



Finance & Facilities Committee Meeting

BOT approved 09.08.2021

MEETING MINUTES

**April 26, 2021
1:00-3:00 PM**

Florida Polytechnic University WEBEX TELECONFERENCE MEETING

I. Call to Order

Committee Chair Cliff Otto called the Finance and Facilities Committee meeting to order at 1:00 p.m.

II. Roll Call

Kelly Beall called the roll: Committee Chair Cliff Otto, Committee Vice-Chair Gary Wendt, Trustee Beth Kigel, and Trustee Samantha Ashby were present (Quorum).

Other Board Members present: Vice Chair Mark Bostick, Trustee Ala J. Alnaser, Trustee Bob Storck, and Trustee Laine Powell.

Staff present: President Randy Avent, Ms. Kathy Bowman, Ms. Gina DeJulio, Ms. Penelope Farley, Ms. Kimberly Abels, Ms. Kelly Beall, Mr. David Blanton, Mr. David Brunell, Mr. David Calhoun, Mr. John Causey, Ms. Lydia Guzman, Mr. Alexander Landback, Mr. Larry Locke, Ms. Maggie Mariucci, Ms. Michele Rush, Ms. Melaine Schmiz, Mr. Rick Maxey, Ms. Treasa McLean, and Ms. Kristen Wharton.

III. Public Comment

There were no requests received for public comment.

IV. Approval of Minutes

Trustee Beth Kigel made a motion to approve the Finance and Facilities Committee meeting minutes of February 10, 2021. Trustee Samantha Ashby seconded the motion; a vote was taken, and the motion passed unanimously.

V. 2020-22 Finance and Facilities Committee Work Plan Review

Ms. Penelope Farley reviewed the 2020-22 Finance and Facilities Committee Work Plan. The Work Plan remains unchanged and no discussion occurred.

VI. 2020-21 University Third Quarter Financial Review

Ms. Farley reviewed the University's financial results for the quarter ended March 31, 2021.

There are no financial matters of significance beyond the 6% holdback initiated in Q1. The Applied Research Center (ARC) continues to channel cash downward which is impacting investment income in a relative manner. The University faculty and staff continue to be diligent in cost savings measures.

The University is extraordinarily healthy in all financial performance metrics, and it continues to limit debt while keep significant cash in reserves.

Trustee Gary Wendt requested clarification on viability. Ms. Farley explained that viability is the availability of our expendable assets to cover debt. Primary reserve measures our financial strength. Net income measures our operating performance. Benchmarks are determined by the National Association of Colleges and Universities (NACU).

Cash and investments have declined \$15.9M as we invest in the ARC construction. Accounts receivable has declined \$7.65M due to timing of the construction draw. Capital assets have increased \$16.3M as ARC construction continues.

Trustee Wendt asked if deferred outflows are liabilities. Ms. Farley explained they are assets, and the change is due to assumptions in our other postretirement benefits (OPEB) calculation. Adjustment is made at the end of the year based on projected retirement benefits for employees. The adjustment is performed across the state university system; we have no control over the adjustment.

Liabilities have increased \$4.45M due to timing of construction invoices due. Deferred inflows and deferred outflows have increased due to the annual adjustment from other post-retirement benefits.

Trustee Wendt requested clarification on the types of carryforward. Ms. Farley explained that E&G carryforward is Education & General, which is reviewed in the Fall for expenses. Capital Carryforward is used for construction projects such as the ARC, pergola repair, and the reclaimed water project.

E&G funds have decreased due to the 6% holdback, which is a decrease in the initial funding of \$296K and a decrease in non-recurring funding of \$500K (AMI). Other sources include auxiliary losses over \$500K to date; however, they are offset by an increase in grant revenue (including CARES) of \$290K and investment income of \$210K.

Trustee Wendt inquired about the auxiliary losses over \$500K. Ms. Farley explained the losses are due to COVID, specifically with a decline in events on campus, retail sales, and meal plans.

Other Personnel Services (OPS) have increased from shifting to carryforward funds in FY20. Operating expenses are purposely down over 6% in the university-wide commitment to curtail costs. Scholarships have increased as student FTE has increased. Tuition, fees and aid have increased relative to the increase in FTE we conservatively projected.

Salary and benefits have decreased due to turnover and salary savings. Other Personnel Services (OPS) have decreased from carryforward funds. Operating expenses are purposely down in our commitment to curtail costs.

