

**MEETING OF THE BOARD OF TRUSTEES
March 3, 2018**

**UNIVERSITY OF THE VIRGIN ISLANDS
ADMINISTRATION AND CONFERENCE CENTER, THIRD FLOOR
ST. THOMAS CAMPUS
PROVOST CONFERENCE ROOM
ALBERT A. SHEEN CAMPUS
BY TELECONFERENCE FROM VARIOUS POINTS
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 August through December, 2017. The report highlighted student outreach activities and hurricane relief efforts; several public service and community outreach activities; new online degree programs; and an extensive number of student and faculty achievements, including publications, presentations, and other scholarly activities.

The Provost also reported that the UVI Ph.D. program successfully conducted its spring residency electronically via ZOOM, which allowed members of cohorts I and II to participate by video and audio conference with no interruptions. This was necessary in part because of lack of hotel accommodations, and was deemed a success. Plans for recruitment for cohort III, which begins in Fall 2018, are ongoing.

AUDIT COMMITTEE.....Henry C. Smock, Esq.

Update from BDO and Ernst & Young

Representatives from BDO provided a brief update regarding the Audit of the 2017 Financial Statements. They expressed their commitment to meeting the deadlines set by the University. Representatives from Ernst and Young (EY) provided a brief update regarding the outstanding audits of FUVI and Reichhold Financial Statements. They stated their intent to complete all audits by the end of March 2018.

Audit Report

The Internal Auditor presented a report on the current audit Activity and discussed current outstanding reports pending responses from management. Also provided was the FY 2017 Annual Report of the Office of Internal Audit.

BUILDING AND GROUNDS COMMITTEE.....Mr. Alexander Moorhead

Hurricane Recovery and Rebuilding Plan

The University's facilities and grounds were severely damaged by two major category 5 hurricanes; Irma on September 6, and Maria on September 19, 2017. Two separate claims were submitted to the insurance company; one for each campus based on the determination that Hurricane Irma severely impacted the University's properties on St. Thomas and St. John, resulting in damages preliminarily estimated at \$37M, and Hurricane Maria severely impacted the Albert A. Sheen (AAS) St. Croix campus, damages preliminarily estimated at \$3M. However, the adjuster's preliminary assessment for the St. Thomas campus was only \$9M; as a result, negotiations are ongoing. An Architectural and Engineering (A&E) firm was hired to assist with the

facilities assessment for the St. Thomas and St. John properties. The final assessment should be completed by March 5, 2018.

The Bourne Group was engaged as the A&E firm to assess and give guidance. One of the major emphasis is to ensure that buildings are rebuilt to the standard of the new building code. Priority would be given to areas of major needs, e.g., teaching, student housing, faculty, etc. Additionally, a town hall meeting would be held to apprise the UVI community of the assessment and pending reconstruction changes. The University's emergency preparedness plan would be revised and presented to the Board of Trustees at the March 3rd Board meeting.

Albert A. Sheen (AAS) Campus Projects Report

The AAS campus report covered six (6) campus projects and one (1) compliance issue for the reporting period October 2017 through January 2018.

Campus Projects

- Enhancement Project: Melvin Evans Center Railings – completed – January 2018.
- Emergency Protective Measures – Safety (Light Towers) 90% completed; expected completion date – February 2018.
- Repairs: Outdoor Athletic Courts (phase I of III) - 85% completed; expected completion date – February 2018
- UVI HVAC Upgrade Project (AAS): Research Extension Center: 1% completed; expected completion date September 2022.
- Delta Dorsch Complex: Residence Halls Ceiling & Fixture repairs: 75% completed; anticipated completion date March 2018
- Damage Assessment Post Hurricane Maria was primarily completed with in-house tradesmen. Physical Plant employees along with contractors completed the evaluation and all facilities were assessed. The administration is in the process of pursuing maximum reimbursement from FEMA by responding to the appropriate deadlines.

Compliance Activity Report

From November 3, 2017 to November 20, 2017 an Environmental Protection Agency (EPA) team led the evaluation and packing of all chemicals to be disposed. A total of 787 items, weighing about 5,700 lbs. were disposed by EPA from teaching labs in the College of Science and Mathematics, and research labs in the Agricultural Experiment Station, Research Extension Center and the Sheep Barn. The disposal effort was at no cost to UVI.

