



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
JUNE 16, 2020**

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 9:09 am on Tuesday, June 16, 2020 at the FIU, Modesto A. Maidique Campus, Parking Garage 5 (PG5) Market Station, room 155 and via Zoom.

General Counsel Carlos B. Castillo conducted roll call of the Finance and Facilities Committee members and verified a quorum. Present were Trustees Leonard Boord, *Chair*; Roger Tovar, *Vice Chair*; Cesar L. Alvarez (*arrived late*); Dean C. Colson; Natasha Lowell; Joerg Reinhold; and Marc D. Sarnoff.

Board Chair Claudia Puig, Trustees Gerald C. Grant, Jr., Donna J. Hrinak (*via Zoom*), Gene Prescott, and Alexandra Valdes and University President Mark B. Rosenberg also were in attendance.

Committee Chair Boord welcomed Trustees and University administrators participating in-person and via the virtual environment and explained that in order to help prevent the spread of COVID-19, the University community and general public are accessing the Board's meetings via the FIU webcast. He also welcomed FIU Foundation, Inc. Board of Directors Treasurer Andre L. Teixeira and Mr. Andrew Klamon, Senior Vice President of Concord Eastridge.

2. Approval of Minutes

Committee Chair Boord asked that the Committee approve the Minutes of the meeting held on February 26, 2020. A motion was made and unanimously passed to approve the Minutes of the Finance and Facilities Committee meeting held on Wednesday, February 26, 2020.

3. Follow-up to Item from Previous Meeting

Committee Chair Boord referred Trustees to the handout materials relating to the FIU Enterprise Resource Planning (ERP) applications and infrastructure and pointed out that Vice President and Chief Information Officer Robert Grillo will follow-up at the Committee's September meeting.

4. Action Items

FF1. Proposed 2020-2021 University and Direct Support Organizations Operating Budget

Senior Vice President and Chief Financial Officer Kenneth A. Jessell presented, for Committee review, the University and DSO Operating Budgets, totaling \$1,599.8M. He explained that Florida's

Governor and legislative leadership continue to monitor the impact of COVID-19 on state revenues and expenses, that the State anticipates no budget reductions or use of reserves in the 2019-20 fiscal year, and that the Governor has until June 30, 2020 to sign and line-item veto parts of the \$93.2 billion budget. He described \$41.1M in federal awards received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, namely, \$2.8M in Minority Serving Institutions funding and \$38.3M in Higher Education Emergency Relief Funds (HEERF), noting that \$19.15M of HEERF funds were designated as institutional support and \$19.15M for direct student support and indicated that 9,550 students received financial assistance with an average award of \$2,005. In terms of HEERF institutional support, he commented that \$8.0M has been utilized to fund housing and meal plan refunds, COVID-19 personal protective equipment, and remote learning expenses.

Sr. VP and CFO Jessell commented on planning for Education & General (E&G) budget uncertainties, conservative projections for auxiliary operations, and on the need to adjust expenditure plans based upon strategic priorities and critical needs. He explained that E&G funds are comprised of state appropriations and tuition and fees, and that projected E&G expenditures for the University totaled \$535.9M and that projected E&G expenditures for the Herbert Wertheim College of Medicine (HWCOM) totaled \$51.1M. He presented an overview of University and HWCOM E&G State appropriations. He pointed out that the proposed operating budget does not include tuition increases, and he delineated a historical overview of State appropriations and tuition in terms of Full-time Equivalent (FTE) student adjusted by the Consumer Price Index. Sr. VP and CFO Jessell described the authorized uses of E&G fund balances as prescribed by Senate Bill 190 and indicated that the E&G Carryforward balance, less the 7% statutory requirement, is estimated at \$41M for the University and \$12.2M for HWCOM.

Sr. VP and CFO Jessell provided a detailed summary of key aspects of each budgetary component, pointing out that approximately 39,000 students will receive financial aid, including 21,536 Pell recipients and that sponsored research grants revenue of \$171.0M is \$48.4M higher than the prior year. He indicated that Athletics is requesting Board of Trustees approval for the deferral of short and long-term debt service due to the impact of COVID-19 on various revenue streams for the FY 2019-20 and FY 2020-21. Also pertaining to Athletics, he commented on the request for an increase in the five-year bridge loan, effective June 30, 2019, by no more than \$0.5M, to cover FY 2019-20 deficit change in net positions as a result of COVID-19. Sr. VP and CFO Jessell stated that these actions may not be needed as Summer A enrollments are higher than projected and there may be a sufficient increase in the Athletics Fee to offset other reductions in revenue. In terms of the requirements delineated under Florida Statutes Section 1004.28 and FIU Regulation 1502 pertaining to resources and space utilized by the University's Direct Support Organizations (DSOs), he indicated that approximately 148.5 FTE of personal services and approximately 16,300 square feet of space, valued at \$414K, are utilized. Also relating to the DSOs, he added that projected expenditures are estimated at \$15.6M, of which \$4.4M will be reimbursed by the DSOs.

