Located to the west of PG4/Red Garage, the garage will house approximately 2,000 car spaces with 35,000 square feet of shell space that will be filled as needs, users and funds are identified. As a component of “University City,” this project would attempt to set the first building block of an Advanced Transit Oriented Development (ATOD) in partnership with the Miami-Dade Expressway Authority (MDX) and Florida Department of Transit (FDOT) by establishing a rapid transit bus terminal/station. Planning with MDX and FDOT continues; no commitments have yet been made. The final interviews for the Construction Manager (CM) selection are scheduled for February 26, 2013. Continued progress depends on guidance from the Governor’s Office and BOG regarding treatment of bonded projects. No target delivery date can be set until that guidance is issued and the bonding is in place.

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
March 6, 2013

**Subject: Emergency Management Report**

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**Proposed Committee Action:**  
None. For information only.

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**Background Information:**  
The Emergency Management Status Report provides updates on training and exercises and preparedness.

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**Supporting Documentation:** Emergency Management Status Report

**Facilitator/Presenter:** Amy B. Aiken

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# **FIU** | FLORIDA INTERNATIONAL UNIVERSITY

## **Emergency Management**

**DATE:** Update as of February 6, 2013 for the FIU Board of Trustees Finance and Audit Committee Meeting on March 6, 2013

**TO:** Kenneth A. Jessell, Ph.D.  
Senior Vice President and Chief Financial Officer

**FROM:** Amy B. Aiken, Director  
Department of Emergency Management

**SUBJECT:** Emergency Management Update

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### **Training and Exercises**

On February 7, 2013, the Department of Emergency Management (DEM) will facilitate a hazardous material release exercise that will impact FIU's Modesto A. Maidique Campus. This will be the seventh table top exercise with the University President and members of his Executive staff. Officials from the Miami-Dade Fire Rescue Department will participate in the exercise to provide technical assistance and function as Incident Command so that staff could exercise in a realistic manner and further enhance FIU's partnership with Miami-Dade Fire Rescue Department.

University staff who has been identified to function as alternates in the Emergency Operations Center will be participating in their first table top exercise as part of the University President's initiative to continue to build a robust all hazards emergency management program. Funding was secured from the Department of Homeland Security's Urban Area Security Initiative (UASI) for institutions of higher education in the UASI Region 7 area to utilize Integrated Solutions Consulting (ISC) to facilitate an exercise using a computer based simulator. FIU and ISC have been working closely together to develop exercise objectives and a scenario specific to FIU. Outcomes of the exercise will be highlighted in the next Board report.

DEM staff continues to train departments on our web based continuity of operations planning tool known as FIU Ready. All units are expected to have a completed plan by May 1, 2013. DEM staff continues to conduct informational sessions on emergency preparedness and FIU's emergency notification system to various units throughout the University.

### **Preparedness**

FIU was chosen by the Federal Emergency Management Administration (FEMA) to participate in a pilot partnership program where FEMA sends an employee to work at FIU on a specific project for up to six (6) months. All costs associated with the employee are paid by FEMA. I am happy to announce that as of November 28, 2012, Donna Hamstead has been working in the Department of Emergency Management revising and rewriting FIU's comprehensive emergency management plan. Donna was selected by FIU from a pool of six (6) highly qualified applicants.

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**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

March 6, 2013

**Subject: Safety and Environmental Compliance Report**

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**Proposed Committee Action:**  
None. For information only.

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**Background Information:**  
The Safety and Environmental Compliance Report provides the status of compliance issues.

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**Supporting Documentation:** Safety and Environmental Compliance Status Report

**Facilitator/Presenter:** Roger Riddlemoser

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**DATE:** Report as of February 6, 2013 for the FIU Board of Trustees Finance and Audit Committee Meeting on March 6, 2013

**TO:** Kenneth A. Jessell, Ph.D.  
*Senior Vice President and Chief Financial Officer*

**FROM:** Roger Riddlemoser  
*Department of Environmental Health and Safety*

**SUBJECT: Safety and Environmental Compliance Status Report**

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**Issue: National Pollutant Discharge Elimination System (NPDES) Stormwater Phase II MS4 Permit Audit (5 year)**

**Agency:** Florida Department of Environmental Protection (FDEP)

**Status:** *New:* On January 27, 2013, the FDEP conducted a five-year – NPDES Stormwater Permit audit covering the University’s Modesto A. Maidique Campus and Biscayne Bay Campus stormwater, erosion and sedimentation control program. The University’s Department of Environmental Health and Safety (EH&S) expects to receive the FDEP audit report in March 2013. Ten (10) items were identified requiring a February 27, 2013 FIU submittal to FDEP, NPDES Stormwater section. Two (2) items are complete and all other items are being worked on for submittal to FDEP.

**Issue: Bureau of Radiation Control Inspection**

**Agency:** Florida Department of Health (FDOH)

**Status:** *No Change:* The University’s Biomedical Engineering Department received an X-ray machine from Dr. Gary Yanowitz’s office in Pembroke Pines as a donation. The machine was tested and certified to be in good working condition. The Bureau of Radiation Control registration is complete. This X-ray machine is operational and in use with animals only\*.

*\*Please note: This issue will be removed from future Board of Trustees reports unless a formal inspection by the Bureau of Radiation Control is conducted in the future.*

**Update:** Long-lived radioactive waste in the Owa Ehan Building is being disposed of prior to the opening of the new EH&S AHC-4 radioactive waste

material storage area in March/April, 2013. Disposing of the waste in advance will minimize FIU EH&S relocation and storage risks when the new facility opens.

New: FIU's Radiation Control Committee recommended closure of a Charles Perry/Primera Casa Building radiation laboratory. We are presently awaiting a response from other universities and institutions interested in receiving the stored Special Nuclear Material.

**Issue: Annual Life Safety Code Compliance Inspections and Other Life Safety Code Activities**

**Agency:** State Fire Marshal

**Status:** New: The State Fire Marshal completed 16 construction and remodeling inspections, 16 student housing fire drills, four construction plans reviews and site visits were conducted. Smoke testing was performed on 16 air handlers that were replaced at the University's Engineering Center Campus (EC). The University's Ernest R. Graham Center air handler replacement and smoke testing has been completed.

**Issue: FIU Laboratory Safety Awareness – Making Safety a Priority Training Status**

**Agency:** FIU Faculty and Staff Management

**Status:** Update: The "UCLA Criminal Charges Focus Universities' Attention on Laboratory Safety" article published in *The Chronicle of Higher Education* brought renewed attention and awareness to the importance of laboratory safety, on-the-job training and lab supervisor's responsibilities for safety. EH&S conducts regular safety inspections and training. The "Laboratory Safety Awareness – Making Safety a Priority!" training reiterates the importance of safety awareness, safety training and supervisory enforcement of safe work practices.

EH&S recommends and is promoting attendance of the on-line course for all FIU Laboratory Managers and their laboratory personnel. Twenty-six (26) people completed the on-line training during the months of November and December, 2012. A total of 471 students, faculty and staff have completed the on-line training.

**Issue: FIU Golf Cart Safety Program Status**

**Agency:** FIU Faculty and Staff Management

**Status:** New: The NEW Golf Cart Safety Program policies and procedures were released on December 18, 2012. The new policies have been developed in order to ensure safe operation of golf carts and other motorized carts on our campuses. Newly defined exclusion areas and warning citation sanctioning are the major changes. In January, 2013 this information was communicated to all users of motorized vehicles within their departments. Everyone is encouraged to report issues and violations to 305-FIU-SAFE.

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