UVI Medical School Simulation Center (AAS)

Site-work activities continue on the Simulation Center of the School of Medicine. Phase II was scheduled to begin on September 10, 2017, but was delayed as a result of the impact of hurricanes Irma and Maria. The Notice to Proceed for Phase II construction of the core and shell with a Guaranteed Maximum Price (GMP) of \$5,847,233.49 was issued on January 25, 2018. Site work and mobilization begun immediately including footing layout, delivering of forming materials, footing rebar as well as the cistern slab was poured. She further reiterated that the goal is to provide a hurricane proof facility. Storage of tissue versus non-tissue programming was discussed and it was determined that it would be at an additional cost. However, the matter was tabled and would be re-evaluated at a later time. Anticipated completion - December 2018.

St. Thomas (STT) Campus Projects Report

The STT campus report for the period October 2017 through January 2018 covered projects related to the restoration of the facilities and grounds post-hurricanes.

The St. Thomas Campus received major damages. Six facilities had severe structural damages (any type of damage that affected the integrity of the building especially the roof and load-bearing walls to include leaning windows and door frames). The buildings identified were– Business Education, the Center for Marine and Environmental Studies (CMES), the Reichhold Center, Quarter’s B, President’s Guesthouse, and Faculty West Building 8. These facilities’ roofs, walls, and structural support were compromised and will require a full assessment and Architectural and Engineering services.

Other facilities and areas that received extensive damages were West Residence Hall and the main HVAC chiller which is scheduled for replacement; the Sports and Fitness Center including the official NCAA floor and the HVAC system; classrooms, walkways, faculty spaces and also VIERS and Etelman House which are off campus facilities, to name a few. To preserve the integrity of the salvageable facilities, emergency roof repairs commenced days after the storms’ passing to mitigate the growth of mold which started to permeate some of the facilities.

Under the direction and leadership of the administration’s Physical Plant and Security departments, restoration work began almost immediately. With the assistance of external cleaning professionals, WAPA, EPA, Grade All Heavy Equipment, Air Force contingency and other agencies, work has been ongoing. To date, visible signs of restoration are seen and experienced such as: ceiling tiles are being replaced; most of the debris has been removed from and around the campus; leaks on the domestic water system have been fully repaired and the system is functional; faculty spaces are being addressed; temporary repairs on and around campus including walkways and lightings are being conducted.

At present, the administration continues to focus on the prioritized areas and safety initiatives for its faculty, staff, students and campus users.

Compliance Activity Report

The University of the Virgin Islands and the EPA collaborated after the impact of the storms to address a number of regulatory and compliance matters. One very significant task was the removal of all the stored E-Waste on campus. Within the period of November – January approximately 2250 E-Waste components were removed from the St. Thomas campus. This remains a continued project as the University continues to canvas all facilities for the stored E-Waste with a focus on Hazardous Waste, primarily generated by the College of Science and Math.

In addition to waste compliance the EPA has assisted with Safe Water Drinking Act compliance. It is positive to note that for the period after the storms through the end of January 2018 the University’s system remained in full compliance.

UVI Medical School Classroom Building (STT)

The site was secured and all debris/construction material was secured and housed in its proper place pending the arrival of the hurricanes Irma and Maria. Although the site was secured and the administration was prepared, the storms did significant damage to the interior and exterior of the site, to include equipment, from the wind and water intrusion. The University contacted AIG Insurance Company, the insurance carrier for the Builders Risk Policy regarding the construction site. To date UVI has been negotiating with the adjusters to finalize the settlement regarding the damages to equipment and facility.

Energy Management Report

The former Energy Manager was displaced as a result of hurricane Irma and left the island immediately following the hurricane. Presently, Aramark is seeking a replacement for the vacant position. However, the major challenge, at this time, is housing. Despite this challenge, the search is on and UVI is expected to follow up with Aramark in the near future.

DEVELOPMENT COMMITTEE.....Rev. Dr. Wesley S. Williams

Status Report on Annual Fund

Total contributions to date for fiscal year 2018 (Oct 1, 2017 – January 19, 2018) \$840,780

The Vice President for Institutional Advancement provided a summary of the contributions received to date in FY2018, the UVI Rise Relief Fund, and an overview of the status of the Campaign for UVI. In the coming months, the Campaign for UVI Committee will reschedule the public launch events that were postponed after both category 5 hurricanes impacted operations of the campus communities. President Hall provided the Committee with an update on his efforts to secure external funding for the UVI Rise Relief Fund and rebuild the campus communities. An update was also provided on the UVI Medical School and online degree program.

