



Finance and Facilities Committee
December 7, 2023
FIU, Modesto A. Maidique Campus, Graham Center Ballrooms

MINUTES

1. Call to Order and Chair's Remarks

The Florida International University Board of Trustees' Finance and Facilities Committee meeting was called to order by Committee Chair Carlos A. Duarte at 9:53 AM on Thursday, December 7, 2023.

General Counsel Carlos B. Castillo conducted roll call of the Finance and Facilities Committee members and verified a quorum. Present were Trustees Carlos A. Duarte, *Committee Chair and Board Vice Chair*; Marc D. Sarnoff, *Committee Vice Chair*; Cesar L. Alvarez (*joined after roll call*); Dean C. Colson; Natasha Lowell; and Roger Tovar, *Board Chair*.

The following Board members were also in attendance: Noël C. Barengo, Alan Gonzalez, Francis A. Hondal, Yaffa Popack, Chanel T. Rowe (*Zoom*), and Alexander P. Sutton.

Committee Chair Duarte welcomed all Trustees and members of the University administration. He also welcomed the University community and general public accessing the meeting via the University's webcast.

2. Approval of Minutes

Committee Chair Duarte asked if there were any additions or corrections to the minutes of the Finance and Facilities Committee meeting held on September 14, 2023. Hearing none, a motion was made and unanimously passed to approve the minutes of the Finance and Facilities Committee meeting held on September 14, 2023.

3. Action Items

FF1. FIU Direct Support Organizations Financial Audits FY 2022-23

Committee Chair Duarte requested that all components of agenda item FF1 be voted on in one motion. There were no objections.

Senior Vice President for Finance and Administration and Chief Financial Officer Aime Martinez presented the Direct Support Organizations Financial Audits FY 2022-23 for Committee review. She commented that FIU has four component units: FIU Foundation, Inc.; FIU Research Foundation, Inc.; Athletics Finance Corporation; and FIU Health Care Network, Inc. She referred to the executive summary of the financial position and performance of said entities, which is included as part of the agenda materials. Sr. VP and CFO Martinez indicated that James Moore

Certified Public Accountants and Consultants performed the financial audits for the component units and all the audits have been approved by the Boards of the respective entities. She pointed out that all the audits received an Unmodified Opinion, which indicated that the financial statements presented fairly in all material respects the financial position of the entities as of June 30, 2023. She noted that the results of the respective audits did not identify any weaknesses in internal control over financial reporting that were considered to be material weaknesses. Sr. VP and CFO Martinez added that the results of the audits disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. She remarked that FIU Board of Trustees approval of the audits is required in order for the State auditor to include the audits as a component unit for the University.

Sr. VP and CFO Martinez indicated that assets of the four entities totaled \$477.8M, with the FIU Foundation, Inc. being the largest, representing \$445.4M. She added that liabilities totaled \$33.8M, of which \$21.8M is related to the FIU football stadium and the associated derivative liability with said bond. She mentioned that bond revenues totaled \$81.6M and expenses totaled \$67.4M, with a net position of \$414.2M. Sr. VP and CFO Martinez remarked on prior year improvements in the FIU Foundation's portfolio, which resulted in \$31.9M or 9.5% in investment returns and contributed to the favorable net position. She pointed out that said assets do not include endowment pledges as they are not recognized under Government Accounting Standards and are not included in the statement of net position. She noted that only when cash is received are the additions to the permanent endowments recognized. Sr. VP and CFO Martinez commented that as of June 30, 2023, endowment pledge receivables totaled \$21.8M and that not included in this amount is \$42M related to matching funds due from the State of Florida from the Trust Fund for Major Gifts. She explained that said matching program has been temporarily suspended by the Florida Legislature for donations received on or after June 30, 2011. She mentioned that the program may be restarted after \$200M of the statewide backlog for programs has been matched.

Sr. VP and CFO Martinez thanked James Moore Certified Public Accountants and Consultants and recognized the FIU teams for their work in managing the finances of said entities.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Florida International University Board of Trustees:

FF1-1. Florida International University Foundation Inc., Financial Audit, 2022-23

Accept the Florida International University Foundation, Inc. Financial Audit for the 2022-23 Fiscal Year and authorize the CEO of the Florida International University Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

FF1-2. Florida International University Research Foundation Inc., Financial Audit, 2022-23

Accept the Florida International University Research Foundation, Inc. Financial Audit for the 2022-23 Fiscal Year and authorize the President of the Florida International University Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

FF1-3. Florida International University Athletics Finance Corporation Financial Audit, 2022-23

