



Item: BF: A-M

BUDGET AND FINANCE COMMITTEE

Tuesday, November 19, 2024

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE June 4, 2024 BOT BUDGET AND FINANCE COMMITTEE MEETING.

PROPOSED COMMITTEE ACTION

Initiate roll call to document member participation to ensure appropriate quorum numbers are achieved and to approve the minutes of the June 4, 2024 Budget and Finance Committee meeting.

COMMITTEE MEMBERS

Mr. Pablo Paez, Chair	_____
Mr. Robert Flippo, Vice Chair	_____
Mr. Piero Bussani (ex-officio)	_____
Mr. Shaun Davis	_____
Mr. Earnie Ellison (ex-officio)	_____
Mrs. Elycia Morris	_____

BOT MEMBERS

Mr. Stefan Andjelkovic	_____
Mr. Daniel Cane	_____
Dr. Kimberly Dunn	_____
Mrs. Barbara Feingold	_____
Mr. Brad Levine	_____
Mrs. Sherry Murphy	_____
Mrs. Linda Stoch	_____

**BUDGET AND FINANCE
COMMITTEE MINUTES
Tuesday, June 4, 2024**

BF: A-M Roll Call and Approval of Minutes for April 16, 2024, BOT Budget and Finance Committee Meeting.

Mr. Piero Bussani, Chair of the Board of Trustees (BOT) Budget and Finance Committee (BFC), convened this meeting at 10:27 a.m. The role commenced with the following: Chair, Mr. Paez, Vice Chair, Flippo. Trustees Dr. Kimberly Dunn, Mrs. Barbara Feingold, Mrs. Sherry Murphy, Mrs. Elycia Morris, Mr. Earnie Ellison, Mr. Shaun Davis, Mr. Cane, Mr. Brad Levine, and Stefan Andjelkovic, Chair, you have a quorum.

The following university officials participated: Ms. Stacy Volnick, Interim President; Mr. Jayson Iroff, Vice President of Financial Affairs and CFO; and Mr. Daniel Jones, Vice President of Legal Affairs and General Counsel.

A motion was made and seconded to approve and unanimously **passed**. April 16, 2024, minutes without change or correction.

BF: A-1 Approval of the FAU 2024-25 Proposed Operating Budget:

Mr. Jayson Iroff presented the Colors of Money pyramid, where each tier of the operating budget was reviewed according to their amounts and the smallest to most significant budget items. The current fiscal year was also reviewed, and Mr. Iroff provided actual budget performance totals through the third quarter of this fiscal year. Revenue standings for the third quarter were reviewed, and budget details were provided to actuals. Student financial aid is expected to exceed their expense budget, which is directly correlated to increased enrollment and revenue. The Budget Dashboard was presented, highlighting that the University is in a robust financial position based on a historical five-year fiscal year analysis of total revenue and expenses. The historical data provides detailed growth by fund across university departments based on expenditures and revenue. In the current budget year, we added \$18 million in tuition revenues, \$7 million in E&G appropriations, \$5 million for the expansion of the dental program, \$4.6 million for the expansion of the nursing program, and \$10 million in revenue due to our participation in the program, which we will be participating in next budget cycle. The university did incur a loss last year of \$4.3 million related to faculty retention. The current E&G budget revenue is up \$11.3 million, 2.7% over the prior fiscal year. Over five years, E&G revenue has grown by 26.4 million, which translates to 18%, and our state appropriations have grown equally impressively by \$42.6 million, which translates to 20%. The current growth has allowed the university to become more self-reliant, at 41%, compared to the last budget year, which was 38%.