In response to Trustee Dean C. Colson's inquiry relating to projected Carryforward balances, Sr. VP and CFO Jessell explained that under Florida Board of Governors (BOG) reporting requirements, committed Carryforward funds unexpended for the current year are carried over to the next fiscal year. Committee Chair Boord inquired as to the Foundation's investment returns forecasts, pointing out that FY 2020-21 returns are projected at 6.0% or \$15.9M (net of fees), while forecast vs. final

budget in FY 2019-20 resulted in a variance of (\$9.5M). Foundation Board of Directors Treasurer Andre L. Teixeira explained that the Foundation forecasts for 6% investment returns as a general guideline. In terms of contracts and grants, Committee Chair Boord requested that moving forward, the operating revenues be segregated in order to clarify which of the revenues are strictly pass-throughs and which revenues deliver operating income. Committee Chair Boord commented on the positive net variance in FY2019-20 E&G operating expenses forecast vs. final budget and requested that vacant positions, addition of new positions, and personnel salary actions, moving forward, be reflected separately.

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 (the BOT) approve the FIU 2020-21 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 2020-21 Fixed Capital Outlay Budget/Capital Improvement

Sr. VP and CFO Jessell presented the proposed 2020-21 Fixed Capital Outlay Budget/Capital Improvement request for Committee review, explaining that the Fixed Capital Outlay Budget governs the University's capital expenditures during the year. He indicated that FIU's request for 2020-21 Public Education Capital Outlay Projects (PECO)/Capital Improvement projects totaled \$8,266,104 for phase I of the engineering building and that the University's request for Fixed Capital Outlay Budget for Capital Improvement Trust Fund projects totaled \$7,002,807 for the expansion of the Graham Center. Sr. VP and CFO Jessell stated that if the \$8,266,104 funding for phase I of the engineering building is not vetoed by the governor, FIU will immediately proceed with the design process for the \$53.9M building funded from \$38.9M cumulative state appropriations received and \$15M in University match funds.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend to the Florida International University Board of Trustees (the BOT) approval of Florida International University's 2020-21 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 FIU's 2021-22 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 2021-22 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan for Committee review. He provided an overview of 2021-22 PECO-eligible project requests, including phase II of the engineering building, the remodeling and renovation of the College of Arts, Sciences and Education building, and the Honors College building.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend to the FIU Board of Trustees (BOT) approval of FIU's 2021-2022 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. Approval of (i) Changes to the Design of the proposed Hotel, Conference Center, and Alumni Center and Budget of the Alumni Center as previously approved by the Board of Trustees, and (ii) Changes to two of the Hotel Ground Sublease key terms requested by the Board of Trustees in the June 2, 2017 meeting

Sr. VP and CFO Jessell commented that Mr. George A. Pincus was joining Mr. Andrew Klamon and the Concord Eastridge team and welcomed Mr. Kenneth R. Artin outside University counsel, all of whom were participating remotely.

Sr. VP and CFO Jessell presented the changes to the design of the proposed Hotel, Conference Center, and Alumni Center and budget of the Alumni Center and changes to two of the hotel ground sublease key terms for Committee review. He indicated that on June 2017, the Board of Trustees approved the project and the terms of the ground sublease and that BOG approval was obtained in April 2019. He explained that subsequent to Board of Trustees and BOG approval, several changes were made to the proposed design plans, construction, and operations of the project, including the Alumni Center. He described changes to the design plan and budget, principally, that the project will be developed, designed, permitted and constructed as a single integrated facility, with the alumni center and the conference center sharing a single building and that as a result of these changes, the alumni center's projected construction cost has increased by \$1.9M, from \$6.8 million to \$8.7M. Sr. VP and CFO Jessell pointed out that the BOG and the Division of Bond Finance raised the issue of the ability of the Alumni Center to operate in the event of foreclosure or repossession of the hotel/conference center leasehold interest/demolition. In order to address said issues, he explained that the current design provides for these unlikely contingencies and that the sublease and operating agreements will clearly specify the separate ownership rights and interests of the developer and the University. He indicated that while construction costs have increased in the marketplace since the June 2017 approval, the developer was able to achieve design efficiencies. Sr. VP and CFO Jessell stated that the FIU Foundation, Inc. Board of Directors approved the increased alumni center investment in May and commented that the Foundation will fund the increased construction costs from cash received from Bank of America as royalty payments, from certain accumulated fund balances, from new cash gifts, and from the Foundation investment pool as a direct investment.

Sr. VP and CFO Jessell explained that after substantive discussions with the developer on the Board's June 2017 request, the developer requested that the right of first refusal be changed to a right of first offer, triggered when a property owner elects to make his or her property available for purchase or lease. He commented on the developer's concerns, including the limited market of buyers as is the case with any right of first refusal and that FIU will have the right of first offer to acquire the Hotel and Conference Center. Also related to the hotel ground sublease key terms changes, Sr. VP and CFO Jessell stated that a resolution has been reached, as previously requested by the Board of Trustees, in that 50% of the initial base rent will be paid beginning on the 24th month anniversary of the effective date of the sublease through the last day of the construction term and that on or prior to the expiration of the 10th lease year, the deferred rent plus accrued interest will be paid.