Accept the Florida International University Athletics Finance Corporation Financial Audit for the 2022-23 Fiscal Year and authorize the Executive Director of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

FF1-4. Florida International University Health Care Network, Inc. Financial Audit, 2022-23

Accept the Florida International University Health Care Network, Inc. Financial Audit for the 2022-23 Fiscal Year and authorize the President of the Florida International University Health Care Network, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

FF2. Proposed Amendment to Regulation FIU-2201 Purchasing

Sr. VP and CFO Martinez presented the proposed amendment to Regulation FIU-2201 Purchasing for Committee review. She stated that FIU-2201 is being amended to increase the competitive solicitation threshold from \$75,000 to \$150,000. She added that said revision is consistent with Florida Board of Governors Regulation 18.001 and the federal thresholds for purchases. She remarked that for purchases between \$25,000 and \$149,999, two quotes will be required, and one quote for purchases less than \$25,000. Sr. VP and CFO Martinez added that if a second quote for any reason cannot be obtained, or there's a specialty service that only one vendor can perform, said purchases will be considered sole source purchases. She described the University's procurement controls. She noted that FIU's Director of Procurement must review and approve all purchases between \$75,000 and \$100,000 and purchases between \$100,000 and \$175,000 will require the review and approval by the Provost and Executive Vice President and Sr. VP and CFO. Sr. VP and CFO Martinez indicated that purchases above \$175,000, will require the University President's approval.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend Florida International University Board of Trustees approval of the revisions to Regulation FIU-2201 Purchasing, and delegation of authority to the University President to approve any subsequent non-material amendments based on comments to the Regulation received from the Florida Board of Governors or as a result of the regulation-making process.

FF3. Approval of Negotiation of Amendment for Contract #PUR-04000 for Grounds Maintenance; Vendor: Aramark Management Services Limited Partnership

Sr. VP and CFO Martinez presented the negotiation of amendment for Contract #PUR-04000 for Grounds Maintenance with vendor Aramark Management Services Limited Partnership for Committee review. She commented that the grounds and landscaping of the University's campuses create a competitive advantage for recruitment and retention. She added that student graduation surveys highlight campus appearance as a major strength and key factor for establishing affinity. She stated that the campus environment influences student learning and development outcomes. Sr. VP and CFO Martinez commented that the University has partnered with Aramark for over 20 years. She noted that the University entered into a five-year contract with Aramark on July 2021 through June 30, 2026 with five one-year renewal options. She added that, in 2021, Aramark submitted the

best and final offer, which was \$2.1M less the second place competitor. She noted that the University requires, as part of said contract, certified arborists and tree care company to serve the grounds. She commented that said contract allows for also a maximum of \$1.5M annual escalation, which is low for the current economic environment. She mentioned that the University also has the ability to secure additional services needed due to unforeseen circumstances. She explained that said contract could be terminated by either party with a 90-day notice for convenience or for cause by either party.

Sr. VP and CFO Martinez explained that the contract amendment was brought about due to the radical change in economic situation since the contract with Aramark was negotiated and finalized. She indicated that the wage levels set in Aramark's contract are no longer competitive. She added that Aramark has been experiencing a three-year compounding increase in inflation of 19.2% versus 1.5% per year that was provided for in escalations. Sr. VP and CFO Martinez pointed out that the Florida minimum wage was \$8.65 per hour at the start of the contract, and that the Florida minimum wage is currently \$12.00 per hour. She mentioned that many employers have been paying \$15.00 per hour given that this is what the Florida minimum wage will be by 2026. She commented that the Florida minimum wage has increased 38.7% since the start of the contract with Aramark and will increase to 61.9% over the full contract term. Sr. VP and CFO Martinez remarked that in order to be competitive, Aramark cannot wait two more years to make some adjustments.

Sr. VP and CFO Martinez commented that FIU's priorities are to ensure a full staffing of groundskeepers, which equates to 67 in the summer and 49 in the winter. She noted that the contract with Aramark calls for a guaranteed 117,760 total annual hours as requested by the University based on past experience and the known needs. She stated that due to Aramark's non-competitive wages, only about 63% of staffing is part of the permanent workforce with the remaining staff, equivalent to about 20 groundskeepers, covered by subcontractors, temp agencies, or by providing overtime to the current staff. Sr. VP and CFO Martinez remarked that FIU has been in discussions with Aramark since April. She indicated that the University's recommendation is for FIU to offer to pay the FIU living wage in order for Aramark to secure the necessary permanent employees. She noted that this would raise the hourly rate to \$14.42 per hour, beginning January through the end of the current fiscal year, June 30, 2024, with increases to \$15.62 next fiscal year and \$16.82 by the 2025-26 fiscal year, which is the end of the first five-year term of the agreement. Sr. VP and CFO Martinez indicated that said amounts would be capped. She pointed out that other options were also analyzed such as utilizing University staff to perform grounds maintenance but that renegotiating with Aramark was the most affordable option. She further stated that the University is requesting to increase the baseline services by \$1.9M from the original contract value of \$16.1M through 2026, elimination of 1.5% annual increase, increase in the spending authority for additional services by \$1.3M, and amendment of the total contract amount up to \$21M.

