

**MEETING OF THE BOARD OF TRUSTEES
November 2, 2019**

**UNIVERSITY OF THE VIRGIN ISLANDS
Great Hall, North West Wing
ALBERT A. SHEEN CAMPUS
10:00A.M.**

CONSENT AGENDA

ACADEMIC, RESEARCH, AND STUDENT AFFAIRS.....Dr. Yvonne 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 2019. The report highlighted several unit achievements, public service, and community outreach activities as well as student and faculty achievements, including publications, presentations, and other scholarship activities.

AUDIT COMMITTEE.....Attorney Henry C. Smock

1. Presentation of the 2018 Audited Financial Statements

The Committee received a report on the Audited Financial Statement for 2018. It included the Independents Auditors Report, Management's discussion and Analysis as well as the Financial Statements.

2. Presentation of the timeline for the audit of Fiscal year 2019.

The committee received an update report regarding the timeline of the audit. It included

- Audit Scope and Deliverables
- Audit Team
- Auditing Standards Overview
- Timelines
- Communication Protocol
- Matters to be Communicated
- Audit and Accounting Matters

BUILDING ANS GROUNDSMr. Alexander Moorhead

1. a. Albert A. Sheen (AAS) Campus Projects Report

The AAS campus report covered seven (7) campus projects for the reporting period June 2019 through September 2019

- Hurricane Resistant Windows final phase – completed June 2019
- Library Flooring Upgrade – 80% completed
- Student Center Cafeteria Roof Repairs – completed June 2019

- Northwest Wing Roofing Repairs – expected completion March 2020
- Hurricane Resistant Windows Repairs – completed January 2019
- Campus Fencing & Replacement Project -- 90% completed
- Fleet Replacement -- 30% completed anticipated completion October 2019

Medical School Simulation Center Update - AAS Campus:

PHASE 2: Construction of the Core and Shell. As a result of the impact of hurricanes Irma and Maria, construction of Phase II was delayed from September 2017. The notice to proceed was issued on January 25, 2018 for construction of the core and shell. Site work and mobilization began immediately including footing layout, delivery of forming materials, footing rebar and pouring the cistern slab.

STATUS: During this reporting period, construction activities included:

- Punch list items were completed September 30, 2019.
- 96% of Phase 2 Construction was completed

The University has been awarded a grant from the US Economic Development Administration (EDA) in the amount of \$28M to cover all the funding needed to complete and equip the Medical School Classroom Building and Simulation Center. Specialized contractors and subcontractors would be hired to complete the project. As to the specific date of resumption, it is depending on the EDA's response.

UVI Research and Technology Park

Interior Demolition: Activity as per the outlined specifications began on January 7, 2019 and was 100% completed by March 31, 2019.

The demolition of the Wing Roof and the Freestanding Wall was completed by April 18, 2019, allowing for the roof repairs on the building to begin. To date, that area of the project is 80% Completed.

Technical Specialization and Reconstruction Process: Installation of the new roof was completed June 2019. Celestine Construction began mobilization and reconstruction activity on May 14, 2019. Contractor is approximately 52% completed to date. Anticipated completion of the UVI Research and Technology Park is November 10, 2019.

3. b. St. Thomas (STT) Campus Projects Report

Campus Projects Update:

The STT campus report covered seven (7) campus projects for the reporting period June 2019 through September 2019.

- **Administration & Conference Center (ACC) Building:** Exterior windows – completed June 2019; Exterior shell -- completed September 2019 and the Main Electrical System Upgrade/replacement -- completed July 2019.
- **Sports and Fitness Center:** Roof work still in progress -- scheduled completion December 2019; Steel Framing & Metal Sheathing -- in progress – scheduled completion December 2019; Replacement Generator -- scheduled completion December 2019.

