



Finance and Facilities Committee
February 23, 2023
FIU, Modesto A. Maidique Campus, Graham Center Ballrooms and Zoom

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 Roger Tovar at 10:00 AM on Thursday, February 23, 2023.

General Counsel Carlos B. Castillo conducted roll call of the Finance and Facilities Committee members and verified a quorum. Present were Trustees Roger Tovar, *Committee Chair and Board Vice Chair*; Jose J. Armas, *Committee Vice Chair (joined after roll call)*; Cesar L. Alvarez; Deanne Butchey; Dean C. Colson, *Board Chair*; Natasha Lowell; Chanel T. Rowe (*via Zoom*); and Marc D. Sarnoff.

Trustees Carlos A. Duart (*via Zoom*), Cristhofer E. Lugo, and Gene Prescott and University President Kenneth A. Jessell also were in attendance.

Committee Chair Tovar 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 Tovar asked if there were any additions or corrections to the minutes of the Finance and Facilities Committee meeting held on December 6, 2022. Hearing none, a motion was made and unanimously passed to approve the minutes of the Finance and Facilities Committee meeting held on December 6, 2022.

3. Action Item (*Committee Action; Full Board Information Only*)

FF1. Approval of Contract greater than or equal to \$1,000,000 and less than \$3,000,000:

- #PUR-05855, Jaggaer LLC.

Interim Chief Financial Officer and Senior Vice President for Finance and Administration Aime Martinez presented the five (5)-year renewal piggyback agreement with Jaggaer LLC. for Committee review and approval. She explained that, over the last five (5) years that Jaggaer's Procure to Pay (P2P) software solutions were implemented, productivity and transparency have increased, audit trails and contract compliance have improved, and purchasing has been more strategic. She indicated that the term of the original Jaggaer Contract PUR-00854 will expire on March 18, 2023 and added that the proposed contract renewal commences on March 19, 2023, through March 18, 2028 with a year one (1) annual subscription fee of \$308,428.00 with a 3% increase annually with a total cost of \$1,637,486 for the five (5)-year term. She added that if FIU realizes a 20% increase in the current

operating budget of \$1.7B then there will be an additional 5% increase in the annual subscription fees.

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 the University entering into the contract PUR-05855 as listed and described in the Board materials and (ii) authorize the University President or his designee to execute, on behalf of the University, the aforementioned contracts.

4. Discussion Items

4.1 Financial Performance Review, Second Quarter FY 2022-23

Interim CFO and Sr. VP Martinez presented the University's financial performance review for the second quarter of FY 2022-23. She indicated that operating revenues are below estimates by \$1.1M or 0.1% and that operating expenses are below estimates by \$3M or 0.4%, with a net favorable variance of \$1.9M. She pointed out that the largest driver of the favorable variance is higher revenues related to sponsored research, mainly federal projects, direct support organization reimbursements, and international program revenues from the FIU HealthCare Network to the University. Interim CFO and Sr. VP Martinez commented on lower auxiliaries and noted that lower enrollment in academic programs was offset by higher revenues from the Food Network South Beach Wine & Food Festival presented by Capital One (SOBEWFF®), higher conference and fee revenues in housing, and higher revenues in other auxiliaries.

Trustees engaged in a discussion regarding lower academic program auxiliary revenues. College of Business Dean, William Hardin, explained that the academic program auxiliary revenue variance can be attributed to students changing from a market rate or self-supporting program, which generate auxiliary revenue, into an Education and General (E&G)-funded program. He stated that concurrent with the enrollment declines in market rate and self-supporting programs, the College has reduced its expenditures. Trustee Dianne Butchey commented that stress and work obligations may contribute to student preference shifting towards the College's E&G-funded programs. In response to Trustee Natasha Lowell, Dean Hardin commented that employer contributions towards tuition reimbursement have decreased over the years and in some cases are capped at specific amounts. Dean Hardin indicated that most of the College's graduate students are employed.

4.2 Capital Project Updates

Interim CFO and Sr. VP Martinez indicated that the Engineering 1 Building is currently under construction by DPR Construction. She explained that DPR has advised of a larger cost estimate for the hard construction costs than what was established as the guaranteed maximum price (GMP) of \$51.6M and added that after continued discussions with DPR and based on final construction documents (CD), the final GMP has now been established at \$60.6M leaving a gap of \$9M for the construction of the building. She indicated that when the FIU Board of Trustees approved an increase to the project's budget in June 2022, in order to meet the project's budgetary shortfalls, the University removed all contingencies. Interim CFO and Sr. VP Martinez added that the University is recommending that \$841K be included in the project's budget to cover future unknowns. She

described the project's budget evolution and funding. She pointed out that while the original construction program totaled \$29.59M in June 2020, project costs increased with the addition of a sixth floor, atrium, stairs, and bridges. She stated that the increased gross square area and added curtainwall and scope such as restrooms, HVACs and lab exhaust fans on the shelled floors ensure that the core infrastructure is in place for future build out. She noted that the University experienced \$4.5M in cost escalations since June 2020 with a total project cost of \$64.7M, prior to the \$9M construction gap. She commented that while signing the GMP at the advanced schematic design (ASD) with DPR posed increased risk, it did allow the University to realize savings of approximately \$1M in steel purchases, concrete material, glass, aluminum, and insurance.

In terms of contract amendments, Interim CFO and Sr. VP Martinez indicated that, over time, the University had three phases of the contract. She added that once the contractor asked for authority of \$10M to continue to procure materials, the University paused in order to seek Board of Trustees approval of the overall budget.

