

**MEETING OF THE BOARD OF TRUSTEES
October 22, 2016**

**UNIVERSITY OF THE VIRGIN ISLANDS
ADMINISTRATION AND CONFERENCE CENTER, FIRST FLOOR
ST. THOMAS CAMPUS
9:00 A.M.**

CONSENT AGENDA

ACADEMIC, RESEARCH, AND STUDENT AFFAIRS.....Dr. Yvonne E. L. Thraen

Provost's Report

The Provost's Report included an extensive update on the activities and initiatives in the Provost's Component during the period of May through August, 2016. The report highlighted new student outreach activities and the development of a new academic program in the College of Science and Mathematics; several public service and community outreach activities; and an extensive number of student and faculty achievements including publications, presentations, and other scholarship activities.

The Provost responded to a number of inquiries including an update on the current status of the Maritime program and the status of the programs at the University of St. Maarten. In regards to the Maritime program, a proposal for a dual degree program is currently being reviewed in the College of Science and Mathematics and discussions are being held with Dr. Haldane Davies, Vice President for Business Development and Innovation, and Dean, Sandra Romano.

The Provost reported that the program at the University of St. Maarten is ongoing and has been fairly successful. There are currently 31 students registered on St. Maarten at the graduate and undergraduate levels.

AUDIT COMMITTEE.....Attorney Henry Smock

A. Update Report from Ernst & Young

Representatives from Ernst and Young (EY) provided a brief update regarding the 2015 Audit Financial Statement Audit and the 2015 A-133 Single Audit. They also provided an update report on the 2012 Reichhold Foundation Financial Statements.

B. Audit Activity Report

The Internal Auditor presented a report on the Audit Plan for FY 2015-2016, Audit Report on Gifts and Scholarships, Risk Assessment Report 2016-2017 and presented the Audit Plan for 2016-2017.

BUILDINGS AND GROUNDS COMMITTEE.....Mr. Alexander Moorhead

A. Albert A. Sheen Campus Project Report:

The AAS campus report covered three (3) major Capital Projects and two (2) compliance issues.

Capital Projects

- Emergency Repairs –Evans Center Balcony (500 Level) – Completed July 13, 2016
- Maintenance Projects – Preparation for Fall 2016 Semester—Completed August 15, 2016
- Air-Conditioning Repairs & Replacement Project – Completed August 12, 2016

Compliance Activity Report

OSHA Inspection: Physical Plant AAS Campus STX:

OSHA's Safety and Health Compliance Officer conducted an unannounced programmed inspection of the Physical Plant department facilities on July 8 and 11, 2016. The inspector noted that inspection was not based on any complaint received but rather a routine visit based on OSHA priorities.

The exit interview summary on July 11, 2016 outlined several citations to be addressed, of which most were handled immediately by the staff, including removal of old tires, the repairs to the loading dock railing, and obtaining Safety Data Sheet (SDS) for a can of Raid in the area of the Physical Plant storage. Ongoing maintenance and housekeeping of the area will continue to be monitored and scheduled as well as the annual respirator fit testing required for employees. In addition, old equipment and in-operable vehicles will be auctioned in an effort to remove all equipment/vehicles no longer in use on the campus.

Sanitary Survey Inspection:

A sanitary survey inspection was scheduled for the University of the Virgin Islands by the V.I. Department of Planning and Natural Resources for the beginning of the Fall 2016 Semester. In preparation, Physical Plant staff inspected four cisterns and the water distribution plant during August 2016. Information was requested relative to our water distribution system and cisterns. Additionally, upgrades in securing the cistern covers, pump rooms and the routine replacement of filters in the UV filtration units were assessed and changed, where necessary. Overall, compilation of the information and work were completed in anticipation of DPNR's visit.

