



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
MARCH 3, 2017**

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 Vice Chair Justo L. Pozo at 8:30 am on Friday, March 3, 2017, at the Modesto A. Maidique Campus, Graham Center, Room 243.

The following attendance was recorded:

Present

Justo L. Pozo, *Vice Chair*
Cesar L. Alvarez
Natasha Lowell
Marc D. Sarnoff
Kathleen L. Wilson

Excused

Leonard Boord, *Chair*

Board Chair Claudia Puig, Board Vice Chair Jorge L. Arrizurieta, Trustee Alian Collazo and University President Mark B. Rosenberg were also in attendance.

Committee Vice Chair Pozo welcomed all Trustees, faculty, and staff to the meeting.

2. Welcome and Introduction: Charge of the Finance and Facilities Committee

Committee Vice Chair Pozo provided a brief overview of the Finance and Facilities Committee's responsibilities, which include providing review, policy guidance, and strategic oversight of the University's financial matters, financial reporting statements, campus master planning activities and other real estate type activities for both the University and its direct support organizations.

3. Follow-up to Items from Finance and Audit Committee Meeting

Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell, in response to Trustee requests, presented reports on (1) the age and status of University facilities, usage statistics, and analysis of usage compared to other State University System (SUS) institutions; (2) the University's plans of action for addressing any possible budgetary challenges resulting from proposed changes to the Board of Governors (BOG) Performance Metrics; and (3) a financial performance report for each College and School that details profitability and income generation.

Sr. VP and CFO Jessell provided a brief overview of a land utilization comparison across the SUS, noting that FIU is the second smallest in size and has the highest Full-Time-Equivalent (FTE) and headcount per acre. He added that in terms of classroom space utilization, FIU is the most efficient, exceeding the SUS average by 39.90%. He discussed the University's asset management data system, which he indicated was implemented in March 2011 and provides a central source for facility data and delivers a condition index for each building. Sr. VP and CFO Jessell noted that SUS institutions have invested in Sightlines software and reported that in September 2016 the BOG provided preliminary trend information about the SUS in terms of facilities benchmarking, capital planning, space management, and campus sustainability. He added that when implemented across the SUS, the Sightlines software will allow for benchmarking analysis to improve facility and infrastructure investment decisions.

Trustee Marc D. Sarnoff inquired about the conclusions regarding the University's utilization and space needs. Sr. VP and CFO Jessell noted that FIU continues its advocacy efforts in seeking state funds in support of FIU's expansion. He stated that FIU has maximized use of its existing space and needs to expand its footprint in order to continue meeting the needs of the South Florida community, spur economic activity, and serve a greater public purpose.

Committee Vice Chair Pozo requested more information on off-campus housing. Sr. VP and CFO Jessell noted that the University is experiencing 98% occupancy levels for on-campus student housing, adding that the renewals for the fall semester have exceeded the projections. President Mark B. Rosenberg discussed concerns with off-campus housing, noting that while facilities are not University property, FIU is committed to ensuring that off-campus housing providers remain responsive to student needs and concerns.

Sr. VP and CFO Jessell noted that he discussed the University's plans of action for addressing any possible budgetary challenges resulting from proposed changes to the BOG's Performance Metrics with Trustee Leonard Boord. Sr. VP and CFO Jessell added that Florida Statute prescribes levels that must be maintained in terms of reserve balances, adding that the University's current unencumbered reserve totals \$24M. He stated that should the University experience a shortfall in Performance Based funding, reserve balances may be drawn upon. He added that an approximate \$44M in anticipated 2017-18 carryforward balances may be utilized to then recover reserve funds.

Trustees engaged in a substantive discussion regarding the University's expansion needs and off-campus housing projects. In response to Trustee Natasha Lowell's inquiry, Sr. VP and CFO Jessell noted that in order to maintain affordable student housing rental rates at the Biscayne Bay Campus, a non-for profit entity was formed, which establishes the University as the beneficiary of all net profits and Servitas, the manager, as the recipient of a small fixed fee. He added that the University does not generate revenue from other off-campus housing, such as the 109 Towers. Vice President for Student Affairs Larry Lunsford noted that the University maintains the highest levels of collaboration and communication with off-campus housing providers in order to support in training, education, and other matters that can enhance the student experience.

Committee Vice Chair Pozo noted that given the level of involvement the University maintains with off-campus housing providers, FIU should consider the establishment of a management fee in addition to policies and procedures as it pertains to agreements with future off-campus housing providers.

4. Approval of Minutes

Committee Vice Chair Pozo asked that the Committee approve the Minutes of the meeting held on December 1, 2016. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Thursday, December 1, 2016.

5. Action Items

FF1. Authorization for the Issuance of Debt to Finance the Construction of a Student Residence Facility at the University's Modesto A. Maidique Campus (MMC)

Sr. VP and CFO Jessell presented the request for the Authorization for the Issuance of Debt to Finance the Construction of a Student Residence Facility for Committee review, noting that the University is the lowest among the State University System in terms of students that are housed on university facilities. He added that current residence halls are at capacity and cannot meet student demand for on-campus housing. He stated that Brailsford and Dunlavey, consultants contracted by the University, estimated immediate demand for 500 additional beds with 309 more needed in the next few years. He also mentioned that recent off-campus housing projects and the new Bayview facility at BBC have not reduced the high demand for MMC housing. He presented SUS data that compared enrollment data in terms of on-campus housing. He noted that four year graduation rates are slightly higher for students residing on-campus and that nationally this has proven to be an indicator for student success.