In response to Board Chair Roger Tovar, Sr. VP and CFO Martinez described the University's oversight in reviewing the hours worked and invoices submitted by Aramark. In response to Trustee Yaffa Popack, Sr. VP and CFO Martinez stated that she would follow-up with the amounts that Aramark has paid in overtime in order to deliver the guaranteed 117,760 total annual hours. Board Chair Tovar stated that while he was supportive of the proposed amendment, vendors must honor their obligations under the signed agreements with the University.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend the Florida International University Board of Trustees to (i) authorize the negotiation of an amendment to Contract #PUR-04000 for Grounds Maintenance, including for the initial five year term an increase to baseline services of \$1.9M over the original baseline amount and an estimated increase for additional services of \$1.3M, for an amended total contract amount of \$21M, and (ii) authorize the University President or his designee to execute, on behalf of the University, the contract amendment and all of the documents, and take all actions, that may be necessary to effectuate the transactions contemplated in the negotiation.

FF4. Approval of Contracts greater than or equal to \$1,000,000 and less than \$3,000,000

- 1) *Contract PUR-05204 Amendment #1 with CTEK Security Inc.*
- 2) *Contract PUR-07596 with Triumvirate Environmental Services Inc.*

Committee Chair Duart noted that the contracts greater than or equal to \$1M and less than \$3M are for Committee action and final approval and will be shared with the Full Board as part of the Committee's status report. Sr. VP and CFO Martinez presented the contracts greater than or equal to \$1M and less than \$3M for Committee review. She indicated that CTEK Security, Inc. are consultants who will conduct HIPAA privacy and security requirements compliance and University-wide assessment. She noted that CTEK Security, Inc. does not sell software licenses and are only providing a service within the Microsoft environment that will have the controls required for Cybersecurity Maturity Model Certification (GMCC). She indicated that CTEK Security, Inc. will manage said environment as part of the managed services component of the contract for a term from 2024 to 2027 with a total cost of \$2.5M.

Sr. VP and CFO Martinez explained that the contract with Triumvirate Environmental Services Inc. was being requested for hazardous waste disposal services. She added that the master agreement was awarded as a result of a Hazardous and Biomedical Waste Removal Invitation to Negotiate solicited by the University of South Florida. She indicated that FIU is entering into a piggyback agreement with Triumvirate Environmental Services Inc. for four years, with three one-year renewal options from 2023 to 2027 for \$1.9M.

Pursuant to the Delegations of Authority from the Florida International University Board of Trustees to the University President, as reflected in the Resolution on the President's Powers and Duties approved by the Board of Trustees on March 4, 2019, a motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee (i) approve, as listed and described in the Board materials, the University entering into the contracts and purchase orders and/or change orders to the purchase orders and (ii) authorize the University President or his designee to execute, on behalf of the University, the aforementioned contracts and/or purchase orders.

4. Discussion Items

4.1 Financial Performance Review, First Quarter FY 2023-24

Sr. VP and CFO Martinez presented the University's financial performance review for the first quarter of FY 2023-24. She indicated that, as of September 30, 2023, operating revenues were above estimates by \$15.7M or 3.5% and that operating expenses were above estimates by \$13.9M or 3.8% with an overall net favorable variance of \$1.8M. She commented that, in the first quarter of fiscal

year 2023-2024, the University experienced year-to-date investment losses of 0.3% or negative \$2M, and the FIU Foundation, Inc. reported losses of 2.4% or \$9.1M. She commented on recent improvements in said portfolios. In terms of revenues, Sr. VP and CFO Martinez remarked that lower patient revenues in the FIU Health Care Network fell below expectations. She added that higher revenues in sponsored research, greater Pell Grant and Bright Futures awards, and higher tuition differential revenue exceeded expectations. In terms of enrollment, she pointed out that while the University is tracking down by 2.79% when compared to prior year, enrolled students are taking more credit hours as is reflected in the increase on credit Full Time Equivalent hours by 9.3%. Sr. VP and CFO Martinez commented on expenses that exceeded planned expenditures, including higher research expenditures and commitments on Facilities and Administrative (F&A) returns and higher Pell and Bright Futures awards. She remarked that the negative variances in expenses were offset by savings in Education and General (E&G) and lowers auxiliary expenses primarily due to vacant positions and lower expenditures.