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

Update on the Local Government Appropriation – Fiscal Year 2018

For Fiscal Year 2018, Hurricanes Irma and Maria interrupted the Virgin Islands Government’s Budget Process. As a result, the Legislature was unable to pass the required appropriation bill to establish the budget for FY2018. In Fiscal Year 2017 the University’s Operating Budget was appropriated at \$32,246,750 as authorized by Act No. 7920 (Bill No. 31-0427), therefore, as provided by the Revised Organic Act of 1954, the FY2017 budget was rolled over into FY2018. However, the Office of Management and Budget (OMB) notified the University via a memorandum dated September 29, 2017 that the allotment ceiling level was reduced by 12.5% or \$4,030,844. This reduction has lowered the University’s allotment level to \$28,215,906.

As of January 31, 2018, the University received a total of \$9,405,302 in allotments from the V.I. Government for Fiscal Year 2018. This represents 100% of the \$9,405,302 requested through January 2018.

Review of Budget to Actual Performance for the period ended September 30, 2017

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, 2017, was \$211,194.

Revenues were under budget, at 84.1%, in the areas of Tuition and Fees and Auxiliary enterprises. The decline in actual tuition revenues, when compared to the budget, is a direct result of the following: (1) Lower student enrollment in FY17 including the withdrawal of approximately 326 of students following hurricanes Irma and Maria. (2) Also as a result of the impact of the hurricanes, the Fall semester was extended into fiscal year 2018, resulting in approximately 84% of the Fall semester revenues being deferred to FY18, as tuition revenue can only be recognized for lecture days. Under the miscellaneous revenues category, the University’s contribution from FUVI and revenues from indirect cost recovery were much more than projected.

The actual expenditures represent 95.2% of the amount budgeted.

(a) Review of Unrestricted Operating Budget to Actual Performance through December 31, 2017

Total actual revenues through the period ended December 31, 2017 was \$12,979,197 representing 101.8% of the budgeted amount of \$12,747,046. Actual expenditures of \$9,317,128 represent 77.6% of the amount budgeted of \$12,004,935. The net operating position as of the first quarter ended December 31, 2017 is \$3,662,069. During this reporting period we experienced a 29% increase over budget in tuition and fees due to the change in the extended semester as a result of the hurricanes which interrupted the academic calendar. The impact of this change resulted in a higher percentage of days for the semester occurring during the October-

December 2017 period. In other words, the number of academic days lost during the period September 6-September 30, 2017 were recovered in the period October-December 2017. As a result, 84% of the tuition revenues for the Fall 2017 semester were deferred to FY18, instead of the original projection of 58%. A number of areas, such as student housing and indirect cost revenues, saw decreases in revenues due to the hurricanes.

(b) Review of Unrestricted Operating Actual to Actual Performance through December 31, 2017

Total actual revenues and total actual expenditures were \$11,795,247 and \$11,586,641, respectively, for the period ended December 31, 2016. Total revenues increased by 10% from last year and total expenditures decreased by 19.6% compared to the same period of the year before.

The highlights in the period to period comparison include:

- 35.6% increase in tuition and fees revenues due to an increase in the number of days of the Fall semester that occurred in FY2018 directly related to the interruption in the academic calendar during the month of September 2017
- 28.5% decrease in miscellaneous revenues directly attributed to the decline in grant activity and the associated indirect cost revenues caused by the hurricanes
- 14.7% increase in auxiliary revenues as a result of more bookstore sales in Fall 2017 semester, when compared to Fall 2016.
- 19.6% reduction in expenditures as a result of the delay in activities as the University recovers from the impact of the hurricanes

Review of Restricted Current Funds Expenditures through December 31, 2017

For the period October 1, 2017 through December 31, 2017, the University’s restricted current funds performed as follows:

Category	October 1, 2017 Fund Balance	Revenues	Expenditures	December 31, 2017 Fund Balance
Federal Grants	\$256,812.44	\$6,484,787.25	\$2,197,550.66	\$4,544,048.03
Local Grants and Contracts	\$892,391.60	\$121,066.45	\$109,645.62	\$1,098,055.06
VI Legislature	\$1,669,668.94	\$2,240,147.00	\$272,360.41	\$3,637,455.53
Private Grants and Contracts	\$1,161,852.63	\$804,971.99	\$209,917.63	\$1,756,906.99
Other	-\$2,076,926.42	\$1,672,821.00	\$553,138.39	-\$957,243.81
Total	\$1,903,799.19	\$11,518,035.32	\$3,342,612.71	\$10,079,221.80

Review of CELL Budget to Actual Performance through March 31, 2017

During the reporting period CELL negotiated and secured a OSHA agreement in the amount of \$359,800 for fiscal year 2018; secured a five-year training agreement with Terminix; and conducted 25 safety and health outreach interventions to protect workers during hurricane remediation. Revenues totaling \$20,839 and expenditures totaling \$42,336 were generated in the Unrestricted Fund creating an operating deficit of (\$21,497). The restricted fund performed better with revenues of \$34,289. Very little activity occurred during the reporting period due to the storms. CELL’s combined net operating position was \$12,792 as of December 31, 2017. CELL is continuing to seek new and creative ways to generate revenues to end the fiscal year in a positive net operating position.