CARES I funding has been completely exhausted. Financial Aid received the same amount in CARES II funding, and the institutional amount doubled. We have a plan for the remaining CARES II funds, which includes learning loss and healthcare for students, and the Quality Enhancement Plan.

Trustee Kigel inquired about limits or expiration for spending carryforward funds. President Randy Avent confirmed we can use carryforward through FY22. Ms. Farley will send background and information to Trustees Kigel, Wendt, Powell, and Ashby.

Trustee Ashby inquired about the reclaimed water project. President Avent explained it

pertains to water received from the City of Auburndale. We contributed funds to the project, so we receive water in return.

The University's cautious response to COVID provided resources for flexibility in FY22. The balance sheet remains strong and our focus on spending that makes a quality difference in our mission will be imperative. CARES II funding will serve to repair learning loss for our students, and it will also continue to provide additional health services.

VII. Applied Research Center Update

Mr. David Calhoun provided an update on the design, schedule, construction, and budget for the ARC.

The ARC is 87% complete with the construction currently under contract. The current contracted work affords the University a fully enclosed building with a completed exterior shell, portions of interior framed walls, and a portion of the mechanical, electrical, and plumbing. When the work currently under contract is complete, the total project will be approximately 68% complete at a cost of \$32.3 million with an interim completion date of May 2021. The 32% work remaining to be completed after May 2021 consists primarily of finishes, landscaping, furniture, fixtures, and equipment. Completion is contingent upon \$14.9 million of additional funding from the State of Florida. The amounts or timing of such funding is unknown.

VIII. 2022-23 University Capital Improvement Plan and Fixed Capital Outlay Budget

Mr. Calhoun reviewed the University's Capital Improvement Plan (CIP) and Fixed Capital Outlay Budget for 2022-23, including the role of the Campus Master Plan and progress on the ARC.

Scenarios were presented for full ARC funding and no ARC funding, along with their respective impacts on CIP priorities.

Trustee Kigel inquired about the projected budget increase if full funding is not received. Mr. Calhoun explained that unit costs established by the Board of Governors (BOG) trickle up each year, and recent unit cost increases will be reflected in our budget. Additionally, we will incur completion and re-mobilization costs if construction closes and re-opens after an undetermined amount of time.

President Avent indicated that budget decisions due from the state this week would help us chart a clearer course of action for the Board of Trustees Meeting on May 3, 2021.

Trustee Wendt made a motion to table approval of the 2022-23 Capital Improvement Plan and Fixed Capital Outlay Budget until the Board of Trustees Meeting on May 3, 2021. Trustee Kigel seconded the motion; a vote was taken, and the motion passed unanimously.

IX. 2021-22 University Operating Budget

Ms. Farley reviewed the University's operating budget for 2021-22.

The bare minimum operating budget is \$33.9M. The adjusted operating budget is \$36.8M, which is last year's appropriation without the 6% holdback. Our total request is \$40M, which includes non-recurring projects, professional development, contingencies, and the ARC that can be cut as necessary to meet the budget.

President Avent indicated that budget decisions due from the state this week would help us chart a clearer course of action for the Board of Trustees Meeting on May 3, 2021.

Trustee Wendt made a motion to table approval of the 2021-22 University Operating Budget until the Board of Trustees Meeting on May 3, 2021. Trustee Kigel seconded the motion; a vote was taken, and the motion passed unanimously.

X. Contracts Over \$200,000

Ms. Farley reviewed existing and active procurement contracts over \$200,000 and less than \$500,000. There were no new contracts over \$200,000.

XI. Contracts Over \$500,000

Ms. Farley reviewed the solicitation process to obtain submittals from professional qualified firms for architectural, civil engineering, electrical engineering, and mechanical engineering services for minor projects on campus on an as-needed basis under multiyear, non-exclusive "continuing contracts". Minor projects are project specific for renovations, alterations, or additions which have a basic construction budget estimated to be \$4,000,000 or less, or studies for which the fee for professional services is expected to be \$500,000 or less.

XII. P3 and ITN Update for Research Facility

Ms. Treasa McLean provided an update the Invitation to Negotiate (ITN) to enter a public-private partnership between the University and a private company to plan, design, fund, construct, maintain and operate an on-campus state of the art research building.