on this slide, we dig deeper into what's driving our strong enrollment performance and the associated revenue. On the slide here, we can see from FY 23 to FY 24, our current fiscal year in the state, credit hours grew by 28,000 or 4.5% state, or nonresidents grew by 22,000 credit hours, or 22% within the credit hour growth I just described. It should also be noted that undergraduate and graduate-level credit hours grew by 5.9% and 17.7%, respectively. In the chart on the right, you will see this growth's impact on tuition revenues, which follows the same trend. None of this growth is due to an increase in tuition. As indicated in the chart to the right, we are forecasting a 3% growth in enrollment, which is a little more aggressive than what we have presented in prior years. On this slide, we look at the same tuition revenue over ten years, but we wait. We layer in on the bottom there in the red waiver expense. We point this out because this is the expense or lack of revenue, we receive for any of the great waiver programs out there. So, it does decrease those dollars by the amounts in red. So, by example, in 24, though, on a gross level, we're bringing 186 per—point 3 million in tuition revenue. It's 22 point 9 million less than that. What's interesting about this is that the waiver programs have grown in breadth, right? We see in dollar amounts that they've stayed relatively flat compared to our tuition dollars—something we can note. We now look at the expense side of the equation for E&G, and here we see an overall increase in E&G expense of 11 point 3 million or 2.7%, slightly lower than the realized inflation. We are seeing local nonpayroll-related expenses represented by the blue shading are up by 7.3 million or 6.4%; the salaries and benefits represented show an increase of approximately 5 million related to a reserve setup. To address potential outcomes of the new Fair Labor Standards Act. In addition to the above, the President is considering compensation adjustments that will be presented as part of the carry-forward budget in September. This indicates where we were putting our dollars to work, and we categorize it in three different ways: student success, which is direct student instruction and instructional support; administrative cost, or facilities cost, starting on the right, looking at the gray and the red you can see over the three years, represented both administrative and facilities costs and its budgets have been pretty much flat. As you can see here student success, we put over 68% of our budget into student success measures. The system average is less than 65%. The administrative we are below the system average, 21.3% compared to 24.7 and facilities were right about the system average; last, I will quickly talk about auxiliaries, which you can see here, just like in our E&G or operating budgets. Weeks, we see strong performance in our auxiliaries. Here, we could see some notable changes across those auxiliaries, with graduate medical education, college of business executive programs, and first-year revenues for FAU and Broward health partnerships, all driving the increases you're seeing. You also see some increases in associated expenses along with those revenues. The difference between the 151.9 and the 163.1 represented is a one-time budget we've set aside to do one-time capital projects within the university, such as expanding student health, Student Health Services, and other projects.

Contracts and Grants. Looking at Henderson school and FAU foundation only specific to contracts and grants, relatively flat or slightly up here, what you can see is the excellent performance of sponsored, funded, and DOR operations, where we show our revenues going up from 70 point 7 million to forecasted numbers of \$82.3 million for next year. We talked about student financial aid. We keep handing out more financial aid that goes hand in hand with the growth in FTEs that we are seeing and athletics; the one thing I want to highlight when you look at 24 the current year compared to 25 is that \$2.6 million increase is related to an additional \$2.6 million commitment from the foundation. So. The Student Government's budget is essentially flat for next year as compared to the current year, and concessions are also trending flat next year compared to the current year.

The total operational budget is summarized at the highest level. This is what we are asking for approval for \$978.9 million.

Upon call, a motion was made and seconded to **approve** and unanimously pass the FAU Operating Budget Fiscal Year 2024-25.

BF-2 Approval of the 2024-25 Annual Budget for FAU Direct Support Organizations:

2a. FAU Finance Corporation (FAUFC)

Mr. Jayson Iroff presented FAU Finance Corporation. The housing residences were funded through dollars raised through DBF bond issues and finance Corp, which is also associated with the finance Corp debt they've issued by themselves. The flow of funds is when we look at revenues and expenses; we get to net operating income, and then we use that surplus to ensure we take care of our debt obligations for the Division of Bond Finance and the finance FAU Finance Corporation. When we look at our performance over the three years, we see that we perform well. Our revenues are firm. Our residential occupancy rates are north of 99%, and our expenses are well controlled. When you look at the 20-25 FY proposing revenues of \$46.1 million and costs, operating expenses of \$27.6 million, creating a spread of \$18.5 million for The FY 25 budget. You can see that spread of \$18.5 million. This is the FY 24 finance core budget. They represent in front of you the change year over year for the \$46 million, which is our operating revenues, is up 3.8% from the prior year, or \$1.7 million total housing Operation expense is up by 4.9%, or \$1 million and operating income is up by 2.8% to \$24.5 million.

Upon call, a motion was made and seconded to **approve** and unanimously pass the FAUFC Operating Budget Fiscal Year 2024-25.

2b FAU Research Corporation (FAURC).

Mrs. Lynn Asseff presented FAU Research Corporation. In fiscal year 23, we adjusted to lower royalties because our major contributors were in a mature technology phase. What doesn't show on these financials is that during that year, the number of licensing agreements went from two in fiscal year 21 to seven in budgetary year 23, so this is a beautiful indicator of future royalties. Also, the corporation made its first investment in a startup company called Atlantia Bioworks, which is researching the commercial viability of the FAU HBOI Natural Products library, with a particular interest in cosmetics, which is very interested in fragrance applications. We closed fiscal year 23 still in a positive light. And this year, our royalties have exceeded our expectations. The interest in this B is already doing a little better than last year. The budget request is \$181,700, which is our actual request. So, in looking at the line for royalties, we have seen a slump from 174,000 of what we expected, and now we're settling in at 100,000. So, what we're showing here is that we expect about \$65,000 of contracts to flow through the organization. A royalty expectation of 100,000 will pay out all operating and royalty expenses and earn investment income. I respectfully ask for your permission to approve our budget of \$181,700.

