



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
JUNE 1, 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 Chair Leonard Boord at 8:47 am on Thursday, June 1, 2017, at the Modesto A. Maidique Campus, College of Business Complex, Special Events Center, Room 233.

The following attendance was recorded:

Present

Leonard Boord, *Chair*
Justo L. Pozo, *Vice Chair*
Cesar L. Alvarez
Dean C. Colson
Natasha Lowell
Marc D. Sarnoff
Kathleen L. Wilson

Board Chair Claudia Puig, and Trustees Gerald C. Grant, Jr. and Krista M. Schmidt also were in attendance.

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

2. Approval of Minutes

Committee Chair Boord asked that the Committee approve the Minutes of the meeting held on March 3, 2017. A motion was made and passed to approve the Minutes of the Finance and Facilities Committee Meeting held on Friday, March 3, 2017.

3. Action Items

FF1. Proposed 2017-18 University and Direct Support Organizations (DSO) Operating Budgets

Senior Vice President and Chief Financial Officer Kenneth A. Jessell presented the University and DSO Operating Budgets, totaling \$1,411.1M, for Committee review and in connection therewith, provided a detailed summary of key aspects of each budget. He added that authority for the University President to amend the budget is necessary to accommodate changes in circumstances.

In response to Trustee Cesar L. Alvarez's inquiry on how full-time equivalent (FTE) student numbers referenced in the budget presentation are calculated, Sr. VP and CFO Jessell noted that while the calculation is lower in other states, under the State University System of Florida, the factors for calculating the number of student FTE's are 40 undergraduate student credit hours equal one FTE, and 32 graduate student credit hours equal one FTE.

Trustee Marc D. Sarnoff inquired about the potential impacts to the University's budget if Governor Rick Scott made significant vetoes eliminating not only FIU-specific projects, but also reducing State University System funding and the University's plans of action for addressing any possible budgetary challenges resulting from proposed changes to the Board of Governors (BOG) Performance Metrics. Committee Chair Boord noted that authority for the University President to amend the budget is necessary to accommodate changes in circumstances. Sr. VP and CFO Jessell added that Florida law prescribes levels that must be maintained in terms of reserve balances, adding that the University's current unencumbered reserve totals \$26M. He stated that should the University experience a shortfall in Performance Based funding, reserve balances may be drawn upon. He added that an approximate \$46M in anticipated 2017-18 carryforward balances may be utilized to then cover reserve funds.

In response to Committee Chair Boord's inquiry on the factors that have contributed to the growth in tuition, Sr. VP and CFO Jessell explained that this can be attributed to a growth in student headcount and also regular tuition increases in past years. Committee Chair Boord recommended that Consumer Price Index data be included in future budgetary presentations.

In addition, Committee Chair Boord recommended that, within the context of online education's continued growth trajectory, the Board of Trustees, during the next year, engage with University administration to review fully online degree offerings so as to identify what portion of the University's revenue stream distance-learning represents in order to develop a strategy that ensures responsiveness to student and market demand. Provost and Executive Vice President Kenneth G. Furton indicated that he serves on the BOG's Task Force for Strategic Planning for Online Education and explained that by year 2020, the majority of the University's degrees will have a fully online mode of delivery as set forth in the 20 Critical Performance Indicator Goals of the *FIUBeyondPossible2020* Strategic Plan.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees (the BOT) approve the FIU 2017-18 University and Direct Support Organizations Operating Budgets and authorize the University President to amend the budgets consistent with Legislative, Board of Governors' and BOT directives and guidelines.

