



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
JUNE 19, 2019**

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 9:46 am on Wednesday, June 19, 2019 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

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

Trustees Gerald C. Grant, Jr. and Sabrina L. Rosell and University President Mark B. Rosenberg also were in attendance.

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

Committee Chair Boord explained that the Committee will continue the discussion on the risks and yields in terms of the University's Investment Program at the next regularly scheduled Finance and Facilities Committee meeting.

2. Approval of Minutes

Committee Chair Boord asked that the Committee approve the Minutes of the meeting held on April 18, 2019. A motion was made and unanimously passed to approve the Minutes of the Finance and Facilities Committee meeting held on Thursday, April 18, 2019.

3. Action Items

FF1. Proposed 2019-2020 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 \$1,517.8M. In terms of E&G tuition and the importance of student financial aid in supporting academic success, he explained that the net amount out-of-pocket tuition paid by students totals approximately \$84M, out of \$228M total E&G tuition. In response to Trustee Cesar L. Alvarez's comment regarding growing concerns over student loan debt, Sr. VP and CFO Jessell indicated that student loans are a critical component of financing higher education careers for many learners.

Sr. VP and CFO Jessell delineated total expenditures, stating that projected E&G expenditures for the University totaled \$513.7M and that projected E&G expenditures for the Herbert Wertheim College of Medicine (HWCOC) totaled \$50.8M. He presented an overview of University and HWCOC E&G State appropriations, highlighting that the \$15M increase in base funding was offset by a \$4.6M base funding reduction and \$9.5M decrease in state investment in performance funding due to a 2018-19 "Top Three" non-recurring allocation. 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. He described the authorized uses of E&G fund balances as prescribed by Senate Bill 190 and pointed out that the estimated E&G University Carry Forward available fund balance after encumbrances totals \$77.4M and that the statutory reserve requirement is increasing to 7%, representing a new statutory reserve of \$37.6M. He highlighted major components of the preliminary spending plan for the use of the remaining \$39.8M, namely \$8.6M in support for the FIU Foundation capital campaign, \$4.9M to fund remodeling, renovations, and repairs, and \$4.0M for research support.

In response to Trustee Dean C. Colson's inquiry, Sr. VP and CFO Jessell explained that the final list of the proposed Carry Forward expenditures will be presented for the Board's review at the next regularly scheduled meeting. In terms of the \$8.6M support for the FIU Foundation, Trustees Colson and Roger Tovar requested additional details relating to the utilization of the funds and the return on investment. Sr. VP and CFO Jessell explained that the funding amount may be decreased based on improved investment returns performance for the Foundation. In response to an inquiry from Trustee Alvarez pertaining to the availability of Foundation assets to provide the additional needed support, Senior Vice President for Advancement, Howard R. Lipman explained that most assets are earmarked and restricted for only the intended purpose.

Sr. VP and CFO Jessell provided a detailed summary of key aspects of each budgetary component. He described the proposed maximum \$2.5M loan to address the Athletics deficit. He explained that a \$1.5M increase in revenue is primarily the result of a decrease in the Activity and Service fee of \$.40 per credit hour and an increase in the Athletics fee of \$.40 per credit hour and the elimination of the athletic fee waiver for fully online students. Sr. VP and CFO Jessell delineated the contributing factors leading to the deficit, namely, the reduction in Conference USA television revenues and increases in travel expenses. Trustees engaged in a substantive discussion regarding the loan to address the Athletics deficit. Sr. VP and CFO Jessell stated that the University Fee Committee comprised of four students and four faculty/staff members unanimously recommended the changes.

In response to Trustee Tovar's inquiry, Sr. VP and CFO Jessell explained that no prior loans have been extended to Athletics in terms of funding to support operations and that the prior loans to Athletics were for capital investments to support the stadium expansion and the recreation and practice fields. Trustee Sabrina L. Rosell stated that student-related services will not be negatively impacted. Trustee Tovar commented that various initiatives are expected to yield positive affects relating to the Athletics budget. In response to Committee Chair Boord's inquiry, Sr. VP and CFO Jessell explained that the Athletics budgetary shortfall, prior to the implementation of additional revenues and other initiatives, is currently estimated at \$1.6M.

Sr. VP and CFO Jessell explained that Board of Trustees authorization is being requested to assign and transfer \$30K in royalties' revenue from the University to the FIU Research Foundation Inc. In terms of the requirements delineated under Florida Statute 1004.28 and FIU Regulation 1502 pertaining to resources and space utilized by the University's Direct Support Organizations (DSOs), Sr. VP and CFO Jessell indicated that approximately 151.2 FTE of personal services and approximately 16,600 square feet of space, valued at \$414K, are utilized. Also relating to the DSOs, he added that projected expenditures are estimated at \$16.1M, of which \$5.5M will be reimbursed by DSOs.