Upon call, a motion was made and seconded to **approve** and unanimously pass the FAURC Operating Budget Fiscal Year 2024-25.

2c FAU Clinical Practice Organization (FAUPO).

Mr. Curtis Whitehair presented The Clinical Practice Organization. The proposed budget for FY 25 is 6,079,596, which is approximately 381,000 lower than the FY24 budget. Comparing the breakdown of FY25 to FY24 by colleges, the College of Medicine decreased overall by 195,368. The primary driver was a decrease in the reduction of physician FTEs at both the continuity clinics at Bethesda and Boca regional hospitals, as well as physician services for neurosurgery, which are no longer provided at Boca Regional; the decrease was offset by a 62,000 increase in medical staffing revenue for Team health and academic hospitalist services and a \$24,000 increase in patient services revenue at both clinic sites, the College of Nursing overall budget was decreased by 190,552 the primary driver for this decrease was a reduction in the memory and Wellness Center revenue, which was reduced by 268,500 for FY 25 in FY 24 the revenue was projected at 563,500 which assumed the center would be running at total capacity. However, due to delays in the personnel properly credentialed to operate and manage the site, total capacity was not achieved until this year. However, it is anticipated that by January 26, they will secure the needed personnel to be at total capacity, and revenues will be reduced to reflect that condition. Conversely, revenues for both memory and wellness and the Community Health Center clinical personnel and recent pharmacy contract secured by the clinical health center have generated some increases of 80,000 overall; the decrease of year over year budget will align more closely with the actuals for FY 25 and reflect conservative expectations in both the clinics. College of Education's communication science and disorders of their speech-language pathology will have an increase of 5000, so that brings our total budget to be zeroed out for \$ 6,079,596.

Upon call, a motion was made and seconded to **approve** and unanimously pass the FAUCPO Operating Budget Fiscal Year 2024-25.

2d. FAU Foundation Inc. (FAUF).

Mrs. Michelle De Palma presented FAU Foundation Inc. We are proposing an increase of approximately 14% from fiscal 24 to fiscal year 25; you'll see the two main components of our sources of income for the operating budget for the Foundation are our endowment management fee, which we've kept that fee at 2.65% this year, which is the same as last year. We had a little bit of a decrease in the cost from FY 22 to 23. Still, you'll see that that amount is consistent with our budget last year and our projected actual for the end of the fiscal year 24. The other main component is interest in our non-endowed or expendable funds. This year, we have seen a significant increase in those interest earnings due to a complete change in our strategy for our short-term and medium-term investments to capitalize on the increasing fixed income rates in the current interest rate environment. And we will continue to modify that strategy to bring more unrestricted resources into the university and the foundation. Our gift fees, non-gift fees, and other income are consistent for an overall source budget of \$8.9 million. Regarding the use of funds, we have just a few brief categories. This year, we consolidated a few of the categories. As you'll notice, the operating expenses budget is about the same as last year, \$2.2 million; those operating expenses are the funds we use for stewardship and development opportunities. The next line item is government relations and university leadership support. That budget also remains consistent. You'll notice we're underspent in that area for fiscal year 24, and that was due to the presidential transition; where we will resume some of that leadership support when we have a permanent administration. And then the last line item is the university initiatives and priorities you'll see in previous years that were split across a few different line items. There was some salary and benefit reimbursement for Advancement staff, a university initiative priority, and a scholarship. 75% of that \$8.9 million is returning to the university for that unrestricted support. The five-year budget and you'll notice we've come a long way from the fiscal year 2021 at \$3.8 million to now the eight-point \$9 million on the bottom; there are just a few metrics that, David Green is going to give you a more comprehensive view of the fundraising performance. I respectfully ask for your permission to approve our FY-25 budget.

Upon call, a motion was made and seconded to **approve** and unanimously pass the FAUF Operating Budget Fiscal Year 2024-25.

Motion to adjourn the Finance Committee update.

Without questions or comments, a motion was made and seconded to adjourn the meeting.

The meeting was adjourned at 11:08 am.