FF2. Proposed 2017-18 Fixed Capital Outlay Budget

Sr. VP and CFO Jessell presented the University's 2017-18 Fixed Capital Outlay Budget for Committee review, noting that the Fixed Capital Outlay Budget governs the University's capital expenditures during the year. He added that FIU's request for 2017-18 Capital Outlay Budget for Public Education Capital Outlay (PECO) projects totaled \$28,913,226 for critical deferred maintenance, phase II of the School of International and Public Affairs building, and phase I and II of the Engineering building. He explained that FIU's request for 2017-18 Fixed Capital Outlay

Budget for Capital Improvement Trust Fund (CITF) projects totaled \$6,475,636 for improvements to the Graham Center.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve Florida International University's 2017-18 Fixed Capital Outlay Budget and authorize the University President to amend the budget as necessary, consistent with Legislative, Florida Board of Governors', and BOT directives and guidelines.

FF3. Request for Approval of Florida International University's 2018-19 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan

Sr. VP and CFO Jessell presented the request for approval of FIU's 2018-19 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan, for Committee review, noting that the Fixed Capital Outlay Budget Request set forth the University's proposed capital expenditures during the next five years. He presented FIU's 2018-19 request for Capital Outlay Budget for PECO-eligible projects for facilities infrastructure, strategic land acquisition, engineering building and science laboratory complex, which, as he explained, totaled \$99,100,000.

In response to Trustee Natasha Lowell's inquiry, Sr. VP and CFO Jessell noted that the PECO request for the Strategic Land Acquisition pertained to the current land occupied by the Youth Fair.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve FIU's 2018-19 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan and authorize the University President to amend the Legislative Budget Request as necessary, consistent with Florida Board of Governors' and BOT directives and guidelines.

FF4. Self-Supporting Program Tuition, 2018-19 Academic Year

Sr. VP and CFO Jessell presented the 2018-19 academic year Self-Supporting Program Tuition proposals for the Doctorate of Athletic Training (DAT) and the Master of Science in Applied Behavior Analysis (MSABA) for Committee review. He noted that the DAT and MSABA are self-supporting graduate degree programs offered through the University's Continuing Education and all costs are covered by student tuition. He stated that Educational and General funds are not used to support the programs.

Committee Chair Boord requested for future proposals of self-supporting program tuition that business plans be presented for BOT review. Sr. VP and CFO Jessell noted that the MSABA was approved by the BOT in March and that the business plan for DAT is on the June 2, 2017 meeting agendas for the Academic Policy and Student Affairs Committee and BOT. Sr. VP and CFO Jessell also noted that the University conducts extensive benchmarking and market studies in order to ensure that the proposed programs meet new and unmet educational needs for which there are no existing state resources.

A. Doctorate of Athletic Training

Sr. VP and CFO Jessell noted that upon approval of the DAT program by the BOT, in accordance with BOG Regulation, FIU will submit the DAT proposal to the BOG for authorization subsequent to BOT approval.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve the self-supporting tuition of \$16,800 annually for 24 credits for the Doctor of Athletic Training beginning academic year 2018-19 pending program approval by the BOT.

B. Master of Science in Applied Behavior Analysis

Sr. VP and CFO Jessell reported that the FIU Board of Trustees approved the MSABA at its March 3, 2017 meeting, indicating that in accordance with BOG Regulation, FIU will submit the MSABA proposal to the BOG for authorization subsequent to BOT approval.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve the self-supporting tuition of \$25,393 for 45 credits completed in four semesters for the Master of Science in Applied Behavior Analysis (MSABA) beginning academic year 2018-19. The BOT approved the program at its March 2017 meeting.

FF5. Approval of Amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus to Accommodate the Construction of a Hotel, Conference Center, Alumni Center and Parking and Approval of Terms of the Ground Lease Associated with the Hotel, Conference Center, Alumni Center and Parking

Sr. VP and CFO Jessell presented, for Committee review, the request for approval of the amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of a Hotel, Conference Center, Alumni Center and Parking and approval of terms of the ground lease associated with the Hotel, Conference Center, Alumni Center and parking. He added that the Hotel, Conference Center, and Alumni center were included in FIU's 2005-15 and 2010-20 Campus Master Plans and Board of Trustees/BOG Capital Improvement Plans and have received Legislative authorization. He explained that the Hotel and Conference Center would meet the needs of the University community in terms of academic conferences and meeting and seminar rooms. He indicated that the Alumni Center would help create affinity and encourage alumni to remain engaged members of the University community.

