



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
SEPTEMBER 18, 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 8:54 am on Wednesday, September 18, 2019 at the FIU, Modesto A. Maidique Campus, MARC 290, Earlene and Albert Dotson Pavilion.

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*; Rogelio Tovar, *Vice Chair*; Dean C. Colson; Natasha Lowell (*by phone*); Joerg Reinhold; and Marc D. Sarnoff.

Trustee Cesar L. Alvarez was excused.

Trustees Gerald C. Grant, Jr., Justo L. Pozo, 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.

2. Approval of Minutes

Committee Chair Boord asked that the Committee approve the Minutes of the meeting held on June 19, 2019. A motion was made and unanimously passed to approve the Minutes of the Finance and Facilities Committee meeting held on Wednesday, June 19, 2019.

3. Follow-up to Item from Previous Meeting

Committee Chair Boord explained that at the Committee's March 4, 2019 meeting, University Treasurer Benjamin "Powell" Jarrell provided an overview of FIU's investment program and its governance and history and that as a follow-up to that presentation, the Committee will continue the discussion on the risks and yields.

Mr. Jarrell explained that prior to its implementation in 2006, all University investments were in the Special Purpose Investment Account (SPIA) operated by the Florida State Treasury. He indicated that nine of the 12 State University System institutions invest more than 50% of their operating funds in the SPIA fund and that FIU considers SPIA as its chief investment alternative and part of the portfolio benchmark. He pointed out that the investment program is governed by Florida Statutes and the Board of Trustees (BOT)-approved Investment Policy.

Mr. Jarrell described the state audit findings relating to the University's investment program, noting that the first audit occurred in 2013 and concluded that investments were made in accordance with BOT policy. He added that the audit resulted in a recommendation to formally include a continuing education requirement as part of the Investment Policy. He delineated the recommendations that resulted from the state auditors review of FIU policies and procedures in 2019 as part of their operational audit, namely that the University review the investment distribution policy, that reconciliations are done within 45 days, and that the BOT be provided with an additional investment report on a quarterly basis. Mr. Jarrell explained that the 2019 internal audit is in progress and that the finding related to the 2011 internal audit ensures that the authorized signers of University bank accounts are updated in a timely fashion.

Mr. Jarrell delineated the Investment Program's governance, in terms of committee membership, consultant (Meketa Investment), and the custodian (Regions Trust). He described the Program's diversification, noting that the value of FIU's portfolio as of June 30, 2019 was \$395.5M and that the portfolio has broad exposure across several asset classes. Mr. Jarrell indicated that the working capital pool is focused on safety and liquidity and that as of June 30, 2019 has a market value of \$169.1M. He stated that the strategic capital and reserve pools focus on diversification and risk-adjusted returns for funds not needed in the short term and that as of June 30, 2019, these pools have a market value of \$226.4M.

Mr. Jarrell explained that the overall portfolio risk or standard deviation is 3.7% and is lower than the level of what was forecasted for investment-grade bonds. He presented data that compared FIU's performance in relation to SPIA and the benchmarks, indicating that FIU's portfolio has less risk and higher returns than the SPIA fund and that FIU has outperformed SPIA and the benchmarks since the program's inception. He indicated that since 2006, the Program has added approximately \$138.2M in total value to FIU and contributed \$93.9 towards the University's unrestricted net position. Mr. Jarrell stated that the portfolio reserve totals \$78.6M and is set aside for any potential unrealized losses and also provided an overview of portfolio simulated stress tests in terms of specific negative market scenarios.

Trustee Gerald C. Grant, Jr., University Investment Committee Chair, described the University's approach as very conservative in that operating expenses are covered, and it is those additional funds that are invested and maximized in order to provide additional support to the University. In response to Trustee Dean C. Colson's inquiry, Mr. Jarrell explained that the SPIA fund is a fixed income bond fund, has its own level of risk and is reflected at a fair market value. In terms of Trustee Roger Tovar's inquiry, Mr. Jarrell provided an overview of fees paid by the University to the consultant, adding that each fund manager has its own fees.

Committee Chair Boord described the follow-up item from the Committee's June 19, 2019 meeting, namely, the request for clarity pertaining to the Foundation's fundraising ratio and direct operating expenses. He explained that because the September 5, 2019 BOT meetings were postponed and ultimately rescheduled, FIU Foundation Inc. Board of Directors Chair Richard Brilliant, was not able to participate and therefore the Foundation presentation was deferred to the December BOT meeting.

Committee Chair Boord referred Trustees to the materials pertaining to cost estimates for critical athletics facility priorities, namely, the Soccer Stadium and Track addition and the Aquatic Center at the Modesto A. Maidique Campus.