In response to Board Chair Tovar, Provost and Executive Vice President Elizabeth M. Bejar commented on the University's concerted efforts and goal relating to ensuring that students are enrolled in at least 12 credit hours per semester and complete 30 credit hours per year when they are full time students. She noted a small increase in undergraduate students who are enrolling in 15 credit hours per semester.

4.2 Student Housing

Sr. VP and CFO Martinez stated that, as part of the campus master planning process, analyzing current unmet need and demand for student housing is an important factor from a space perspective and in evaluating rental rates for the current environment. She added that the University engaged Brailsford and Dunlavey to analyze student demand, rental rates, and financial performance with corresponding bond package for a potential future residence hall on the Modesto A. Maidique campus (MMC). Sr. VP and CFO Martinez noted that Brailsford and Dunlavey has submitted a preliminary update with a comprehensive report forthcoming. She introduced Senior Associate at Brailsford and Dunlavey, Brenden Kollar.

Mr. Kollar delineated a schedule overview of the housing study process. He indicated that the market opportunity assessment has concluded, and they are now moving into the recommendation development phase. He added that an update is planned for the Board of Trustees February meeting. He commented on the preliminary takeaways, including significant unmet demand by undergraduate and graduate students for living on campus and there is a projected future condition where housing operations would need to be subsidized through either reserve funds or other opportunities to maintain operations, essentially due to the lack of rental rate increases over the last 10 years. Mr. Kollar commented that currently the unmet demand for on-campus student housing is at approximately 900 beds and that accounts for all beds currently on MMC. He added that demand eclipses to over 1,460 beds when part time students are included in the calculation. He indicated that demand is primarily driven by two factors, the continued increase from first year students, and continuing increase of interest from returning students that are experiencing market conditions change in off-campus housing as well as the understanding of the value of on-campus housing.

Mr. Kollar pointed out that FIU's full-time undergraduate population is primarily comprised of local students and FIU's local students accounted for over 50% of its on-campus housing population. He stated that students understand the level of community development that on campus housing provides and have higher satisfaction levels than students living off-campus. He commented that students living off campus, however, are experiencing significant satisfaction with certain amenities, including access to laundry facilities, kitchen within units, private bathrooms, and, availability of Wi-fi connectivity. Mr. Kollar noted that off-campus housing has increased significantly over the last several years, and is projected to continue, though at a much slower pace than over the last three to four years. He commented that housing operations will need to be subsidized either through reserve funds which are being primarily used for capital reinvestment, or through other means by fiscal year 2029. He added that by fiscal year 2031, operating expenses are projected to outpace revenue entirely.

In response to Trustee Marc D. Sarnoff, Mr. Kollar commented that, at fiscal year 2029, it is their estimation that FIU's coverage ratio as a system would drop below the 1.2 coverage ratio that is required. In response to Trustee Natasha Lowell, Sr. VP and CFO Martinez stated that the University has been very thoughtful in terms of not raising student housing rental rates and as new housing has been developed, FIU has kept the average rental rate at 0 with no increases since 2018. Sr. VP and CFO Martinez noted that FIU conservatively estimated 95% occupancy as part of the bonding process for new housing projects but the University realized 99 occupancy, therefore the rental rates were not increased due to the higher than projected occupancy rates. Sr. VP and CFO Martinez added that inflationary impacts on the expenditures and capital refreshes that will be needed as residence buildings age are concerns as rental rates hold flat. University President Kenneth A. Jessell commented that while the University has raised student housing rental rates in some units where high demand was experienced, rates were lowered in other units to provide more affordable options to students. He added that under the current price structure, it is not possible to continue with no rental rate increases given that the University must maintain its existing units. In response to Trustee Lowell, Sr. VP and CFO Martinez indicated that the University's newest student residence is Tamiami Hall, which has 677 beds and is 13 stories. In response to Trustee Dean C. Colson, Mr. Kollar stated that, within the demand analysis, higher rates than what are currently being charged were tested. In response to Trustee Yaffa Popack, President Jessell mentioned that the University has not, historically, benchmarked its rental rates to the market due to concerns related to college affordability. He added that the University determines rental rates based on its objectives such as resident assistants, maintenance, deferred maintenance, and capital refresh. He further stated that the University should be below market to reflect that the University does not need to make investments in land and does not have to pay taxable rates. Board Chair Tovar indicated that FIU's current on-campus rental rates are lower than the monthly cost of living within the surrounding off-campus student housing market and also lower when compared to other institutions within the State University System (SUS).