- **Basket Ball and Tennis Courts Projects:** The replacement of damaged fence and gates of the basketball and tennis courts was granted to Cyclone Fencing. Scheduled completion -- December 2019.
- **ADA Compliant Accessible Lifts:** The Upper Campus accessible lifts also sustained considerable damage due to exposure to the elements. The following buildings are now in the installation phase:
- **Academic Pavilions:** Polyspartic decorative chemical resistant floor coating was upgraded as part of the restoration repairs in four academic pavilion flooring. Work was also completed in the science laboratory renovation project.
- **Campus Signage:** After the hurricanes in 2017, most of the campus signage was destroyed. A few were still standing and were able to be refurbished. Scheduled completion - December 2019.
- **West Hall:** This project addressed the replacement and upgrade of the fire protection system and camera surveillance system for the facility. Scheduled completion -- October 2019

Hurricane Restoration Projects Update:

The Bourne Group was hired to provide Architectural and Engineering construction drawings for the following listed projects for which updates are provided:

- School of Business - The original structure would be maintained to coincide with the architectural design of the adjacent buildings. The building permit was awarded and work began.
- Quarters B - The engineers performed additional site assessments, determining the excessive rust on the existing metal frame required additional structural remediation.
- School of Nursing - This project was delayed until the Business building is completed so that both buildings would not be off line simultaneously. However, the roof mitigation and other areas of work continued.
- Marine Science Building - The building permit was awarded by DPNR and interior work began. Coastal Zone Management (CZM) was informed that UVI maintained the same boundaries and are awaiting approval to proceed.
- Reichhold Center for the Arts - The ground floor construction documents were scheduled for completion, which included the additional offices, freight elevator, studio access and ADA compliance requirements. Design approvals for the stage area were obtained and construction documents for those areas are scheduled to be completed October 2019. The Bourne Group will provide basic mechanical, electrical and plumbing design proposal. Research continues for appropriate outdoor seating through discovering existing outdoor amphitheaters and their seating manufacturers.
- CMES Annex and Caribbean Green Technology Center - Building permit was awarded by DPNR. While awaiting the permit, work was being completed on the interior details, schedules, engineering coordination and construction estimates.

Medical School Classroom Building Update - STT:

The construction of the medical School building is in its final phase. The primary group of Sub Contractors was moving towards the completion of the project. Within this reporting period 85% of the windows was installed. The elevator installation was completed. The HVAC demolition was also completed, making room for the new installation. All plastering was completed. Installation of the store fronts began and corrective measures were expedited for the unacceptable exterior stairs erected by Matthew Concrete Co.

The administration continues to evaluate the status of the project with the financial records supplied by Springboard as the mediation process continues.

Within this reporting period, 80% of the hurricane repair items, which were funded with proceeds from the Builder's Risk Insurance, was completed.

Focus is now on the finishes which include: doors, hardware, painting, and floor treatments. A construction schedule was being followed, with room for alterations as needed. The original subcontractors were maintained and they continue to work with the University with one goal, which is to successfully complete the project.

4. 2020 Census Project Report

The St. Thomas/St. John and the St. Croix Census offices are being outfitted and the Census Bureau underwrote the cost. The locations are West Bay Supermarket building for the St. Thomas/St. John facility and the Sunny Isle Mall for the St. Croix facility. The punch list for the facilities was conducted and the buildings are expected to be ready by the third week of October 2019. The grand opening is scheduled for the last week of October 2019.

FINANCE AND BUDGETOran C. Roebuck

1. Update on the Local Government Appropriation – Fiscal Year 2019

The University's Fiscal Year 2019 local government appropriation was approved in the amount of \$33,780,025 as authorized by Act No. 8108 (Bill No. 31-0287). Thus, the University's monthly allotment request is \$2,815,002.08 from the Office of Management and Budget and the Department of Finance. The University was also appropriated a total of \$610,000 for programs in the Miscellaneous Section of the Government of the Virgin Islands' (GVI) Executive Budget and \$1M for the Medical School Debt Service and \$3M for the Higher Education Scholarship Program also known as the Free Tuition program from the Internal Revenue Matching Fund.

As of September 18, 2019, the University received a total of \$38,390,025 in allotments from the V.I. Government for Fiscal Year 2019. This represents 100% of the \$38,390,025 approved for the fiscal year.