Trustee Sarnoff inquired about the requested funding for the Project, noting an excess of approximately \$5 - \$7M in projected costs. Sr. VP and CFO Jessell stated that the University has not begun the design process and that the total Project construction cost is expected to be approximately \$66,500,000 with approximately \$16,400,000 cash contribution from Housing and Parking reserves. He indicated that these are conservative estimates and that upon conclusion of the design phase of the Project, costs projections will have greater specificity and that the Project cost and indebtedness will not be greater than necessary.

Sr. VP and CFO Jessell provided a programming overview, noting that the Project will consist of a suite-style residence hall with 656 beds and will include approximately 300 parking spaces and ancillary space to service the residents. He added that the Project is contemplated on the University's 2010-20 Campus Master Plan and discussed the proposed site. He stated that depending upon the final site recommendation, an amendment to the Campus Master Plan may be required by the Board of Trustees. He noted that the financing term is expected to be 30 years but not to exceed 35 years on minimum debt service coverage.

Sr. VP and CFO Jessell delineated the estimated cost, financing structure, and Pro Forma. He noted that Board of Trustees approval is needed in order to authorize a request from the Board of Governors to the Division of Bond Finance to issue fixed rate revenue bonds in an amount not exceeding (i) \$60,000,000 plus (ii) an additional five (5) percent, or \$3,000,000, to adjust Project

components, including Project cost and amount of debt issuance, as deemed necessary by the University to finance the construction of the Project, finance capitalized interest, fund a debt service reserve fund and pay costs of issuing the Bonds.

In response to Trustee Lowell's inquiry, Sr. VP and CFO Jessell noted that, as per BOG requirement, the minimum debt service coverage ratio is 1.2 although rating agencies seek higher ratios. He added that the University's debt service coverage ratio for the Project is 1.62. In response to Trustee Kathleen L. Wilson's inquiry, Sr. VP and CFO Jessell stated that in terms of the current proposed site, 90 parking spaces will be displaced, but the Project's parking garage will add 300 spaces.

Trustee Sarnoff made a motion to recommend for Board of Trustees approval \$55,000,000 for the total Project cost and amount of debt issuance, while maintaining all other Project terms and conditions. Sr. VP and CFO Jessell noted that a reduction in the requested amount was not advisable given that the design phase of the Project had not yet started. He added that bids are not awarded based on low price, but are awarded to the most responsible and responsive qualified bidder who meets all specifications, terms, and conditions of the bid proposal through a Construction Manager at Risk process. He stated that the construction manager then bids the project components, such as concrete and mechanical systems through a competitive process.

Trustees discussed Trustee Sarnoff's motion. After further discussion, Trustee Sarnoff withdrew his motion.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees authorize a request to the Board of Governors to request the Division of Bond Finance of the State Board of Administration to issue revenue bonds on behalf of Florida International University to finance construction of a Student Residence Facility on the Modesto A. Maidique campus of the University.

Trustee Sarnoff voted against the motion.

FF2. Amendment to Signature Authority

Sr. VP and CFO Jessell presented the request to amend Signature Authority for Committee review. He introduced the Committee to Ms. Katharine A. Brophy, Associate Vice President and University Controller. He noted that signature authority has been removed for Ms. Cecilia Hamilton, former Associate Vice President and University Controller, due to her retirement from FIU, adding that signature authority is being requested for Ms. Brophy. He stated that the change in Signature Authority was also being requested in association with certain foreign research program accounts.

A. Authorization to Sign Checks for the University

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees amend the Signature Authority – Authorization to sign checks to pay the legal obligations of the University from any and all designated University depositories to reflect the following changes:

Removed: Cecilia Hamilton, former Associate Vice President and University Controller

Approve: Katharine A. Brophy, Associate Vice President and University Controller

B. Authorization to Sign Checks for Certain Foreign Research Program Accounts

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees amend the Signature Authority - Authorization to sign checks for certain foreign research program accounts to reflect the following changes:

For the West Africa Water Supply, Sanitation, and Hygiene Program:

- Removed: Cecilia Hamilton, former Associate Vice President and University Controller
- Approve: Katharine A. Brophy, Associate Vice President and University Controller
- Approve: Joseph Wethe, West Africa Program Deputy Director

For the Tanzania Integrated Water Sanitation and Hygiene Program:

- Removed: Cecilia Hamilton, former Associate Vice President and University Controller
- Approve: Katharine A. Brophy, Associate Vice President and University Controller

FF3. Authorization to Close Certain Foreign Program Accounts

Sr. VP and CFO Jessell presented the request to Close Certain Foreign Program Accounts for Committee review, noting that Board approval is required in order to formally close accounts associated with certain foreign research programs.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees close the following bank accounts and remove all signature authorities:

Account at the Bank of Kigali in Kigali, for the USAID project in Rwanda, the Rwanda Integrated Water Security Program.