In response to an inquiry from Trustee Alvarez relating to the fundraising ratio, Foundation Board of Directors Treasurer Andre L. Teixeira explained that approximately \$.50 is spent to raise \$1.0 and that when compared to other universities, FIU is in alignment with other institutions in terms of spending, headcount, and how much is raised. Trustee Tovar requested clarity pertaining to the fundraising ratio, namely, direct operating expenses.

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 2019-20 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 Amendments to Regulation FIU-1101 Tuition and Fees Schedule and FIU-1114 Tuition and Fee Refunds

Sr. VP and CFO Jessell presented the proposed amendments to Regulation FIU-1101 Tuition and Fees Schedule and FIU-1114 Tuition and Fee Refunds for Committee review, explaining that in addition to the earlier discussion [decrease in the Activity and Service fee of \$.40 per credit hour and an increase in the Athletics fee of \$.40 per credit hour and the elimination of the athletic fee waiver for fully online students], the Regulation also includes edits for consistency with Florida statutes and Board of Governors regulations and incorporates changes to refund the excess hour surcharge assessed for up to 12 hours if the FTIC student graduates within four years.

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 approve the revisions to Regulations FIU-1101 Tuition and Fees Schedule and FIU-1114 Tuition and Fee Refunds, and delegate authority to the University President to approve any subsequent non-material amendments based on comments to the Regulations received from the Florida Board of Governors or as a result of the regulation-making process.

FF3. Proposed Amendment to FIU-1105 University Traffic and Parking Regulations

Sr. VP and CFO Jessell presented the proposed amendment to FIU-1105 University Traffic and Parking Regulations for Committee review, indicating that parking fees have not changed since Fall 2012. He explained that the proposed request to increase the faculty and staff parking fees and student access transportation fee by 5% will help support a free Golden Panther Express shuttle between the Modesto A. Maidique Campus and Biscayne Bay Campus for students in addition to deferred maintenance repairs. Trustee Rosell highlighted utilization rates, noting that while the free

shuttle is expected to provide increased accessibility and lead to the unification of the campuses, she will continue the discussions with the University's administration in terms of expanding existing services, which can have an impact on a larger population of students.

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 approve the proposed amendments to FIU-1105 University Traffic and Parking Regulations and delegate authority to the University President to approve any subsequent amendments that are based on comments to the Regulation received from the Florida Board of Governors and as a result of the regulation-making process.

FF4. Proposed 2019-20 Fixed Capital Outlay Budget/Capital Improvement

Sr. VP and CFO Jessell presented the proposed 2019-20 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 2019-20 Fixed Capital Outlay Budget for Capital Improvement Trust Fund projects totaled \$6,319,109 for the expansion of the Graham Center.

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 2019-20 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.

FF5. Request for Approval of Florida International University's 2020-2021 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 2020-21 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan for the Committee's review, providing an overview of 2020-21 Public Education Capital Outlay-eligible project requests. He explained that the continuation/completion of funding for projects previously funded by the Legislature is now first in the priority order and that one FIU project included in this category is the Engineering building, phase I and II. He indicated that discussions will take place regarding the new facility request for the Honors College project, which is envisioned to be remodeled space being vacated in the Deuxieme Maison building once Phase II of the School of International and Public Affairs building is completed.

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 FIU's 2020-2021 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.

FF6. Public Safety and Emergency Management Facilities Expansion-Amendment

Sr. VP and CFO Jessell presented the Public Safety and Emergency Management facilities expansion amendment for Committee review, indicating that the request pertains to increasing the budget for the Public Safety and Emergency Management facilities expansion. He explained that the architectural and engineering (A/E) and construction management (CM) services for this project were competitively solicited and that the A/E is PGAL and the CM is Biltmore Construction. He stated that PGAL has completed the 50 percent construction drawings, and Biltmore Construction has been costing the project with subcontractors and suppliers. Sr. VP and CFO Jessell stated that an additional \$3.37M more than the approved project is being requested.