Sr. VP and CFO Jessell reported that an initial feasibility study was conducted in 2008, adding that updated studies followed in 2013 and 2015. Sr. VP and CFO Jessell noted that the amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus was necessitated in order to change 5.21 acres currently designated as special purpose recreation open space to multi-purpose space and reflect that the conference facility would be located immediately adjacent to the hotel and alumni center. He stated that the Project would be located in the SW corner of the intersection of SW 8th Street and SW 112th Avenue. He described the Project process and timeline.

Sr. VP and CFO Jessell explained that Hotel and Conference Center amenities included 150 guest rooms, a ballroom and multiple conference rooms, an indoor fitness center, an outdoor swimming

pool and a minimum of 300 parking spaces. He delineated the Hotel and Conference Center funding structure, noting that the Project will be designed, built, owned and operated by the Developer/Operator and that FIU and the FIU Foundation will have no financial obligation or debt obligations. He added that the University will approve design, that land will not be subordinated to any debt, and that FIU will receive market value ground rent and/or net income in return for leasing the parcel of land to the hotel operator. He further stated that while the University will agree to refer campus visitors requiring overnight accommodations to the Hotel and will direct all FIU-paid/reimbursed local lodging to the Hotel on a best-price match basis, that FIU will not guarantee any number of room nights or any level of revenue operating support.

Sr. VP and CFO Jessell mentioned that the Alumni Center will consist of 13,737 sq. ft. and will be managed by the FIU Foundation. He presented a funding overview, noting that the Alumni Center will cost \$6.8M, with \$1.3M from Bank of America royalties, accumulated fund balances and new cash gifts as well as \$5.5M in direct investment. He stated that the FIU Foundation will create a wholly-owned subsidiary for the operation and maintenance of the Alumni Center.

Sr. VP and CFO Jessell presented Project renderings and provided a detailed summary of key terms, financial projections, and concluded by discussing possible benefits to the University and next steps. He noted that the University is in discussions with the Project Developers, Concord Eastridge, Inc., and Benchmark Management Company, LLC, regarding the possible use of the University's chiller water and sewer services to be reimbursed at the University's costs. Sr. VP and CFO Jessell indicated that this cooperation has proven effective for other University projects, such as Bayview Student Housing at FIU's Biscayne Bay Campus, allowing for lower expenses that translate to lower costs to the University community.

Sr. VP and CFO Jessell presented an aerial overview of the proposed Project. Senior Vice President, University Advancement Howard R. Lipman stated that naming opportunities were available and in response to Trustee Justo L. Pozo's inquiry, noted that the downstairs bar, library, and conference rooms have been named in association with multi-million dollar gifts.

Committee members engaged in a substantive discussion regarding the Project terms and scope. Trustee Lowell requested that for the next regularly scheduled Committee meeting, the Evaluation Committee member biographies be furnished. Trustee Gerald C. Grant, Jr. stated that he endorsed the Project, noting the positive benefits to the University in its having no financial obligations over funding.

Trustee Alvarez noted that the Project can benefit greatly from the knowledge and expertise within the University's faculty and graduate students, and recommended that the FIU administration consider ways of collaboration, and he also inquired as to the determined land valuation. Sr. VP and CFO Jessell noted that prior to the approval by the Trustees of the Internal Improvement Trust Fund to sublease the land, documentation of assessed land value will be required. Trustee Kathleen L. Wilson noted that the FIU Faculty Senate's Environment and Planning Committee participated in the planning process and encouraged a continued collaboration with the University's faculty in the Project development phase.

In response to Trustee Dean C. Colson's inquiry on whether the proposed square footage of the Alumni Center would be sufficient, Sr. VP Lipman noted that the Project was designed in order to ensure financial sustainability. Sr. VP Lipman added that the Alumni Center receives the first right of refusal based upon usage and that the intended outcome was for all units to work together for the best result for the institution.

