



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

**Trustees Dean C. Colson, Leonard Boord, and Rogelio Tovar will meet with members
of the University administration**

January 18, 2019

1. Call to Order and Chair's Remarks

Trustee Dean C. Colson convened a meeting with Trustees Leonard Boord and Roger Tovar at 8:32 am on Friday, January 18, 2019, at the Board Room of Colson Hicks Eidson, Penthouse, 255 Alhambra Circle, Coral Gables, Florida 33134.

General Counsel Carlos B. Castillo took roll of the Trustees in attendance, namely, Trustees Colson, Boord, and Tovar.

Also present were the following: Senior Vice President of Administration and Chief Financial Officer, Kenneth A. Jessell; Vice President, Research and Economic Development, Andres G. Gil; General Counsel, Carlos B. Castillo; Controller, FIU Foundation, Inc. and Direct Support Organizations, Milly Garcia; Chief Administrative Officer, Advancement Services, Melissa Hernandez; and Senior University Counsel, Rafael Prohias.

2. Discussion Item

2.1 Amended Board of Governors Regulation 9.011 University Direct Support Organizations and Health Services Support Organizations

Trustee Colson explained that he was asked to serve as the Board of Trustees' designated point person to work with the University administration to develop and finalize amendments to the University's DSO Regulation and the delegations of Presidential authority. He stated that he has participated in several meetings with University administrators. Trustee Colson mentioned that as per Florida Board of Governors' Regulation Development Procedure, notice must be given at least 30 days prior to any proposed amendments to the DSO Regulation. He indicated that the University President is responsible for the operation and administration of the University. He added that across the State University System (SUS), university board of trustees' oversight is particularly a growing concern given the misappropriation of carryforward funds at the University of Central Florida (UCF). At the request of Trustee Tovar, Trustee Colson explained that UCF inappropriately funded a construction project with carryforward balances. Trustee Colson indicated that while this action is not permitted by the legislature in terms of the SUS, it is permissible within the public school and college systems.

Trustee Colson led the discussion on procurement parameters relating to the University DSOs, noting that Sr. VP and CFO Jessell provided a report listing University procurement contracts over the last five (5) years. Trustee Colson summarized the contents of the report. He pointed out that within the last five (5) years, the University engaged in 21 procurement contracts/purchases with totals of \$1M and greater.

Vice President Gil explained that the FIU Research Foundation was established to advance scientific and educational endeavors through the income derived from contracts and grants. He added that in terms of parameters, limits set for the FIU Foundation Inc., can equally be applied to the FIU Research Foundation, Inc.

Trustees engaged in a substantive discussion relating to monetary limits and corresponding Board of Trustees reporting and/or approval requirements. In response to Trustee Colson's inquiry relating to the desired reporting frequency to the Board's Finance and Facilities Committee (the "Finance Committee"), the Trustees concurred that the Finance Committee should be informed as part of regular quarterly reporting on the purchases of goods and services by a University DSO that occurred for amounts between \$.5M and less than \$1M. Trustee Tovar concurred that the \$1M threshold was acceptable and suggested that structuring language be included in order to delineate that these thresholds apply to the total value of one or a series of transactions with the same entity.

Sr. VP and CFO Jessell explained that the University follows a competitive solicitation process for procurement services and therefore, multiple contracts with the same entity do not occur. In response to Trustee Boord's inquiry relating to pre-approved vendors, which may not be the lowest bidder, Sr. VP and CFO Jessell indicated that pre-approved vendors are generally utilized in matters involving time-sensitive projects, but these transactions must also meet the minor project classification and are under the \$2M threshold. Trustee Tovar requested after-the-fact regular quarterly reporting detailing minor project transactions of \$1M or greater.

Trustee Colson noted that the Board's review and approval process must continue to proceed in a manner that is efficient and does not impede processes. Trustee Boord stated that any purchase of goods and services by a DSO with a total value between \$1M and less than \$3M shall require the prior approval of the Board's Finance Committee, but explained that in the event no regular meeting of the Finance Committee is scheduled within 30 days from the date such approval is requested, approval by the Chair of the Finance Committee may be sought. He indicated that in both instances, actions taken by the Finance Committee and/or the Finance Committee Chair shall be reported to the Board of Trustees at its next regularly scheduled Full Board meeting. Trustees agreed that any purchase of goods and services of \$3M or greater, will require the prior approval of the Board of Trustees.