B. St. Thomas Campus Projects Report

The St. Thomas campus report addressed the status of the following projects:

- ACC Parking Lot Lighting Upgrade -- Completed June 2016
- Faculty West Ramp Repair – May 2016
- Gordon House/Health Services Renovations -- Scheduled completion September 2016
- Gordon House Exterior Painting – Completed August 2016
- Quarters B Minor Renovations -- Completed August 2016
- Main Campus Two Meg Generator – Completed 2016
- Residence Halls Roof Repair and reseal -- Completed Phase I September 2015 and Phase II May 2016
- Paiewonsky Library Gutter and Fascia Replacement -- Scheduled completion September 2016
- Center for Marine Environment Studies (CMES) AC Upgrade -- Scheduled completion September 2016
- Center for Marine Environment Studies (CMES) Exterior Painting – Scheduled completion September 2016

Capital Projects

- Reichhold Center Renovations Project - completed 2015
- Center for Marine and Environmental Sciences (CMES) – phase I and II have been successfully completed. Phase III which includes the expansion and improvement of the existing dock, new boat launch slip, stairway and lighting –scheduled completion September 2016.

C. Energy Management Report:

An update report regarding the Energy Consumption Analysis, Grant Funding Opportunities and Energy Awareness Initiative was provided by the new Energy Manager, Mr. Glenfield Jarvis.

D. Environmental Compliance Report:

The Committee received an update report noting that the University was in the process of identifying and procuring proper and adequate Environmental Health and Safety (EHS) training material in order to satisfy regulatory requirements which is a challenge shared by all universities. The result of these efforts is an agreement to form an alliance with other universities that consists of many of the Ivy League schools and the University of the Virgin Islands. The group is being developed in order to share OSHA, EPA, and other EHS training materials with one another as a collaborative effort, at no cost to members of the group.

E. Status of School of Medicine Facilities Development:

UVI School of Medicine Classroom Building – St. Thomas Campus

Construction of the University of the Virgin Islands’ School of Medicine Classroom Building started on May 2, 2016 and is scheduled to be completed August 2017. The project, though slightly off schedule by five days, encountered some difficulties related to the site development which were eventually corrected. Slabs are poured, walls are being erected and the foundation and preparation work are completed. The classroom building is moving along steadily. The second floor is soon to be erected. Weekly progress meetings are scheduled for Wednesdays at 9:00 a.m., with representatives from Springboard, the Bourne Group and the University.

UVI School of Medicine Simulation Center – AAS Campus

It was reported that the earth change and the building permits for construction of the UVI Medical School Simulation Center were approved by DPNR, Division of Permits in May 2016. Springline and Beck are the architects for the building. The mobilization date for the Medical School Simulation Center on the Albert A. Sheen Campus is scheduled for September 30, 2016. A structure of the lecture hall was recently redesigned for maximum usage. The state-of-the art spaces will provide an active learning environment for medical students and visiting physicians. The conference room and lecture hall will feature smart classroom technology. At the September 30, 2016 meeting, the final changes to the floor plan would be approved and construction would begin thereafter.

FINANCE AND BUDGET COMMITTEE.....Mr. Alexander Moorhead

A. Update on the Local Government Appropriation – Fiscal Year 2016

As of September 9, 2016, the University received a total of \$29,954,053 in allotments from the V.I. Government for Fiscal Year 2016. This represents 100% of the amount requested for the fiscal year.

(a) Update on the Local Government Appropriation – Fiscal Year 2017

The University appeared before the 31st VI Legislature’s Committee on Finance on June 21, 2016 and presented its FY2017 appropriations request which totaled \$34,371,750. On September 8, 2016 the Committee on Finance reported out to the Committee on Rules and Judiciary Bill No. 31-0427 in the amount of \$31,846,750. The bill was amended to \$32,246,750, reported out to the floor and passed by the Committee of the Whole on September 21, 2016. It’s currently under review by the Legislature’s Legal Counsel.