Review of Reichhold Center Budget to Actual Performance through December 31, 2017

The Reichhold Center is reporting revenues at and exceeding projections in the categories of Foundation Grant, private grants and individual gifts for the reporting period. The Center received a grant of \$20,000 from the Virgin Islands Council on the Arts for hurricane recovery relief efforts and support for partnership projects. Donations totaling \$2,350 were received from a few annual supporters and efforts made after the hurricanes through the Mobile Cause fundraising portal. Actual expenditures for the period were 76% of the amount budgeted. The Center’s workforce was significantly reduced due to the cancelation of the 39th season. Currently there are two

fulltime and two temporary employees. The net operating position of the Center through December 31, 2017 is \$37,757.16.

Quarterly Report of Proposals Submitted and Awards Received for the period October 1, 2017 through December 31, 2017

In the first quarter of fiscal year 2018, UVI submitted eleven (11) proposals totaling \$3,602,192 and was awarded seven (7) grants totaling \$1,008,678. Compared to the corresponding quarter of the previous fiscal year twelve (12) proposals, amounting to a decrease of \$58,357, were submitted and the dollar volume of grants awarded also decreased by \$413,024.

Quasi-Endowment Fund Balance as of December 31, 2017

**University of the Virgin Islands
Endowment Funds**

Comparison Periods Ended December 31, 2017 and March 31, 2017

Account Balances				Transactions Posted During Report Period
Account	Dec-17	Mar-17	Variance	
Seslia Title III Endowment	\$229,030.68	\$224,679.64	\$4,351.04	\$16,225 withdrawn May 2017 to support scholarship awards
Term Endowment	\$354,894.25	\$319,543.60	\$35,350.65	\$119,493 withdrawn March 2017 for annual scholarship awards
National Guard Assistance	\$749,385.55	\$719,823.40	\$29,562.15	None
Veterans Tuition Assistance	\$451,139.20	\$404,353.64	\$46,785.56	\$45,466 withdrawn May 2017 for tuition assistance to Veterans
Scholarship fund	\$152,590.39	\$138,760.33	\$13,830.06	\$34,818 withdrawn March 2017 for annual scholarship awards
Quasi Endowment	\$5,236,866.25	\$8,411,931.77	-\$3,175,065.52	\$3.7M withdrawn as loan approved by Board of Trustees July 2017
School of Medicine Endowment	\$24,462,349.92	\$22,959,898.39	\$1,502,451.53	\$513,454 withdrawn March 2017 and \$400,000 withdrawn August for SOM interest expenses
Total	\$31,636,256.24	\$33,178,990.77	-\$1,542,734.53	

FY2016 Management Letter Corrective Action Plan Update

The University's external auditors for the fiscal year ended September 30, 2016, Ernst and Young, submitted the Management Letter which included weaknesses/deficiencies in the following areas for which updates as of January 2018 are provided:

Weakness/Deficiency	Current Status as of January 2018
Financial Statement Close Process	The office of Administration and Finance has implemented the quarterly review of the unaudited financial statements, including the statement of cash flows. Additionally, the Special Assistant to the Vice President of Administration and Finance performs regular review of the GASB pronouncements, and communicates these changes and updates needed to the Accounting Department.