4. Action Items

FF1. Approval of Educational and General Carryforward Funds

Senior Vice President and Chief Financial Officer Kenneth A. Jessell presented for Committee review the approval of Educational and General Carryforward Funds. He explained that BOT approval of carryforward funds is required under Florida Statute and Board of Governors (BOG) Regulation. He indicated that the BOG will review and discuss the BOT approved carryforward plan at its October 3, 2019 joint Facilities Committee and Budget and Finance Committee and approve the plan at its October 30, 2019 meeting.

Sr. VP and CFO Jessell pointed out that FIU's 2019-20 carryforward beginning balance is \$103M, with \$51M in prior year unexpended carryforward and \$52M in unbudgeted carryforward from FY 2018-19. He delineated the proposed expenditures relating to the carryforward spending plans for the University and the Herbert Wertheim College of Medicine, which he noted totaled \$53M and \$9M respectively. In terms of the proposed expenditures for the University, he explained that \$5.7M was restricted by legislative appropriations and that \$22.5M was proposed for renovations and repairs to the physical plant and that \$8.2M was proposed for other operating expenses, namely 1% for faculty and staff bonuses, as well as FIU's branding and marketing initiative. Pertaining to the proposed expenditures for the Herbert Wertheim College of Medicine, Sr. VP and CFO Jessell pointed out that \$3.3M was restricted by legislative appropriations, that \$2M was proposed for need and diversity-based financial aid and that \$3.5M was proposed for visiting faculty and faculty start-up initiatives.

In light of Trustee Tovar's comments, Committee Chair Boord sought input from other Committee members, and they concurred to table the review of the request for the Approval of Educational and General Carryforward Funds until New Business after other Committee action items were reviewed.

FF2. Public Safety and Emergency Management Facilities Expansion-Amendment

Sr. VP and CFO Jessell presented the Public Safety and Emergency Management facilities expansion amendment for the Committee's review, describing the University's priorities in terms of ensuring a safe and secure environment for the University community. He pointed out the growing national and global concerns relating to public safety and emergency management and described University investments in the area of public safety. He explained that the increase of approximately 20 officers from 2009 aims to address the BOT-approved implementation plan that contemplates an additional two public safety officers per year in order to reach the average that is recommended by the BOG and the International Association of Police of two officers for every 1,200 students. He explained that FIU is unique in that it is only one of six universities in the nation that has an accredited emergency management program and that given the University's location within Miami-Dade, it is vulnerable for certain natural disasters.

Sr. VP and CFO Jessell compared project totals at the time of BOT approval in February 7, 2018 in terms of the current and adjusted project totals. He pointed out that the current adjusted square

footage is 12,895, that the current total construction cost is \$6,540,090 or \$507 per square foot, and that the total project cost is \$8,322,914 or \$645 per square foot. He explained that the total project cost includes telecommunications, professional fees for architectural/engineering services, construction management services, inspections, surveys, and furnishings and equipment. He stated that the resulting difference totals approximately \$2.82M more than the February 2018 BOT-approved budget. He delineated the contributing factors to the higher costs: escalating construction costs in South Florida; required reinforcement of parking deck required by code as load bearing requirements for occupancy by people are greater than requirements for vehicles; and greater square footage needs were calculated after completing the space assessment of the facility program due to corridors and circulation requirements and a required hardening of an egress corridor on the ground floor as an emergency exit into a parking garage is not building code compliant.

Sr. VP and CFO Jessell also presented comparable data for recently completed municipal emergency operations centers in Texas (League City, Dayton, Houston) and Florida (St. Petersburg). He explained that construction costs for these projects, adjusted to 2019, range from \$270 to \$561 per square foot and that if adjusted to a 2021 opening, the estimated range is \$301 to \$624 per square foot. He indicated that the Pinellas County Largo Emergency Operations Center opened in 2019 and was the most comparable, in that it consisted of a 13,180 square foot facility. He pointed out that the construction costs of \$520 per square foot are estimated at \$579, or 11 percent more, if designed, priced and built for a 2021 opening.

Sr. VP and CFO Jessell provided estimates for a stand-alone facility, as developed in cooperation with PGAL and Biltmore Construction. He explained that a stand-alone facility would require a minimum of 13,377 square feet at a projected construction cost of \$8.3 million or \$623 per square foot and a projected total project cost of \$11.2 million, assuming two years of cost escalation due to additional planning and design. He indicated that the 13,377 square feet represents replicating the 10,682 square feet in the proposed expansion budget plus approximately 2,695 of additional square feet required to replicate existing space that is already in place in the existing facility, such as lobby, conference room, kitchenette/breakroom, restrooms, emergency egress/stairwells, mechanical room, janitorial room, and elevator. He pointed out that the estimates assume there is no additional gross-to-net adjustments for circulation and required mechanical systems and described the implications of a stand-alone facility in terms of valuable land space.