B. (a) Review of Unrestricted Operating Budget to Actual Performance through August 31, 2016

Total actual revenues through the period ended August 31, 2016 was \$42,868,216 representing 99.5% of the budgeted amount of \$43,068,192. Actual expenditures of \$42,263,971 were slightly more than the amount budgeted of \$41,926,708. The over-expenditure is due mainly to the expenses associated with part-time faculty hires. Measures, to include close monitoring by the Office of the Provost and Budget Office, are in place to keep this expenditure within budget. The net operating position for the month ended August 31, 2016 is \$604,245.

(b) Review of Unrestricted Operating Actual to Actual Performance through August 31, 2016

Total actual revenues and total actual expenditures were \$43,092,223 and \$43,346,752, respectively, for the same period last year. Total revenues decreased by .5% from last year and total expenditures decreased by 2.5%. Miscellaneous revenues were down in the current fiscal year by 22.7% due to the one-time receipt of \$697,553 in FY2015 from the Quasi-Endowment to fund employee bonuses.

C. Review of Restricted Current Funds Expenditures through August 31, 2016

For the period October 1, 2015 through August 31, 2016, the University's restricted current funds performed as follows:

Category	October 1, 2015 Fund Balance	Revenues	Expenditures	August 31, 2016 Fund Balance
Federal Grants	\$144,920.29	\$23,043,432.65	\$17,577,979.92	\$5,610,373.02
Local Grants and Contracts	\$1,710,404.26	\$6,113,337.48	\$2,199,093.67	\$5,624,648.07
VI Legislature	\$1,497,591.89	\$2,661,640.00	\$2,528,390.74	\$1,630,841.15
Private Grants and Contracts	\$923,017.68	\$1,870,372.77	\$1,527,86.81	\$1,265,527.64
Other	(\$2,070,424.12)	\$3,949,955.12	\$3,526,211.97	(\$1,646,680.97)
Total	\$2,205,510	\$37,638,738.02	\$27,359,539.11	\$12,484,708.91

D. Review of CELL Budget to Actual Performance through August 31, 2016

During the reporting period CELL forged a relationship with the VI Department of Human Services to train SNAP recipients and obtained a \$36,000 donation from Diageo for a Learning 4 Life program which commenced late August. CELL is looking forward to implementing a MOU with the Department of Human Services and launching an aggressive campaign to become an American Heart Association training center. Through August 31, 2016 CELL's net operating position of (\$26,332) was a direct result of lower than budgeted revenues in the unrestricted program. Restricted revenues and expenditures were within budget. Efforts are in place to aggressively pursue new and creative ways to generate revenues and contain expenses.

E. Review of Reichhold Center Budget to Actual Performance through August 31, 2016

The Reichhold Center is reporting a net operating position of (\$153,289) as of August 31, 2016. Revenues from ticket sales, grants/sponsorships, facility rentals and stage bill advertising are below projections. This is attributed to three season performances that did not meet or achieve the 75% capacity projection, companies approached for sponsorships responding that they were experiencing hardships or transitioning and could not commit and promoters opting for less expensive venues as opposed to having their shows at Reichhold. Revenues in excess of projections were realized in individual contributions and concessions categories. Through the restructuring of the center's budget, season related direct expenditures are more in line with the budget; however, expenditures in other

categories are over budget. Expenditures in the areas of salaries, utilities and other direct expenditures are being reviewed and closely monitored. Recommendations have been made to adjust the FY2017 budget to better reflect the projected expenditures.

F. Quarterly Grants and Contracts Report April 1, 2015 through June 30, 2016

For the period April 1, 2015 through June 30, 2016, the University submitted one hundred two (102) proposals totaling \$51,447,587 and was awarded seventy-four (74) grants totaling \$16,438,471. Compared to the corresponding period of the previous fiscal year, two less proposals, amounting to an increase of \$1,642,885, were submitted and the dollar volume of grants awarded decreased by \$757,575.