Account at the TBC Bank in Tblisi, for the Integrated Natural Resource Management in Watersheds of the Republic of Georgia, INRMW, the Georgia Program.

Bank account for the Italy Program as it was never established.

FF4. Tuition for Doctorate of Business Administration in International Business Self-Supporting Program, 2017-2018 Academic Year

Sr. VP and CFO Jessell presented the request to establish Tuition for the Doctorate of Business Administration in International Business as a Self-Supporting Program, effective 2017-2018 Academic Year, for Committee review. He noted that the FIU Board of Trustees approved the

Doctorate of Business Administration in International Business (DBA) degree at the June 2, 2016 Board of Trustees meeting and in accordance with BOG Regulation, FIU submitted the DBA proposal to the BOG for authorization subsequent to BOT approval in June.

Sr. VP and CFO Jessell indicated that the final step in the BOG's approval process is to establish the program's tuition, adding that the DBA is a self-supporting graduate degree program offered through the Division of Continuing Education, and all costs are covered by student tuition. He mentioned that Educational and General funds are not used to support the program, adding that tuition for the program is \$33,000 annually for 24 credits and that the total program is 72 credits for a total cost of \$99,000.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees approve the self-supporting tuition of \$33,000 annually for 24 credits for the Doctorate of Business Administration in International Business (DBA) offered through continuing education beginning academic year 2017-2018.

FF5. Naming of FIU Stadium as the "Riccardo Silva Stadium" and FIU Arena as the "Ocean Bank Convocation Center"

Executive Director of Sports and Entertainment Pete Garcia presented the Naming of FIU Stadium as the "Riccardo Silva Stadium" and FIU Arena as the "Ocean Bank Convocation Center" for Committee review. He noted that in recognition of the significant \$2.26M gift from Mr. Riccardo Silva, the University proposes to name FIU Stadium as the "Riccardo Silva Stadium" for the next four years. Mr. Garcia noted that the gift will total \$3.46M given the portion of the gift that relates to the Ocean Bank Convocation Center, indicating that this represents that largest gift in the history of the University's Department of Intercollegiate Athletics.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that Board of Trustees approve the naming of (i) FIU Stadium as the "Riccardo Silva Stadium" and (ii) FIU Arena as the "Ocean Bank Convocation Center", each in accordance with the gift agreement related thereto and the University's and the FIU Foundation, Inc.'s Donative Naming Policy.

In response to Trustee Wilson's inquiry, Senior Vice President for University Advancement Howard R. Lipman noted that the University adopted a Naming Policy, which delegates to the BOT the authority to grant naming recognition in connection with a University building, subject to certain conditions, including established minimum gift amounts.

6. Discussion Item

6.1 Financial Performance Review, Second Quarter FY 2016-17

Sr. VP and CFO Jessell presented the Financial Performance Review for the second quarter of 2016-17 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were above estimates by \$6.7M (or 1 percent), which can be primarily attributed to: higher student fee revenue and lower bad debt, higher housing occupancy, and increased sales at the Panther TECH store. He added that these were offset by less cash contributions and pledged payments received from the FIU Foundation, lower

undergraduate enrollment, and less Bright Futures awards due to fewer eligible recipients. He noted that expenses were below estimates by \$18.3M (or 4 percent), primarily due to lower expenditures, delayed spending, and timing of scholarships and program disbursements across all areas of the DSOs.

7. Reports

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

8. New Business

FF6. Review of Test Preparation Fee

Associate Dean for Academic Affairs and Professor of Law Tawia Ansah presented the Review of the Test Preparation Fee for Committee review. He noted that the Board of Trustees approved on December 9, 2010 the establishment of a Test Preparation Fee that applies only to students who, as part of their graduation requirements, are expected to obtain specific preparation for a practice-based examination. Additionally, he stated, by including the Test Preparation Fee as part of the degree requirements of the program, students may be eligible to pay for the course through financial aid.

Associate Dean Ansah mentioned that currently, the Test Preparation Fee is used only in the College of Law for the Bar Preparation Course. In addition to benefits of lower cost and inclusion of the Fee in financial aid calculations, Associate Dean Ansah indicated that the intended outcomes of the Test Preparation Fee have been achieved. He described the improved performance of FIU law students, noting that FIU had achieved the highest level of overall passage rates in the Florida General Bar Examinations compared to all other law schools in Florida.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees approve the continuation of the Test Preparation Fee.

Committee Vice Chair Pozo congratulated FIU College of Law Dean R. Alexander Acosta on his nomination for the position of secretary of the U.S. Department of Labor. Dean Acosta discussed his ongoing commitment to the University and the College of Law, noting that he will continue to serve as Dean until such time that his nomination is confirmed by the U.S. Senate.

9. Concluding Remarks and Adjournment

With no other business, Committee Vice Chair Justo L. Pozo adjourned the meeting of the Florida International University Board of Trustees Finance and Facilities Committee on Friday, March 3, 2017 at 10:07 am.

There were no Trustee requests.