

FAU FINANCE CORPORATION

BOARD OF DIRECTORS

MINUTES

Tuesday, June 24, 2025

1. **ROLL CALL AND APPROVAL OF THE MINUTES OF JANUARY 27, 2025, OF FAU FINANCE CORPORATION (FAUFC) BOARD OF DIRECTORS.**

The meeting of the FAUFC BOD in person and via Teams was convened at noon by Chair Roland Valdivieso. The roll call commenced, confirming the quorum, with the following members participating in addition to Mr. Valdivieso: Mr. Pablo Paez, Mr. Scott McCleneghen, and Mr. Joseph Ambrosio.

No public comments.

The following officers were in attendance:

Mr. Jayson Iroff, Executive Director and VP of Financial Affairs & CFO

The following guests attended:

Dr. Larry Faerman, Vice President of Student Affairs; Ms. Elizabeth Rubin, Associate General Counsel; Dr. Brian Fisher, Associate VP for Student Affairs and Operations; Ms. Louisa Kelly, Associate VP of Financial Operations and University Controller; Mrs. Azita Dotiwala, Director, Budget and Planning; Mrs. Henri Padron, Executive Assistant.

A motion was made and seconded to approve the minutes of January 27, 2025, without change or correction. **The motion passed unanimously.**

2. **REVISED INVESTMENT POLICY STATEMENT OPS).**

Mr. Jayson Iroff provided an overview of the updates made to the Investment Policy Statement, which was initially developed last fall. He noted that the revised version aligns more closely with the university's Operating Surplus Investment Policy Statement.

Key revisions included:

- Clarifying the composition and role of the Investment Committee.
- Removing the CFO from the committee to eliminate confusion and emphasize that the committee's role is to **recommend**, not decide on, investment actions.
- Updating the committee membership to include the university controller, university treasurer, one board member appointed by the FAUFC board chair, and one member appointed by the executive director.

A motion was made and seconded to approve the changes to the **Investment Policy Statement**, with the necessary corrections. **The motion passed unanimously.**

3. Housing Project Update:

Mrs. Azita Dotiwala provided an update on the Housing Project. The construction project is currently underway and progressing rapidly. The building is on track to reach **topping off by the end of August**. As planned, the project is structured under three separate Guaranteed Maximum Price (GMP) agreements:

1. **GMP 1**- Foundation and structural work
2. **GMP 2** - Procurement of long-lead items
3. **GMP 3** - Full construction package

Budget and Financial Adjustments: The project remains **within budget**, though GMPs came in **higher than initially estimated** due to construction cost escalations and tariff impacts. The team made the following adjustments to maintain financial alignment in utilizing bond proceeds.

- **Contingency reduced from 8% to 3.5%.**
- **Reallocated costs** within the furnishings and equipment line items
- The **\$5.1 million allocation for the central energy plant** was moved out of the contingency and is being held outside of the current available budget.

Central Energy Plant **Update: The \$5.1 million** initially included in the overall project contingency remains **available for the central energy plant**, which is being designed to serve:

- **University Village Apartments**
- **Parliament Hall**

Design efforts are ongoing. Once complete, a formal cost estimate will be provided, and we will assess whether this can be integrated into the current project scope. A proposal will be presented to the board for review and approval at that time. Contract Clauses & Tariff Risk Management The most recent GMP includes language to address tariff-related cost increases:

- **The first 10% of increased costs** due to tariffs will be **absorbed by the Construction Manager (CM)**
- Any increases beyond that threshold will trigger discussions regarding:
 - Value engineering strategies
 - Possible project cost reductions
 - Board consideration and approval

Construction Progress:

- The structure is currently under development.
- The project is estimated at **approximately 30% complete**.
- Tariff impacts have already been factored into the current GMP and subcontractor pricing.
- CM and project contingency accounts are available to manage remaining unknowns.

Contractor and Bonding:

- **Construction Manager (CM):** Balfour Beatty Construction
- The **General Contractor (GC) is fully bonded**.
- Major subcontractors are **bonded through the CM** as required.

These adjustments have enabled the project to **absorb higher construction costs** while still funding the full scope of the building and the associated Central Energy Plant.

4. Facilities Improvement Plan:

Dr. Larry Faerman introduces Dr. Brian Fisher to give an update on the Facilities Improvement Plan. The Housing Facilities Improvement Plan, created over the past two years, acts as the strategic guide for the ongoing maintenance, renovation, and investment in FAU's residential facilities. The plan aims to offer students a high-quality living experience while ensuring responsible financial management and long-term asset sustainability. Current Housing Inventory FAU provides housing for approximately 5,200 residents. Facilities are spread across eight locations in Boca Raton and three in Jupiter. Plan Objectives establish a multi-year framework for prioritizing capital improvements. Create a financial model for sustainable investments in housing infrastructure. Enhance the student residential experience through upgraded and modernized facilities. The planning and project process begins a year in advance, including collaboration with Design & Construction Services. Work is scheduled primarily during summer months when facilities are unoccupied, often incurring premium costs. Budgeting process cost estimates are gathered in January and February. Projects are prioritized based on the availability of funds. March is dedicated to procurement setup, with construction set to launch in early May. Vendor Engagement projects are executed through pre-approved architecture and construction firms. Financial Overview (FY25) Budget Allocated: \$7.7 million. Projected spend: Just over \$7 million (final numbers pending). Forecasted Overages: Estimated ~\$600,000, primarily due to the timing of invoice recognition and summer work schedules. Financial Coordination: Active collaboration with the Division of Finance to align spending with the correct fiscal year and ensure transparency in reporting.