G. Quasi-Endowment Fund Balance as of July 31, 2016

Fund Description	7/31/2016	9/30/2015	Difference
Title III Endowment at Selsia	\$ 222,587.46	\$ 217,461.00	\$ 5,126.46
Term Endowment at Common Fund	\$ 352,249.00	\$ 531,302.00	\$ (179,053.00)
National Guard Assistance at Common Fund	\$ 678,014.00	\$ 666,915.00	\$ 11,099.00
Veterans Tuition Assistance at Common Fund	\$ 873,580.00	\$ 909,993.00	\$ (36,413.00)
Scholarship Fund at Common Fund	\$ 225,931.00	\$ 208,434.00	\$ 17,497.00
Quasi Endowment at Common Fund	\$ 7,991,421.00	\$ 7,378,834.00	\$ 612,587.00
UVI School of Medicine Endowment Fund at CF	\$ 22,294,082.00	\$ 22,000,000.00	\$ 294,082.00
Total	\$ 32,637,864.46	\$ 31,912,939.00	\$ 724,925.46

H. Presentation of Audited Financial Statements for the year ended September 30, 2016

The University contracted with the auditing firm, Ernst and Young, to conduct the audit of the financial statements for the fiscal year ended September 30, 2015. Work on the audit commenced November 2015 and was completed on time to meet the OMB Circular A-133 deadline of June 30, 2016. The financial statement deadline of March 31, 2016 for the HBCU loan agreement was not met on time, but an extension was requested and granted. The extension was requested due to delays in receiving information from V.I. Department of Finance on Governmental Accounting Standards Board (GASB) statements #68 and 71 for financial statements. GASB 68 and 71 relate to improved accounting and financial reporting for pensions, and in the case of UVI, its proportionate share of the pension liability.

Effective October 1, 2014, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which establishes accounting and financial reporting standards for measuring and recognizing the net pension liabilities of the University, deferred outflows and inflows of resources and recognition of pension expense.

As described further in Note 13, the University's employees are participants in the Government of the Virgin Islands' defined benefit pension plan, which is administered by the Government Employees Retirement System. This Statement requires all component units participating in the Government's retirement plan to report their proportionate share of net pension liabilities and pension expenses based on actuarial valuations using a measurement date of September 30, 2014. Pension expenses

and deferred outflows and inflows of resources from changes in the components of the proportionate share of net pension liability are also reported.

Notes 13 and 14 on pages 46 through 52 provide detailed explanations of the impact of these pronouncements on the University's financial statement. The University adjusted its financial statements as a result of the adoption of the two pronouncements.

The beginning unrestricted net position was restated as follows:

Net Position, October 1, 2014, as previously reported	\$66,616,567
Adjustment required for GASB 68	(57,914,485)
Adjustment required for GASB 71 adoption	<u>1,398,159</u>
Net Position, October 1, 2014, as restated	<u>\$10,100,241</u>

The change in net position of (\$7,581,603) based on activities in fiscal year 2015 resulted in a net position of \$2,518,638 on September 30, 2015.

With the introduction of GASB statements #34 and #35, the financial statement shows operating and non-operating revenues and expenditures separately.

Total operating revenues did not cover all operating expenses, therefore we show an operating loss of \$43.3 million on page 21. The other non-operating revenues received from local government, federal student aid and other non-operating income of \$31 million combined with capital appropriations (debt service) of \$4.7 million covered a portion of the operating loss, resulting in a decrease in net position of \$7.6m. The loss was due to many activities, the largest being \$3 million in depreciation, (not budgeted); an increase in utilities expenses over budget; reduction in local government appropriation; reduction in non-operating income and bad debt expenses (not budgeted).

There were no audit findings in the federal awards section; however, there was a financial statement finding having to do with deficiencies in the financial statement close process. The Statement of Cash Flows included several errors and the footnote disclosures and Required Supplementary Information in connection with GASB Statement No. 68 were incomplete.

Measures to address these findings are included in the Management Corrective Action Plan to be presented in Executive Session.

We recently received the Management Letter, which cites a number of deficiencies in internal controls. We are currently drafting management's responses and would have a completed report for the next Finance and Budget Committee meeting.