Trustee Alexander P. Sutton commented on the need to keep on-campus student housing rental rates lower than off-campus housing. He relayed his positive experience living on-campus. He commented on significant interest for housing from returning students and concerns from students currently living on-campus that they will not be able to remain in on-campus housing as they progress through their academic careers given the unmet demand and related prioritization. Trustee

Sutton referred to the student senate resolution that was passed, which provides student perception of some of the changes that were made to the policies about how housing will be prioritized. In response to Trustee Sarnoff, Mr. Kollar commented that typically first year students are prioritized in terms of housing, which is currently a trend in the SUS, but there has been a push in recent years to provide additional housing for returning students because of the off-campus costs of living, especially in South Florida. Trustee Sarnoff referred to a *U.S. News & World* report where it was suggested that the gold standard is to create freshman opportunities due to a number of reasons, including retention and health, safety, and welfare issues. Mr. Kollar stated, that while Brailsford and Dunlavey was not making recommendations on the allocations of future student housing, he concurred with the reasons stated in said *U.S. News & World* report in that first-year students should be prioritized given that it fosters engagement and community creation which all contribute to student success. In response to Trustee Sarnoff, Trustee Sutton concurred that that while prioritizing freshman has been shown to have positive effects for retention rates, a good balance can be achieved when other students that are identified to have a necessity, or for some reason, need to be prioritized more to continue living on campus that they are able to do so. Further responding to Trustee Sarnoff, Trustee Sutton stated that the student senate resolution is being shared with the Board of Trustees for information only and that he will be prepared to follow-up in February as the student housing discussion continues. President Jessell reiterated that first year students are more impacted by on-campus housing and by the time students reach their junior and senior years they are less reliant on the advantages that on-campus housing offers because they have already reached critical milestones. Responding to Trustee Sutton, Board Chair Tovar concurred that there is a need for more on-campus student housing. Board Chair Tovar referred to the off-campus housing that is currently under construction, which will have only slightly higher rental rates than on-campus housing. He mentioned that, as studies indicate, it is critical to provide on-campus housing to first year students. President Jessell indicated that the University will be publishing a proposed rental rate increase of 4.7% for the upcoming year.

5. Reports

There were no questions from the Committee members in terms of the reports included as part of the agenda materials: Athletics; Business Services; Emergency Management; Facilities and Construction; Safety and Environmental Compliance; Treasury; Procurement; CasaCuba Building; and Foundation.

6. New Business

Committee Chair Duart provided an update on the Trish and Dan Bell Chapel project. He indicated that, at the September 2023 FIU Board of Trustees meeting, the Board authorized the increase in the total project budget for the Chapel and East Loop Road realignment from \$28.5M to \$35.9M, and delegated the authority to the University president or his designee to negotiate and approve on behalf of the Board of Trustees an intercompany loan between FIU and the FIU Foundation, Inc., a short term commercial loan to be taken by the FIU Foundation, Inc. either unsecured or secured by the irrevocable gifts or pledges made towards construction of the Chapel with a term not to exceed five years. Committee Chair Duart reported that the FIU Foundation, Inc. executed a forward delivery agreement on November 9, 2023, with Regions Bank. He noted that said lender offered to make the loan in order to finance the acceleration of pledges for the Bell Chapel under the terms and conditions of the agreement, which was included as part of the agenda materials. Committee

Chair Duarte indicated that the term is a five-year taxable loan for up to \$10.1M, secured by all donor pledges for the Bell Chapel. He pointed out that the settlement date for the loan will be July 1, 2024, which is when the funds will be needed. He stated that the interest rate is a fixed rate of 6.17%, and there is no prepayment penalty if paid off after year three.

Committee Chair Duarte pointed out that FIU Board of Trustees members are thoroughly briefed in anticipation of every Board meeting.

7. Concluding Remarks and Adjournment

With no other business, Finance and Facilities Committee Chair Carlos A. Duarte adjourned the meeting of the Florida International University Board of Trustees Finance and Facilities Committee on Thursday, December 7, 2023 at 11:00 AM.

DRAFT