Sr. VP and CFO explained that approximately 2,500 square feet of the existing space will be reconfigured and that the expansion will include approximately 9,000 square feet of space on the second floor of PG-5, just east of the existing space utilized by Public Safety and Emergency Management, to provide a large emergency operations center, food storage and service operations, equipment storage, offices, conference rooms, and meeting breakout rooms. Trustees engaged in a substantive discussion relating to the additional costs associated with retrofitting within an already existing space and whether new construction in an alternate location would be more cost effective. In response to Trustee comments, Sr. VP and CFO Jessell explained that, in times of an emergency, it is critical to house the different components of emergency management and public safety in one central location. While Trustees concurred with the need for expansion, they voiced concerns over the cost structure. President Mark B. Rosenberg noted that, when amortized over a period of decades, the additional funds will be cost effective in that the University will have optimal and immediate response capabilities.

In response to Trustee Alvarez's inquiry, Sr. VP and CFO Jessell explained that it is anticipated that PGAL will complete the 100 percent construction drawings within the next two months and estimated that construction could be finalized between nine months to one year. In response to Trustee Colson's recommendation of continuing with the drawings and bids, Sr. VP and CFO Jessell clarified that the University will proceed with the A/E to complete the 100 percent construction drawings and with CM to secure all the bids for the project. He added that the guaranteed maximum price will be presented to the Committee at its next regularly scheduled meeting. In response to Trustee Natasha Lowell's inquiry, Sr. VP and CFO Jessell indicated that the University has previously worked with PGAL on several projects.

At the request of Committee Chair Boord, Deputy General Counsel Marston read the proposed Committee action in terms of the Public Safety and Emergency Management facilities expansion-amendment agenda item: "Recommend to the Florida International University Board of Trustees approval of an amendment to the budget for the expansion of space within Parking Garage 5 "Market Station" (PG-5) to provide additional hardened space for Public Safety and Emergency Management Operations including offices, emergency operations center, planning conference breakout/meeting rooms, locker room and showers, storage, and sleeping space."

Trustees concurred with proceeding with the design and bid phase only of the project with a follow-up review at the next regularly scheduled meeting.

In terms of the proposed Board action relating to the Public Safety and Emergency Management facilities expansion amendment, Deputy General Counsel Marston presented revised language for the Committee's consideration, namely: "Recommend to the Florida International University Board of Trustees approval of an amendment to the budget for the expansion of space within Parking Garage 5 "Market Station" (PG-5) to provide additional hardened space for Public Safety and Emergency Management Operations including offices, emergency operations center, planning conference breakout/meeting rooms, locker room and showers, storage, and sleeping space, to proceed with the design and bid phase only."

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend to the Florida International University Board of Trustees approval of an amendment to the budget for the expansion of space within Parking Garage 5 "Market Station" (PG-5) to provide additional hardened space for Public Safety and Emergency Management Operations including offices, emergency operations center, planning conference breakout/meeting rooms, locker room and showers, storage, and sleeping space, to proceed with the design and bid phase only.

Trustee Marc D. Sarnoff voted against the motion.

FF7. Approval of contract \$1 million to \$3 million

Sr. VP and CFO Jessell presented the contract with vendor John Wiley & Sons, Inc. for the Committee's review and approval, explaining that the master contract includes e-journal subscriptions and certain non-journal content and was vetted and signed by the University of Florida Board of Trustees, on behalf of participating institutions of the State University System.

A motion was made and unanimously passed that, 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, the FIU Board of Trustees Finance and Facilities Committee (i) approve the University entering into the contract listed and described in the agenda materials and (ii) authorize the University President or his designee to execute, on behalf of the University, the aforementioned contract.

4. Discussion Items

4.1 Finance and Facilities Committee Charter

Deputy General Counsel Marston explained that the FIU Board of Trustees' Finance and Facilities Committee Charter requires a review at least every two years. She indicated that members of the University administration will confer with Committee Chair Board in terms of what recommendations, if any, should be presented to the Board of Trustees. She explained that, if there are changes as a result of the review, the proposed amendments will be presented to the Committee and Full Board at the next regularly scheduled meeting.

4.2 Financial Performance Review – Third Quarter FY 2018-19

Sr. VP and CFO Jessell indicated that operating revenues are above estimates by \$13.2M or 1 percent, which can be primarily attributed to higher DSO revenues, lower graduate and out-of-state

waivers, and higher National Forensic Science and Technology Center reimbursements. He stated that operating expenses are below estimates by \$23M or 2 percent, explaining that savings primarily from vacant positions and parental, sabbatical, and medical leave were offset by higher expenses related to the unit research support and student financial aid.

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; Foundation Report; Safety and Environmental Compliance Report; and Treasury Report.

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 Wednesday, June 19, 2019 at 12:13 p.m.

Trustee Request:

Trustee Roger Tovar requested clarity pertaining to the fundraising ratio, namely direct operating expenses.