Sr. VP and CFO Jessell stated that the University's Emergency Management Operations Center (EOC) is occupied year-round. Trustee Tovar voiced his concerns over the total project cost, stating that he did not support the request. In response to Trustee Marc D. Sarnoff's inquiry, President Mark B. Rosenberg indicated that the proposed amendment is consistent with ensuring that the EOC is competitive at the national level and allows the University to be more supportive and responsive to the needs of the community in extreme situations and periods of emergency. Also, in response to Trustee Sarnoff's inquiry regarding the EOC's usage, Senior Vice President of Academic and Student Affairs Elizabeth M. Bejar indicated that the University has leveraged the EOC to augment the academic enterprise, namely, to support practitioner-based degrees such as the Master's degree from the Academy for International Disaster Preparedness and the Bachelor's degree in Disaster Management.

Vice President for Operations and Safety Javier I. Marques discussed the non-academic certificate programs supported by the EOC. In response to Committee Chair Boord's inquiry, Ms. Amy B. Aiken, Director of the Department of Emergency Management, indicated that the fire officer training program started in 2018 and during that time, approximately 150 individuals from each of the fire departments have completed the training. She added that the entire training time is spent in the EOC with the exception of only one day that is spent in the virtual training facility. In response to Trustee Joerg Reinhold's inquiries, FIU Chief of Police Alexander D. Casas indicated that currently police officer training is being conducted elsewhere on campus at a trailer that has exceeded its life expectancy.

Trustees engaged in a substantive discussion relating to state requests and mandates in times of an emergency. Ms. Aiken pointed out that Chapter 252 of the state legislature stipulates that under times of statewide emergency, the Governor has specific authorities and powers to act based on the good of the citizenship. She indicated that under the MOU with Monroe county, the University is required to receive special needs residents. Trustee Sabrina L. Rossell discussed the University's responsibility to the community and the importance of the EOC's academic and training components. Trustee Colson indicated that the one-time recurring expense associated with the project is justifiable, adding that moving forward it is critical to remain focused on initiatives and projects that help to advance the University's academic mission.

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 Operations including offices, emergency operations center, conference/breakout/meeting room, locker room and showers, and storage.

Trustee Tovar voted against the motion.

FF3. Amendment to Regulation FIU-1101 Tuition and Fees Schedule

Sr. VP and CFO Jessell presented the amendment to Regulation FIU-1101 Tuition and Fees Schedule for the Committee's review. He explained that the FIU BOT approved the University Tuition and Fee Regulation at its June 19, 2019 meeting and that subsequent to the BOT meeting, the BOG provided substantive changes as a result of their review process. He indicated that the changes to the Regulation reflect the statutory requirements associated with Senate Bill 190 and that the proposed changes address the calculation and amount of the Excess Credit Hour Surcharge.

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

FF4. Amendment to Regulation FIU-2201 Purchasing

Sr. VP and CFO Jessell presented the amendment to Regulation FIU-2201 Purchasing for the Committee's review. He explained that the proposed revisions to the FIU Purchasing Regulation are recommended to formalize the practices that are followed during the procurement process and to make it consistent with the BOG Purchasing Regulation. He pointed that in addition to editorial changes for clarity, the proposed revisions include: utilizing other governmental or consortia contracts that are entered into after a public and open competitive solicitation; clarifying that the 72-hour public posting of intent to award does not include Saturdays, Sundays, and holidays; and excluding contractors that develop or draft specifications for competitive solicitations from competing for such procurement.

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 Regulation FIU-2201 Purchasing, and delegate authority to the University President to approve any subsequent non-material amendments based on comments to the Regulation received from the Florida Board of Governors or as a result of the regulation-making process.

FF5. Proposed revisions to Finance and Facilities Committee Charter

General Counsel Castillo presented the proposed revisions to the Finance and Facilities Committee Charter for the Committee's review. He explained that as was the process for the review of the Audit and Compliance Committee Charter, the workgroup also reviewed the Finance and Facilities Committee Charter. He provided an overview of the proposed changes, namely, the Board Chair's participation in the process of the appointment and dismissal of the Senior Vice President and Chief Financial Officer.

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 approval of the proposed revisions to the Finance and Facilities Committee Charter.

5. Discussion Items

5.1 Review of FIU 2017 Operational Audit Findings and Recommendations for Calendar Year Ended December 31, 2017

Committee Chair Boord asked Trustees for comments relating to the 2017 Operational Audit findings and recommendations. In response to Trustee Tovar's comments, Sr. VP and CFO Jessell addressed the repeat findings related to textbook affordability. He explained that while the University was in compliance in terms of the 45-day deadline, the University report to the Chancellor of the State University System did not reflect the adjustments that took place between the 45-day deadline and the first day of the semester. Sr. VP and CFO Jessell pointed out that a process is in place moving forward.