In response to Trustee Roger Tovar's inquiry regarding the University's required right of first refusal, Mr. Klamon explained that due to the nature of the project, it is expected that the buyer pool will be very limited and commented that a right of first offer is seen as more attractive given the timeframe needed for University approval and market feedback. Also responding to Trustee Tovar, Mr. Pincus explained that the developer has requested the terms to reflect the right of first offer from the outset and that said term has been a persistent negotiation point. Trustees engaged in a substantive discussion and voiced concerns over the developer's request to change the right of first refusal to a right of first offer and over the lack of progress since the BOG's approval. Trustee Marc D. Sarnoff noted that he was not in support of the project. In response to Trustee Lowell, Mr. Klamon explained that the University will receive development updates while the project is in process to be followed by annual operating reviews.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee table the approval of (i) changes to the design of the proposed Hotel, Conference Center, and Alumni Center and budget of the Alumni Center as previously approved by the Board of Trustees, and (ii) changes to two of the hotel ground sublease key terms requested by the Board of Trustees in the June 2, 2017 meeting.

In response to Trustee Colson, Sr. VP and CFO Jessell explained that additional design costs would not be incurred. Director Teixeira commented that while COVID-19 has presented many challenges, it also has presented unique investment opportunities and a market with lower construction costs.

FF5. Approval of Contract and Construction Hardening Project of over \$2 million to be funded by a Grant from the Federal Emergency Management Agency-Florida Division of Emergency Management and from University Carryforward balances for the protection of Primera Casa at FIU

Sr. VP and CFO Jessell presented the request for approval of the contract and construction hardening project for the protection of the Primera Casa (PC) building located in the Modesto A. Maidique Campus, for Committee review. He described project funding sources, namely, \$2,714,196.75 from the Hazard Mitigation Grant applied for by FIU's Department of Facilities Management and approved by Federal Emergency Management Agency-Florida Division of Emergency Management and that the University will contribute \$904,732.25 towards the cost of retrofitting PC with available Carryforward funds designated as Board of Trustees Reserve (Bridge and Catastrophe Fund). He indicated that the project will retrofit PC to meet the wind speed protection and impact requirements indicated by the effective Florida Building Code at the time permits are issued.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the FIU Board of Trustees (BOT) approve (1) the retrofit of the Primera Casa (PC) building in the Modesto A. Maidique Campus to meet the wind speed protection and impact requirements indicated by the effective Florida Building Code at the time permits are issued in the total amount of \$3,618,929; and (2) the acceptance of a Hazard Mitigation Grant from the Federal Emergency Management Agency (FEMA)--Florida Division of Emergency Management (FDEM) in the amount of \$ 2,714,196.75; (3) the allocation of \$904,732.75 from available BOT

Carryforward Reserve (Bridge and Catastrophe Fund); and (4) the execution of a Federally Funded Subaward and Grant Agreement with FDEM for the grant; and (5) the delegation of authority to the University President, or designee, to execute the Agreement on behalf of the University and all other documents that may be necessary to effectuate the transactions contemplated in the Agreement.

FF6. Approval of Contract #PUR-00628, vendor ARAMARK Management Services Limited Partnership

Committee Chair Boord explained that the fourth extension of the agreement between FIU and the vendor is being requested until the new competitive solicitation for ground maintenance is awarded. He solicited comments and/or questions from the Committee members. There were no questions from the Committee members.

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 as listed and described below and (ii) authorize the University President or his designee to execute, on behalf of the University, the aforementioned contracts.

5. Discussion Items

5.1 Financial Performance Review, Third Quarter FY 2019-20

Sr. VP and CFO Jessell presented the University's financial performance review for the third quarter of FY 2019-20, noting that operating revenues were above estimates by \$24.1M and that operating expenses were below estimates by \$1.9M with a net favorable variance of \$26.0M. He presented an updated financial performance review as of May 31, 2020 and explained that operating revenues are above estimates by \$45.3M and that operating expenses are above estimates by \$5.1M with a net favorable variance of \$40.2M. He also described the key drivers.

5.2 Review of FIU Financial Statement Audit for Fiscal Year Ended June 30, 2019

There were no questions or comments from the Committee members.

6. 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; Foundation Report; Safety and Environmental Compliance Report; Treasury Report; Procurement Report; and CasaCuba Building Update.

Referring to the CasaCuba Building Update, Committee Chair Boord highlighted that the architect/engineer interviews/presentations with shortlisted firms (5) were conducted June 1, 2020 and that the architectural firm René González Architects was recommended to the President.

7. New Business

No new business was raised.

8. 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 Tuesday, June 16, 2020 at 11:07 a.m.