Financial Statement Close Process	The office of Administration and Finance has implemented the quarterly review of the unaudited financial statements. Additionally, the University has implemented a financial statements monthly closing process which allows a more detailed review of each class of transaction. Additionally, the Special Assistant to the Vice President for Administration and Finance performs an additional review of the monthly financial statements, to identify any misstatements. Any discrepancies are communicated to the Accounting Department and updated accordingly.
Completeness of Accounts Payable and Accrued Liabilities	The Accounting Department has implemented the updated accrual accounting practices necessary for the accurate reporting of the University's expenses. The close process is being utilized on a monthly basis. The results of the close process are evaluated quarterly by the Special Assistant to the VP of Administration and Finance.
Allowance for Doubtful Accounts	The University performs a review of accounts receivable and allowance for doubtful accounts on a quarterly basis. The Special Assistant to the VP of Administration and Finance performs a review of the Controller's reconciliation of Accounts Payable and Allowance for Doubtful Accounts, and evaluates for appropriateness. Any differences identified are appropriately adjusted.
Inventories	At year end, the Special Assistant to the VP of Administration and Finance in St. Thomas and the Director of Campus Operation on St. Croix performed a review of the inventory observations on each campus. A sample count was taken on each campus to validate the results of the year end count. Reviews are scheduled for the 1st and 3rd quarter of each fiscal year, to identify and properly treat obsolete items. Necessary adjustments are reviewed by the VP of Administration and Finance and approved.
Capital Assets	The Controller performs a quarterly review of the fixed asset listing. The Special Assistant to the VP for Administration and Finance performs a review of the Controller's report and evaluates it for appropriateness. Additionally, the Special Assistant to the VP for Administration and Finance is working closely with IT to move the fixed asset process to the Banner system. This will eliminate the need for manual entries and assist the University in eliminating the frequency of human error in determining fixed asset balances, as well as depreciation expense.
Monitoring and Accounting for Investments	The Foundation is in the process of updating and improving the monitoring process for Investments. As part of the ongoing improvements, FUVI will be implementing quarterly review and verification of investments, to ensure proper reporting. Additionally, the Foundation will perform alternative valuation of procedures to ensure that the results of the quarterly reports provided are accurate.

Status of Audit for the year ended September 30, 2017

The University engaged the audit firm of Deloitte to perform the audit of fiscal year ended September 30, 2017. The auditors commenced preliminary audit procedures in June of 2017, prior to the audit year end. The auditors requested and received the University's interim financial data as of June 2017. The auditors commenced working on the planning procedures, including walkthroughs of each significant class of transaction, with the assistance of the University's staff. Prior to completing the planning procedures scheduled, the audit was impacted by Hurricane Irma, causing the auditors to leave the island.

On the 5th of October, the University extended an invitation to Deloitte to resume the audit, to which the Managing Director agreed. The University also requested from the auditors an updated timeline for the pending audit procedures taking into consideration the delays. On October 17th, the auditors responded stating that they were unable to resume the audit by the date identified, and that there were no resources to work on the University's audit.

On or about November 28, 2017 staff of the Administration and Finance office proceeded to follow up with the auditors and received an automated e-mail informing us that the team previously assigned to the UVI audit no longer worked at Deloitte. No further explanation or communications were received.

The University has procured the services of the audit firm, BDO, and started the audit of fiscal year 2017 February 2018. Additionally, the University has communicated to the necessary agencies to whom we are required to furnish a copy of our audited financial statements, of the unexpected challenges and are securing the necessary waivers for the usual established deadlines. The University is also pursuing Deloitte for damages associated with their resignation.

GOVERNANCE COMMITTEE.....Mrs. Jennifer Nugent-Hill

Update Report on New Trustee Orientation

The Chair reported that the New Trustee orientation was held on August 11, 2017. Participants included, Chairman Smock, Vice Chairman Moorhead, Faculty Trustee, Dr. Adam Parr and Student Trustee, Amiel Brown and the Chair the Governance Committee.

She reported that Part 1 of the orientation included a review of Board Governance, to include the following:

- Trustee Role and Responsibilities
- Board Organization
- Board Policy Development
- Board Responsibility

She also reported that Part 2 of the orientation, which included individual meetings with each new trustee and President Hall were all cancelled due to the storms. The opportunity to set up the meetings became difficult as priority restoration and recovery efforts took precedence She confirmed that the meetings will be held in the future.

Review of Board Assessment 2017

The Chair reported that the Board committed to a board assessment every three years and individual assessments every two years. She noted that this has been favorable as during the accreditation review, the board liaison was requested to provide the tool and results to the accreditation team and they were very impressed that this was being done.

She further reported that over the months of July and August 2017, the board assessment tool was implemented for members to complete. She stated that 10 of 12 of the board members participated. She noted that overall, board assessment was good.

The Chair also highlighted the following pages

Page 30 – strengths of the Board

Page 31 –weaknesses of the Board

Page 32 – How can effectiveness of the Board be enhanced

Page 33 – Proud moments in the past year related to work of the Board

Report on Board Term expirations

Based on the listing provided there were 5 vacancies on the board, 2 persons whose terms have expired and one whose term has expired and has yet to be replaced.

The Chair asked President Hall if there was any word from Government House regarding the replacements. He stated that had not received any word.

Regarding the Alumni Association trustee, the Chair requested that a formal letter be sent explaining the reason why no replacement has been made since the expiration of the term of the current alumni trustee.

PLANNING COMMITTEE.....Mrs. Oran C. Bowry

Enrollment

The Committee received an update on the decline in enrollment as well as the reasons for the decline.