Key Facility's Needs: Flooring system-wide replacement needs are estimated at \$10 million.

Showers: A top priority following flooring. Limited vendor options and cost variability continue to be a challenge. Product selection is focused on longevity (10+ years) and cost-effectiveness, with thorough vetting of vendors and materials.

Outlook & Considerations: Contingency Planning -

Recognizing the rising costs of construction and tariffs, the team will incorporate appropriate cost escalators into its multi-year forecasts. The plan will be refreshed annually and updated to reflect actual expenditures, changes in costs, and evolving strategic priorities. Additional reporting on budget-to-actual comparisons will be shared with the board on an ongoing basis. Conclusion

The Housing Facilities Improvement Plan is a vital roadmap for ensuring the longevity, safety, and appeal of FAU's residential housing. Through strategic planning, prudent financial oversight, and a student-centered approach, the university is committed to maintaining high-quality living environments while being responsible stewards of institutional resources.

Mr. Jayson Iroff is continuing with the presentation. This presentation outlines the long-term financial sustainability of FAU's Housing Facilities Improvement Plan, with a focus on future expenditures, fund balance projections, and overall fiscal health. We present a multi-year view of capital and non-capital expenditures tied to housing projects. To evaluate how these investments will affect fund balances. We are providing a precise forecast of restricted and unrestricted reserves through FY29.

- **Four-Year Investment Analysis:** A comprehensive view of the total value of upcoming housing-related investments was shared, with progress measured over four years.
- **Revenue & Margin Assumptions:** Forecasts included assumptions about future operating margins and categorized upcoming investments as either capitalized or non-capitalized.
- **Cash Flow Projections:** While cash flow is expected to fluctuate year-to-year, projections show reserves will remain stable, with a net growth of approximately \$1.7 million over the next four years, even with elevated spending.
- **Fund Balance Breakdown:**
 - Restricted funds are projected to decline slightly from \$30.SM in FY25 to \$29.SM in FY29.
 - Unrestricted funds are expected to grow by \$3M over the same period.
 - Combined fund balances will increase from approximately \$64.9M in FY25 to \$67.SM in FY29.
- **Performance to Date:** Current year performance has exceeded expectations, contributing to the optimistic forecast.
- **Future Considerations:** Some capital account line items may need further review for timing and categorization, and a note was made to follow up on specific capital expense figures in FY26 and FY27.

Despite significant planned investments in housing, FAU's financial planning indicates strong stability in its fund balances. The strategy ensures that operational reserves are not depleted, and that growth, although modest, is maintained over time. The approach supports continued reinvestment in infrastructure while safeguarding the university's financial position.

Mr. Jayson, go back into the presentation. I will start at the top with revenues. Dr. Faerman explained. Revenue has increased this year primarily due to a **5% rental rate increase**, rather than occupancy growth. Summer **occupancy has declined**, continuing a trend noticed in Summer 2024.

Occupancy Decline Drivers:

- Increased availability of **online summer courses** reduced demand for on-campus housing.
- FAU had anticipated a return to more in-person instruction, but due to low enrollment in those sections, many were shifted back online.
- Students seeking flexibility chose **online courses at other institutions**, intending to transfer credits back to FAU.

Impact:

- Compared to Summer 2024, Summer 2025 saw a **decline of 78 housing contracts** on the Boca Raton campus:
 - Summer 1: -2 contracts
 - Summer 2: +6 contracts
 - Summer 3 (first-year students): -87 contracts

Strategic Response and Opportunities:

1. Alternative Summer Revenue Streams:

- Ongoing talks with **two large conference groups** for Summer 2026 to boost housing revenue.
- Exploring partnerships with **local companies hosting summer interns**, especially those bringing students from other universities.

2. 12-Month Housing Contracts:

- Considering offering **12-month leases** in apartment-style housing beginning Summer 2027.
- Intended for students **not enrolled in summer classes** but who work locally or prefer housing stability.
- Would require **policy revisions**, as current rules require summer enrollment to stay in student housing.
- Other universities with similar apartment-style inventory have already implemented 12-month contracts.

While rental increases have temporarily improved revenue, **declining summer occupancy due to online learning trends** presents a long-term challenge. FAU is proactively exploring **diversified summer revenue models**, including external group rentals, internship housing partnerships, and expanded lease options, to maintain financial stability and maximize the use of growing housing inventory.

ADJOURNMENT OF MEETING. With no other issues to discuss, a motion was made and seconded to adjourn the meeting. The meeting was adjourned at 1:25 p.m.