Committee Chair Boord indicated that he contacted the state auditor to discuss the audit findings. In terms of the findings relating to textbook affordability, he stated the auditor's position in that it was deemed that the University was close in the attainment of the goal. In terms of the findings pertaining to the deficit fund balance in Intercollegiate Athletic programs, Committee Chair Boord

pointed out that the BOG should review the discrepancy between the state auditor's findings of noncompliance and the University's position on the matter.

5.2 Financial Performance Review FY 2018-19

There were no questions or comments from the Committee members in terms of the Financial Performance Review FY 2018-19.

5.3 CasaCuba Building Update

Sr. VP and CFO Jessell provided a CasaCuba update, delineating the total for cash on hand as \$102,344. He explained that while the National Endowment for the Humanities Challenge Grant Offer and the Knight Foundation Grant were received and satisfy the match requirements, the design phase will not move forward until the funding has been received as is consistent with BOT directives. In response to Trustee Tovar's comments regarding additional private funding for the project, Sr. VP Lipman indicated that while currently there are no signed gift agreements in place, there has been expressed interest.

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; and Procurement Report.

7. New Business

In terms of the University's Financial Performance Review for FY 2018-19, Sr. VP and CFO Jessell explained that operating revenues are above estimates by \$33.6M and that operating expenses are below estimates by \$38.1M.

FF6. Approval of 2019-2020 Fixed Capital Outlay Budget

Sr. VP and CFO Jessell presented the request for approval of FIU's 2019-2020 Fixed Capital Outlay Budget for the Committee's review. He explained that in accordance with BOG instructions, guidelines and Regulation, FIU has prepared an updated 2019-20 Fixed Capital Outlay (FCO) Budget. He indicated that the FCO Budget includes authorized PECO projects, CITF projects, and authorized projects from E&G Carryforward. He pointed out that the FCO Budget also includes new construction projects; maintenance, repair, remodeling, and renovation projects; and previously approved projects that have not yet been completed. He stated that the FCO expenditures will only be made upon approval of the BOT, upon the availability of funding, and upon the approval of the BOG.

Trustee Tovar requested that the meeting's record reflect that the BOT's action is to approve the request for the FCO proposed budget and not necessarily the included expenditures, unless previously approved by the BOT.

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 the 2019-20 Florida International University (FIU) Fixed Capital Outlay (FCO) Budget

in accordance with State University System of Florida Board of Governors (BOG) Regulation 14.0025 (with proposed amendments) and BOG directives; submit the BOT-approved FCO Budget to the BOG for discussion and review at its October 3, 2019 Budget and Facilities Workshop and approval at its October 30, 2019 meeting; authorize the University Chief Financial Officer, the University President, and the Chair of the Board of Trustees to certify the FCO Budget; and authorize the University President to amend the BOT FCO Budget as necessary and report to the BOT and the BOG any amendments to the Fixed Capital Outlay Budget as prescribed by the BOT and the BOG.

In response to concerns from Trustees Colson and Tovar regarding the timeliness of future funding for the CasaCuba building project, Committee Chair Boord read the action that was approved by the Committee in terms of CasaCuba, namely that a motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend Board of Trustees approval of the design phase using funding from donors, and approval of the amendment to the campus master plan and upon further review of the design, funding, and other data, the Board of Trustees will consider approval for construction. Trustees discussed and did not amend the motion.

FF1. Approval of Educational and General Carryforward Funds

The Committee resumed the review of the request for approval of Educational and General Carryforward Funds. In response to Trustee Tovar's inquiry, Sr. VP and CFO Jessell explained the request in that it is for the approval of the carryforward expenditures as presented to the BOT and that the approval does not include operating dollars to support the Foundation. Sr. VP and CFO Jessell indicated that the University President has the authority to amend the University's Operating Budget within the established parameters.

In response to Trustee Tovar's comments, the Committee concurred that no additional and new funding be allocated to the Foundation until such time that the Committee has received the follow-up presentation from the Foundation.

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 the Florida International University (FIU) Educational and General (E&G) expenditure plan for carryforward funds in accordance with State University System of Florida Board of Governors (BOG) Regulation 9.007 *State University Operating Budgets* and Florida Statute 1011.45 End of Year Balance of Funds; submit the BOT-approved expenditure plan to the BOG for approval at its October 29-30, 2019 meetings; authorize the University Chief Financial Officer to certify the unexpended amount of funds appropriated to the University from the General Revenue Fund, the Educational Enhancement Trust Fund, and the Education/General Student and Other Fees Trust Fund as of June 30, 2019; and authorize the University President to amend the BOT expenditure plan as necessary and report to the BOT and the BOG any amendments to the spending plan in a format prescribed by the BOG Office of University Budgets.

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 Wednesday, September 18, 2019 at 11:15 a.m.