VP Gil provided an example where the purchase of research-related equipment with a total value of over \$2M was a time-sensitive transaction that was also restricted to only one possible vendor. In response to VP Gil's inquiry as to the process moving forward for a similar transaction, Trustee Colson explained that that if a regularly scheduled meeting of the Board's Finance Committee were not scheduled within a 30-day time frame, the University administration could consider the item as

an emergency situation, and it shall then be up to the discretion of the administration to contact the Finance Committee Chair.

Trustee Colson led the discussion relating the construction parameters, noting that the Board's involvement should not extend to the selection of general contractors, engineers, and subcontractors associated with University construction projects. Trustee Tovar concurred, stating that the Board currently had the appropriate level of involvement. Sr. VP and CFO Jessell explained that the University follows a competitive solicitation process, noting that bid responses for goods, services and supplies are available for public review and that interviews and presentations are audio recorded. Sr. VP and CFO Jessell indicated that being the "low bidder" does not necessarily mean that an award will be made to that vendor, stating that other factors considered, in addition to price, are quality, adherence to specifications, delivery, and service. Trustee Tovar concurred that while the low bidder may not always be the best selection for the University, he commented that a rationale should be provided as to why a particular vendor was awarded a bid.

Trustee Boord stated that change orders that are equal to or exceed 10% of the overall total value of a construction project undertaken by a DSO, would require new approval from the Board of Trustees. Trustees agreed with the current threshold of \$2M or greater in terms of the construction project threshold requiring Board of Trustees approval. In terms of minor projects under the \$2M threshold, Trustee Boord requested quarterly reporting to the Board's Finance Committee.

Trustee Colson led the discussion in terms of thresholds relating to real estate leases and acquisitions, stating that the FIU Foundation, Inc. has a balanced investment portfolio that includes the sale and purchase of real estate, which may not necessarily be of strategic importance to the University, but has value in terms of the portfolio. He indicated that the Foundation has established procedures in place and should maintain the ability to act swiftly when positive real estate opportunities are identified. He also mentioned that going forward Board of Trustees oversight will include the approval of new Foundation Board members and can extend to the review of Foundation investment policies.

Mr. Prohias noted that while the FIU Foundation, Inc. Board of Directors is primarily a philanthropic Board, it functions very similar to the Board of Trustees. He explained that in terms of reviewing real estate opportunities, the Foundation Board follows a comprehensive policy where all leases or purchases of real estate require the review and approval of the Foundation Board's Real Estate Sub-Committee regardless of price/cost.

Trustees engaged in a substantive discussion relating to the thresholds of other SUS institutions in terms of real estate and concurred that given the Foundation Board's valuable role within the University's governance, distinguished membership roster, and their established oversight mechanisms, any acquisition of real estate by the FIU Foundation greater than or equal to \$10M would require Board of Trustees approval. Trustees also concurred that any acquisition of real estate by a University DSO, other than the FIU Foundation, for an amount less than \$2M shall be reported on a quarterly basis to the Finance and Facilities Committee, adding that Board of Trustees approval would be required for amounts greater than or equal to \$2M.

Trustees discussed Board of Trustees oversight in terms of leases and agreed that any lease of real estate by a University DSO with a total value less than \$500K, under a five-year term, or less than 5,000 square feet will require approval by the Board's Finance Committee and that thresholds exceeding these amounts would require approval by the Board of Trustees.

Trustee Board noted that, as a general rule, all major decisions should be delegated to the Full Board and that any actions taken by the Finance Committee and/or the Finance Committee Chair, shall be reported to the Board of Trustees at its next regularly scheduled Full Board meeting.

Trustees requested a follow-up meeting for January 28, 2019 at 12:00 pm to follow the Academic Policy and Student Affairs Committee meeting.

3. New Business

No new business was raised.

4. Concluding Remarks and Adjournment

With no other business, Trustee Dean C. Colson adjourned the meeting with Trustees Lenard Boord and Rogelio Tovar and members of the University Administration on Friday, January 18, 2019 at 9:52 am.

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