Trustee Marc D. Sarnoff stated that he did not endorse the Project, noting that the proposed horizontal structure posed constraints that would not meet immediate and future needs. Trustee Pozo mentioned that the Project has been under development for many years and has been reviewed by the University's Alumni Association Board of Directors and the FIU Foundation Board of Directors, where issues of size and usability were thoroughly vetted.

Trustee Lowell inquired as to whether changes could be made to decrease the stipulated grace period during which no ground rent would be paid to FIU. Committee Chair Boord inquired as to the University's first right of refusal and requested that in addition to receiving audited statements, the University also should retain the right to audit the Project's financial statements.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT hereby approve an amendment to the Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of a Hotel, Conference Center, Alumni Center and Parking; and approve the terms of the Ground Lease and other key terms associated with the Hotel, Conference Center, Alumni Center and Parking.

In addition to the key terms presented, the Finance and Facilities Committee incorporated the following three additional terms as part of its approval:

- FIU receives the first right of refusal to purchase the Project in the event the Project is sold
- FIU has the right to receive and audit the financial statements associated with the operation of the Project
- FIU limits the grace period during which no ground rent is paid to FIU to no more than 24 months after execution of the Ground Lease

Trustee Sarnoff voted against the motion.

4. Discussion Items

4.1 Review of FIU Financial Statement Audit for Fiscal Year Ended June 30, 2016

Sr. VP and CFO Jessell reported on the results from the State of Florida's Auditor General Financial Statements Audit for Fiscal Year ended June 30, 2016, noting that the audit disclosed that the University's basic financial statements were presented fairly in all material respects in accordance with prescribed financial reporting standards. He stated that the audit results disclosed no instances of noncompliance or other matters that are required to be reported. He further noted that the audit did not identify any deficiencies in internal control over financial reporting that were considered material weaknesses.

4.2 Financial Performance Review – Third Quarter FY 2016-17

Sr. VP and CFO Jessell provided a brief overview of the Financial Performance Review for the third quarter of 2016-17. He reported that the University and direct support organizations’ operating revenues were above estimates by \$9.5M (or 1 percent) and that expenses were below estimates by \$26.0M (or 3 percent).

5. Reports

Committee Chair Boord 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.

6. New Business

No new business was raised.

7. Concluding Remarks and Adjournment

With no other business, Committee Chair Leonard Boord adjourned the meeting of the Florida International University Board of Trustees Finance and Facilities Committee on Thursday, June 1, 2017 at 11:21 am.

Trustee Requests	Follow-up	Completion Date
<p>1. <i>Committee Chair Boord recommended that Consumer Price Index data be included in future budgetary presentations.</i></p>	<p><i>Senior Vice President and Chief Financial Officer Kenneth A. Jessell</i></p>	<p><i>Ongoing</i></p>
<p>2. <i>Committee Chair Boord recommended that, within the context of online education’s continued growth trajectory, the Board of Trustees, during the next year, engage with University administration to review fully online degree offerings so as to identify what portion of the University’s revenue stream distance-learning represents in order to develop a strategy that ensures responsiveness to student and market demand.</i></p>	<p><i>Provost and Executive Vice President Kenneth G. Furton</i></p>	<p><i>Ongoing</i></p>
<p>3. <i>Committee Chair Boord requested for future proposals of self-supporting program tuition that business plans be presented for Board of Trustees review.</i></p>	<p><i>Provost and Executive Vice President Kenneth G. Furton</i></p>	<p><i>Ongoing</i></p>

<p>4. <i>Trustee Natasha Lowell requested that for the next regularly scheduled Committee meeting, that Evaluation Committee member biographies be furnished. (Hotel, Conference Center, Alumni Center and Parking Project)</i></p>	<p><i>Senior Vice President and Chief Financial Officer Kenneth A. Jessell</i></p>	<p><i>Next Regularly Scheduled Committee Meeting</i></p>
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