The intent to award International Flavors and Fragrances (IFF) and Ryan Companies US, Inc. (Ryan) was published on April 6, 2021. Negotiations continue regarding the ground lease agreement with Ryan and the cooperative agreement with IFF. Upon successful negotiations and approval of contracts by President Avent, a presentation will be made to the Board of Trustees Executive Committee in May 2021. If approved by the Board of Trustees, the P3 package with ground lease agreement and cooperative agreement will be sent to the Board of Governors (BOG) before May 28, 2021. The BOG will meet to review and approve P3 contracts on August 31, 2021.

Committee Chair Otto inquired if there is cause for concern in the negotiation process. Ms. McLean indicated a few differences in the ground lease agreement, though the cooperative agreement is going well. We average four meetings per week to drill down and help all parties to understand BOG requirements.

XIII. Advancement and Foundation Updates

Ms. Kathy Bowman provided updates on Advancement and the Foundation.

Ms. Bowman reviewed the Moves Management process—from prospect identification to gift/pledge—which is managed in Blackbaud Raiser's Edge software. We currently have 8,095 records in Blackbaud consisting of alumni, parents, faculty and staff, donors, corporations, and foundations, among others.

The Foundation has \$31.2M in pipeline prospects and its goal is to convert some of this amount into \$4M of donations in FY21.

The Foundation exceeded its FY21 goals for unrestricted and endowment growth by 58% for and 69% respectively.

Committee Chair Otto commented that \$4M is a remarkable achievement, and he inquired about expectations for next year. Ms. Bowman responded that it's challenging to forecast without historical data, but it will be more than \$4M.

Trustee Wendt inquired about planned giving programs. Ms. Bowman replied planned giving programs will be a critical component to implement as the University grows.

XIV. Foundation Third Quarter Financial Review

Mr. Larry Locke reviewed the Foundation's financial results for the quarter ended March 31, 2021.

Revenue has increased 2.21 times over budget projections. Focus has been placed on Temporarily Restricted (\$340K) and Permanently Restricted growth (\$686K). There has been a large net gain over budget projections through three quarters (up 2,437%).

Operating expenses have decreased 35% from last year's third quarter report, primarily due to COVID restrictions. Scholarship expenditure is expected to increase by 93% in Q3 FY21 over FY20.

Trustee Ashby inquired if the fee waiver would increase with scholarship expenditure. President Avent confirmed that fees will stay the same; the scholarship increase is due to the increasing size of the student body.

Total assets have increased 26% in Q3 FY21 over FY20. The Permanent Restricted fund balance has increased by 32% in Q3 FY21 over FY20.

Trustee Wendy requested clarification on total liabilities. Mr. Locke explained that it pertains to an anonymous donation, and the Foundation is actively working on reducing it. Ms. Bowman will provide additional information in the Q4 financial review.

XV. 2021-22 Foundation Operating Budget

Mr. Locke reviewed the Foundation's operating budget for 2021-22.

Foundation expenses for scholarships were an additional \$300K than budgeted. The total in named and general scholarships for FY21 totaled \$560K. The previous year total was \$290K.

Trustee Wendt asked why salaries are included with scholarships instead of operational expenses. President Avent explained that operational expenses pertain to fundraising activities and respective expenses. The state doesn't allow the use of their money for salaries over \$200K, so the difference is paid from the Foundation.

XVI. 2021-22 Foundation Anticipated Use of University Resources

Ms. Bowman projected use of University personnel and facilities by the Foundation for the 2021-22 fiscal year. The total request of employee hours and room space is \$235K.

Trustee Kigel made a motion to approve the 2021-22 Foundation Anticipated Use of University Resources. Trustee Wendt seconded the motion; a vote was taken, and the motion passed unanimously.

XVII. Foundation Board Appointments/Reappointments

Ms. Bowman reviewed the new appointments of Adrian Muhammad, Michael Tschanz, and

Ryan Whittemore, and the reappointments of Alice Hunt, Lauren Schwenk, and Seretha Tinsley, for service to the Florida Polytechnic University Foundation, Board of Directors.

Trustee Wendt made a motion to approve the Foundation appointments and reappointments as proposed. Trustee Kigel seconded the motion; a vote was taken, and the motion passed unanimously.

XIV. Closing Remarks and Adjournment

With no further business to discuss the meeting adjourned at 3:00 p.m.