2. (a) Review of Unrestricted Operating Budget to Actual Performance through August 31, 2019

Total actual revenues through the period ended August 31, 2019 was \$41,617,809 representing 99% of the budgeted amount of \$42,132,264. Actual expenditures of \$40,898,980 represent approximately 100% of the amount budgeted of \$40,717,480. 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 August 2019, was \$718,829 as shown in

Exhibit A on page 3. Auxiliary enterprises realized 87% of the budgeted revenues as a result of reduced enrollment for the Fall 2018 and Spring 2019 semesters.

The reported expenses of \$7.7 million in Operations and Maintenance includes about \$3.2 million for electricity expenses, of which \$759,000 is attributable to FY2018. Removing the \$759,000 in prior year expenses reduces the actual FY2019 expenses to about \$6.95 million, making the actual expenses about 5 percent more than the budgeted amount.

4. (b) Review of Unrestricted Operating Actual to Actual Performance through August 31, 2019

Total actual revenues and total actual expenditures were \$39,560,181 and \$37,182,755, respectively, for the period ended August 31, 2018. Total revenues increased by approximately 5% from the prior year and total expenditures increased by 10% compared to the same period of the year before.

The highlights in the period to period comparison include:

Revenue Highlights

- **Tuition and Fees** – Though still less than pre-2017 Hurricane levels, tuition and fees have begun to stabilize; FY 2019 tuition and fees are in line with that received during the prior reporting period.
- **Local Appropriations** – The University received 100 percent of its allotment from the Government through the first 11 months of FY 19. The approved FY 19 budget includes an additional \$3.5 million for salaries, benefits, and other operational expenses not included in the FY 18 approved budget.
- **Auxiliary Enterprises** –The Bookstore, residence halls, food services, and Sports and Fitness Center continued to produce less revenues, primarily due to continued decreased enrollment.

Expenditure Highlights:

- **Operations/Maintenance** – The FY 18 (through August 31, 2018) reported electricity expenses were \$1.4 million; the FY 19 (through August 31, 2019) reported electricity expenses are \$3.2 million, of which about \$759K are for the prior FY 18 period. Reducing the FY 19 expenses by \$759K and increasing the FY 18 expenses by \$759K more properly aligns the comparative expenses.
- **Transfers** – The Transfers amount is based on the matching requirement for incurred costs associated with AES/CES grant awards. By September 30, 2019, the Accounting Office will complete its analysis and record in the books the full amount of indirect costs for the fiscal year to more closely align with the amount recorded in the prior fiscal year.

5. Review of Restricted Current Funds Expenditures through August 31, 2019

For the period October 1, 2018 through August 31, 2019, the University’s restricted current funds performed as follows:

Category	October 1, 2018 Fund Balance	Revenues	Expenditures	August 31, 2019 Fund Balance
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Federal Grants	\$200,542	\$39,588,127	\$19,080,499	\$20,708,170
Local Grants and Contracts	\$898,194	\$1,670,880	\$755,488	\$1,813,586
VI Legislature	\$268,247	\$7,466,124	\$2,472,483	\$5,261,888
Private Grants and Contracts	\$1,470,701	\$1,759,265	\$2,136,505	\$1,093,461
Other	-\$1,200,898	\$8,247,124	\$3,450,909	\$3,595,317
Total	\$1,636,786	\$58,731,520	\$27,895,884	\$32,472,422

6. Review of CELL Budget to Actual Performance through August 31, 2019

During the reporting period a new CELL director was hired, Dr. Suzanne Darrow-Magras. Under the new structure, CELL was merged with ILOE (*Institute for Leadership and Organizational Effectiveness*) and thus expanded its offerings of certification courses and other training and testing opportunities. Among the selected accomplishments are: Anti-Money Laundering and Financial Crimes Certification, Fraud Risk Management certification, Certified Public Manager (CPM) course, VI History Course for Educators, National Center for Construction Education and Research (NCCER) certification program with VI Department of Labor and PULSE Conflict Management Course. The center also prepared for the International Association for Continuing Education and Training (IACET) reaffirmation of its accreditation. Revenues totaling \$274,247 and expenditures totaling \$331,261 were generated in the Unrestricted Fund creating an operating deficit of -\$57,014. The restricted programs funded primarily through OSHA and VI Government performed positively during the reporting period resulting in a surplus of \$93,350. CELL is continuing to seek new and creative ways to generate revenues to end the fiscal year in a positive net operating position.