Overall, the auditor's opinion states that the financial statements present fairly, in material respect, the respective financial position from the business type activities, and the discretely presented component unit of the University as on September 30, 2015. In conclusion, the University received, an unmodified, or unqualified opinion.

(a) Review of Budget to Actual Performance through September 30, 2015 (audited)

The University's Net Operating Position (NOP), which is the difference between year-to-date revenues and year-to-date expenditures at the end of September 30, 2015, was (\$4,383,836).

As of September 30, 2015, the University's actual revenues were under budget with the exception of miscellaneous revenue. Tuition and fees were down by 15% due to a drop in student registration for each of the semesters. Local Appropriations revenue was reduced by the government; all allotments for the period were received. Miscellaneous revenue was up due to an increase in the

foundation grant and the contribution from the Endowment for employee bonuses. Revenue from Auxiliary Enterprises was down due mainly to the reduction in Reichhold revenues. Total revenues were 3.3% below budget.

Overall, expenditures for operations are over the budgeted level for the year by 6.1%. Most of this overage is due to utilities being higher than the amount budgeted in all areas. The costs for the Food Services contract and the Reichhold Center entertainment contracts were higher than budgeted.

The measures that were taken in FY2016 to address the FY2015 challenges were:

- Adjustment to tuition revenues, utilities and an allowance for bad debt expense that was not budgeted before.
- Adherence to budget controls.
- Freezing of vacancies to address reduction in revenues through government appropriations,
- Closer monitoring of budget to actual performance and monthly financial reports to the Vice President and President
- Temporary suspension of p-cards at the end of the fiscal year to control spending.
- Training of end users on budget monitoring and spending.

I. FY2017 Proposed Operating Budget Update

The Administration, in reviewing the challenges of the prior fiscal years, has determined it to be prudent to delay the submission of the proposed FY2017 Operating Budget. A comprehensive review of the past years' performance is currently being conducted which would better advise the development of sound assumptions in creating a budget reflective of the operating needs of the University against the resources available to the University. One of the major sources of revenues is the GVI appropriations, which has been challenging to project in recent years and thus the decision to delay the budget submission until the FY2017 amount is approved, which is projected to be about mid-October 2016. The Committee agreed to schedule a special meeting around the end of October 2016 to consider the proposed FY2017 Operating Budget.

GOVERNANCE COMMITTEE.....Ms. Jennifer Nugent-Hill

A. Update on New Trustee Orientation

The Chair reported that the new trustee orientation took place on Wednesday, August 10th. New Trustees Oran Bowry and Mary Moorhead participated in the orientation. She thanked Chairman Smock, Vice Chairman Moorhead and President Hall for moving ahead with orientation in her absence. It was noted that there would be another orientation scheduled for Faculty Trustee, Dr. David Gould, and Student Trustee, Debbie Bermudez, as soon as possible.

B. Update on Board Workshop with AGB

The Chair reported that Part II of the AGB workshop took place on Friday September 9th. The focus was on fundraising. President Hall added that the workshop provided board members with the opportunity to discuss the upcoming Capital Campaign. He added that information was provided regarding fundraising and the role of board members.

C. Update on Conflict of Interest forms submittal

It was reported that conflict of Interest forms from all board members were received with the exception of the new student trustee. Because of the late election by the Student Government Association and the

absence of her participation in the new trustee orientation, her form is delayed but expected to be completed soon.

PLANNING COMMITTEE.....Ms. Oran C. Bowry

A. Recruitment, Retention and Enrollment Report

The Committee received a progress report on Recruitment, Retention and Enrollment and what is intended to derive a better assessment of what students are thinking in terms of attending UVI, as well as its attractiveness as an institutional choice.

B. Accreditation Reaffirmation and Progress with the Self-Study

The Committee received a report on Accreditation Reaffirmation and progress with the Self-Study. An update was given on what has been done since the beginning of the Reaffirmation of Accreditation process, where the Committee is at this time, and a general overview of what is expected to happen within the next few months.