Interim CFO and Sr. VP Martinez remarked on the approved construction scope, including six (6) floors, 40% build-out and 60% shell, functional MEP (mechanical, electrical, and plumbing) infrastructure that can be expanded, and initial use focused on second, third and fourth floors to include: office spaces for Biomedical Engineering; advising offices, graduate student spaces, private research and interview spaces, tutoring and server rooms, large and medium sized classrooms, learning assistance hubs, and computer labs for the School of Universal Computing; and small and large multi-use rooms for the Office of Distance Learning. She explained that the \$9M increase included: added infrastructure beyond the advanced schematic design, \$1.4M; design progression from advanced schematic design to construction documents, \$2.2M; construction cost escalation, cost of materials, \$3.9M and labor, \$929K; builder's risk, \$377K; and indirect costs, \$235K. Interim CFO and Sr. VP Martinez commented on the University's recommendations: increase the project budget by up to \$9.8M including unforeseen contingencies; execution of contract amendment with DPR Construction based on the final GMP with pricing held through March 2, 2023; program completion as planned and committed; occupiable and functional building to continue building for the future; and funding from unrestricted treasury auxiliary as bridge funding and restored with philanthropy, sponsorships, and other funds. She noted that the University will replenish the treasury auxiliary fund, which has a reserve of \$84.3M.

Committee Chair Tovar stated that while the proposed increase to the budget was up to \$9.8M, the University continues to negotiate with DPR Construction regarding the amount and each party's responsibility. Board Chair Dean C. Colson commented that stopping the project is not an alternative and added that the Board of Trustees would need to either hold a special meeting within the coming days or could consider a delegation to the Committee Chair. Board Chair Colson requested that the Committee consider a delegation to the Committee Chair to:

- (1) assist the University administration to negotiate a further amendment to the existing contract with DPR Construction for services in connection with the Engineering I Building, State Project No. BT-919, that would provide for an increase to the budget of up to \$9.8M to cover construction cost escalations, added infrastructure, design progression, reestablishment of a contingency and other costs associated with said items; to be funded from unrestricted auxiliary treasury funds.

- (2) provide any required Board approvals for such increase to the budget for this project; and
- (3) timely report to the Board on the results of such efforts, including whether an amendment between the parties is reached.

Moreover, if such negotiations do not result in an amendment, the Committee Chair shall immediately notify the Board, and if needed, a meeting of the Board shall be scheduled as expeditiously as possible.

In response to Trustee Marc D. Sarnoff's GMP comment on the definition of guarantee, Interim CFO and Sr. VP Martinez explained that this is where the University had the biggest difference with the contractor, the initial GMP of \$51M was a risk, given that it was not based on final construction documents. Committee Chair Tovar commented that despite the pressures to begin construction, the contract should not have been executed at a time when the deliverables had not been clearly defined. He added that timely negotiations with DPR Construction can ensure that the project continues and not cost the University more over time. In response to Trustee Lowell's question regarding the proposed delegation, Committee Chair Tovar reiterated that his personal goal is to negotiate an amount that is less than \$9.8M. In response to Trustee Carlos A. Duart inquiry on an independent cost estimate review from one of the University's construction managers, Committee Chair Tovar mentioned that the University's project managers are fully involved in terms of reviewing cost estimates. Responding to Trustee Lowell's request to define the amount of the scope expansion, Interim CFO and Sr. VP Martinez stated that \$1.3M (added infrastructure beyond ASD) in addition to a \$2.2M (design progression from ASD's to CD's) was the responsibility of the University. President Kenneth A. Jessell mentioned that the University's intent was always to be within the GMP. He added that an early start did involve certain risk, but eliminating said risk would have postponed the project by adding months to the timeline and resulted in additional costs. In response to Committee Vice Chair Jose J. Armas, President Jessell delineated the treasury auxiliary fund balance process. Further responding to Committee Vice Chair Armas, General Counsel Castillo confirmed that the Office of the General Counsel will assist Committee Chair Tovar with the contractual review process. Trustee Sarnoff requested that moving forward, the Board of Trustees receive a delineation of the part(s) of the contract that are not included under the GMP.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the FIU Board of Trustees approve the delegation to the Committee Chair as presented by Board Chair Colson.

In regard to the hotel, conference and alumni center project, Interim CFO and Sr. VP Martinez pointed out that on January 26, 2023 the University, by letter, provided notice to Concord Benchmark that FIU was exercising its right to terminate the sublease and the FIU Foundation was also exercising its right to terminate the development agreement to build the Alumni Center effective January 29, 2023. She added that the related operating agreements were also terminated. She explained that the University's campus master plan incorporates a hotel and conference center and indicated that the University will revisit options for stand-alone alumni and conference centers on campus. Trustee Sarnoff commented on the lost opportunity and added that while he supports the idea of a hotel and conference center on campus, he did not support the project because it

would have not used the University's land in a way that is most valuable. He encouraged the University's administration to pursue Requests for Letters of Interest (RLI).

5. Reports

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

At the request of Committee Chair Tovar, President Jessell indicated that it is likely that the University will terminate the agreement with the CasaCuba building architect. In response to Committee Vice Chair Armas, President Jessell indicated that a viable program that fits within the project's budget and CasaCuba's programming needs has not been achieved. Committee Chair Tovar requested that CasaCuba's programming needs, vision, and long-term fundraising be defined and that the University administration provide an update and path forward at a future meeting.

6. New Business

No new business was raised.

7. Concluding Remarks and Adjournment

With no other business, Finance and Facilities Committee Chair Roger Tovar adjourned the meeting of the Florida International University Board of Trustees Finance and Facilities Committee on Thursday, February 23, 2023 at 11:12 AM.