7. Review of Reichhold Center Budget to Actual Performance through August 31, 2019

The Reichhold Center is reporting revenues at and exceeding projections in the categories of private grants and corporate sponsorship and individual gifts for the reporting period. The Center secured grants from the Virgin Islands Council on the Arts and the Southern Arts for supporting the Alliance for Response Forum, Art Resiliency Training Workshops, and the Center's community projects such as the "Culture Pop-Up." "Culture Pop-Up is a project in partnership with the Department of Education Cultural Heritage Division that consists of eight Virgin Islands heritage workshops conducted throughout the academic year, and ASE Moko Jumbie Academy over the summer.

Individual gift donations were received from several annual supporters.

Of the \$250,000 budgeted for the period, a total of \$239,721.00 was expended on salaries and benefits and direct expenditures. Currently there are five employees of which two are temporary and compensated on a "call as needed basis" for larger projects, RCA clean-up and events. Expenses for materials and supplies for the remaining Culture Pop-Ups, Artist Resiliency Training workshops and the ASE Moki Jumbie Academy were incurred in the reporting period.

The Net Operating Position for RCA for the period October 1, 2018 through August 31, 2019 is **-\$38,029.**

8. Quarterly Report of Proposals Submitted and Awards Received for the period April 1, 2019 through June 30, 2019

Ms. Mindy Solivan joined the Office of Sponsored Program as Director during the reporting period and assisted with the preparation of the report. The Office of Sponsored Programs reports that **14** extramural proposals, requesting a total of **\$2,153,924** were submitted to external agencies by UVI faculty/staff members during the third quarter of Fiscal Year 2019 and **23** extramural awards and incremental funding modifications, totaling **\$3,736,711** were received during the same period. Compared to the corresponding period of the previous fiscal year, eleven (11) proposals, amounting to an increase of 3, were submitted and the dollar volume of grants awarded also increased by **\$2,437,834**. **Note error in report submitted.**

9. Quasi-Endowment Fund Balance as of August 31, 2019

**Endowment Funds
Comparison Periods Ended August 31, 2019 and March 31, 2019**

Description	August 2019	March 2019	Variance
Seslia Title III Endowment	\$ 234,587.18	\$ 233,573.86	\$ 1,013.32
Common Fund Term Endowment	\$ 387,783.00	\$ 372,912.87	\$ 14,870.13
Common Fund National Guard Assistance	\$ 373,342.58	\$ 474,542.01	\$ (101,199.43)
Common Fund Veterans Tuition Assistance	\$ 699,229.89	\$ 787,223.77	\$ (87,993.88)
Common Fund Scholarship fund	\$ 168,210.06	\$ 161,731.51	\$ 6,478.55
Common Fund Quasi Endowment	\$ 5,729,863.57	\$ 5,467,807.19	\$ 262,056.38
Common Fund School of Medicine Endowment	\$ 24,381,685.38	\$ 24,150,334.23	\$ 231,351.15
Common Fund Sustainability Fund I*	\$ 7,218,631.14	\$ 7,061,429.67	\$ 157,201.47
Common Fund Sustainability Fund II	\$ 514,506.53	\$ 509,630.08	\$ 4,876.45
Total	\$ 39,707,839.33	\$ 39,219,185.19	\$ 488,654.14

* The overall value of the stocks increased during the reporting period causing a change of \$488,654.14

All variances represent gains on investments, except that on July 31, 2019 and August 31, 2019, redemptions, each totaling about \$119K, were made from the National Guard Tuition Assistance Fund and the Veterans Tuition Assistance Fund for reimbursements to the University for tuition payments.

10. Presentation of Audited Financial Statements for the year ended September 30, 2018

The University's Condensed Financial Information is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Change
Assets			
Current assets	\$ 19,239,057	\$ 14,050,558	\$ 5,188,499
Non-current assets:			
Capital assets, net	58,180,007	65,294,603	(7,114,596)
Other	67,450,874	63,337,312	4,113,562
Total assets	<u>144,869,938</u>	<u>142,682,473</u>	<u>2,187,465</u>
Deferred outflows of resources:			
Deferred loss resulting from debt refinancing	4,562,597	4,812,960	(250,363)
Unrealized pension contributions and losses	13,113,994	25,359,261	(12,245,267)
Total deferred outflows	<u>17,676,591</u>	<u>30,172,221</u>	<u>(12,495,630)</u>
Liabilities			
Current liabilities	9,640,793	14,480,106	(4,839,313)
Non-current liabilities	169,323,078	176,410,701	(7,087,623)
Total liabilities	<u>178,963,871</u>	<u>190,890,807</u>	<u>(11,926,936)</u>
Deferred inflows of resources -			
Deferred inflows related to pension	<u>4,589,181</u>	<u>3,912,998</u>	<u>676,183</u>
Total net (deficit) position	<u>\$ (21,006,523)</u>	<u>\$ (21,949,111)</u>	<u>\$ 942,588</u>

- The University's current assets of \$19.2 million cover the current liabilities of \$9 million. The current ratio was 2.13 and .098 for fiscal year 2018 and 2017, respectively. The increase in current assets between fiscal year 2017 and 2018 is a direct result of the University's insurance proceeds following the 2017 hurricanes. Conversely, there was a decline in current liabilities between the current and prior fiscal year, as a direct result of lower accounts payable and accrued liabilities within the University.
- During fiscal year 2018, the University had construction in progress of \$13.2 million which is activity associated with the construction of the Medical School facilities, as well as the restoration of campus buildings. The University entered into construction contracts valued at \$19 million for the construction of the Medical School facilities. As of September 30, 2018, outstanding commitments of \$5 million had not yet been incurred.
- Depreciation expense was \$2.5 and \$3 million for fiscal years 2018 and 2017, respectively.
- On September 6, 2017 and September 20, 2017, Hurricanes Irma and Maria devastated the University and the U.S. Virgin Islands. The Hurricanes caused unprecedented structural damages disrupting the activities and operations of the University. During the year ended September 30, 2018, the University determined an impairment loss of \$10.4 million as a result of the damaged facilities.
- Current liabilities consist primarily of accounts payable and accrued liabilities, unearned revenue and the current portion of the long-term liabilities. Current liabilities totaled \$9.6 million on September 30, 2018, as compared to \$14.5 million on September 30, 2017. The overall decrease of \$ 5 million in current liabilities is due to a decline in deferred revenues and accounts payable and accrued expenses.
- Non-current liabilities consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net position date. Non-current liabilities decreased by \$7 million in fiscal year September 30, 2018 due to the decrease in pension liability of \$7.1 million.

- For fiscal year 2018, operating expenses totaled \$76.3 million including compensation and benefits of \$45.6 million, supplies and other expenditures of \$18.1 million, depreciation expense of \$2.5 million, scholarships of \$7.2 million, and utilities of \$2.7 million.
- The University's change in net position for FY17 was (\$21,006,523). The change in net position is attributable to the cumulative effect of recognizing the net pension liability, as well as the impairment loss of the \$10.4 million.

The audit of fiscal year 2018 resulted in two (2) findings. The findings are as follows:

Financial Audit	Single Audit
Financial Statement Close Process	Student Financial Aid
1	1

The issues outlined in the Financial Statement Close Process current year report are largely related to disruptions caused by Hurricanes Irma and Maria, in addition to the change in retirement of key personnel in the Accounting Department. The Single Audit findings have been assessed and confirmed to be one time occurrences. The corrective action plan for all findings is currently being implemented and will be reevaluated prior to the start of the audit for fiscal year 2019.

GOVERNANCEAttorney Henry C. Smock

1. Update on Board Assessment

The Committee received a report regarding the Board Assessment that was conducted. The results were shared and discussed with committee members.

2. Report on Conflict of Interest Forms

It was reported that All Conflict of Interest forms were submitted as required with the exception of the new alumni trustee who had just recently been appointed to the board.

3. Update on New Trustee Orientation

The Committee received a report regarding the new trustee orientation. A new approach regarding the orientation will be taken. New members will be receiving an online module regarding governance. This will be a portion of the training and will seek to reduce the lengthy face-to-face training. The new trustees will be receiving information shortly regarding the online module.