

March 6, 2013

Mr. Chris Kinsley
Director, Finance and Facilities
Board of Governors
325 W. Gaines Street
Tallahassee, Florida 32399

Dear Chris:

On behalf of the Florida International University Board of Trustees, I am pleased to submit this letter and accompanying analysis in response to Governor Rick Scott's February 18, 2013 request that SUS universities address the following specific concerns before advancing construction projects that require debt financing:

- Review quantitative metrics justifying the need for construction
- Calculate a return-on-investment for revenue-generating projects and other appropriate measures for non-revenue-generating projects; and
- Assess whether the private sector can offer a comparable alternative at a lower cost

QUANTITATIVE METRICS JUSTIFICATION REVIEW

FIU's Student Population Is Growing

In Fall 2010, the university's student headcount totaled 44,010. Comparatively, by Fall 2012, student headcount enrollment reached 46,292. Additionally, FIU enrolls approximately 4,200 high school dual enrollment students and this increases total student headcount to over 50,000. This increase in headcount was in-line with the university's Worlds Ahead 2010-2015 Strategic Plan to increase enrollment by 2,000 academically qualified students per year.

FIU completed and opened its last parking garage on the Modesto Maidique Campus (MMC) in the Fall 2010 semester, adding a net 1,750 spaces and increasing total parking space inventory to 11,992 spaces, 7,501 of which were assigned to students and 999 assigned to on-campus housing residents. Student spaces including those assigned to residential students represented 70.9 percent of spaces. The proportion of student spaces is in-line with historical and projected allocations.

Service Levels Are Declining

RATIO OF FTE TO STUDENT PARKING SPACES

As a part of the 2005-2015 Campus Master Plan, the University prepared an analysis of the university's Transportation Element which specifies a standard of service of one space for every 2.94 full-time equivalent (FTE) students and one space for every 2 FTE students living on campus. The university was close to meeting this standard of service in Fall 2010 but is now well above the ideal ratios due to the 9.6 percent enrollment increase in FTEs and the -3.7 percent decrease in allotted spaces.

		Ideal Ratio	Spaces Needed	Spaces Available	Shortage	Actual Ratio
Fall 2010						
FTEs ex-residents	28,719	2.9	9,903	9,430	(473)	3.0
Residents	2,746	2.0	1,373	1,227	(146)	2.2
Total	31,465	2.8	11,276	10,657	(619)	3.0
Fall 2012						
FTEs ex-residents	31,731	2.9	10,942	9,274	(1,668)	3.4
Residents	2,760	2.0	1,380	986	(394)	2.8
Total	34,491	2.8	12,322	10,260	(2,062)	3.4

RATIO OF HEADCOUNT TO MMC STUDENT PARKING SPACES

Student headcount on MMC is also a valuable metric of level of service to students. As shown below, with headcounts increasing, service levels have been declining.

<u>MMC</u>	Student Headcount	Spaces Available	Ratio
Fall 2010	33,448	8,500	3.9
Fall 2012	36,456	7,918	4.6

RATIO OF TRANSPORTATION ACCESS FEE COLLECTED TO STUDENT PARKING SPACES

Levels of service can also be measured by decal sales, or more accurately for students, the number of transportation access fees (TAF) collected. TAF collected are measured on a university-wide basis, since student decals are not restricted by campus. Service levels for students have been declining based on TAF collected.

<u>University Wide</u>	TAF Collected	Spaces Available	Ratio
Fall 2010	36,770	10,657	3.5
Fall 2012	38,734	10,260	3.8

Parking Garage Six Will Improve Quality of Service to Students

Parking Garage 6 (PG6) is planned as a 2,000 space structure that will provide a net 1,775 additional spaces, 1,580 of which are projected to be allocated as student spaces. With the addition of 1,580 student spaces, service levels will return to Fall 2010 levels. Otherwise, service levels will continue to deteriorate as surface lots are lost to new building construction and enrollment increases.

		Ideal Ratio	Spaces Needed	Spaces Available	Shortage	Actual Ratio
Fall 2014 w/o PG 6 (Est)						
FTEs ex-residents	32,574	2.9	11,232	9,274	(1,958)	3.5
Residents	3,366	2.0	1,683	1,527	(156)	2.2
Total	35,940	2.8	12,915	10,801	(2,114)	3.3

Fall 2014 (Est)						
FTEs ex-residents	32,574	2.9	11,232	11,010	(222)	3.0
Residents	3,366	2.0	1,683	1,527	(156)	2.2
Total	35,940	2.8	12,915	12,537	(378)	2.9

	Student Headcount	Spaces Available	Ratio
<u>MMC</u>			
Fall 2014 w/o PG 6 (Est)	37,987	8,218	4.6
Fall 2014 (Est)	37,987	9,798	3.9

	TAF Collected	Spaces Available	Ratio
<u>University Wide</u>			
Fall 2014 w/o PG 6 (Est)	40,384	10,801	3.7
Fall 2014 (Est)	40,384	12,537	3.2

Current Parking Cost to FIU Student and Expense to FIU

FIU students pay \$89 for the Fall and Spring semesters or \$178 for the two semesters. Furthermore, students pay \$81 for the Summer semester, or \$259 for an entire year.

Total net operating expense for FIU Parking and Transportation was \$6.3 million in FY 2011-12 (excludes shuttle and vehicle services and R&R expenses). With debt service of \$4.9 million, parking services expense were about \$11.2 million. Student and resident spaces represented 70.9% of the total spaces, therefore the associated operating expenses and debt service would be \$7.9 million.

These costs have increased due to specific measures implemented by the university to relieve traffic congestion and to provide additional parking options during peak usage periods, specifically the start of each semester. In Fall 2012, these initiatives added over \$0.2 million in expenses.

Ongoing improvements to further alleviate traffic and parking problems, such as inner loop traffic lights and pedestrian controls, also added significant expense to the university.

Qualitative Assessment of Current Parking Service Level

In February 2012, the university received a parking satisfaction report from the FIU Metropolitan Center, an applied social science research and training institute. The availability of parking was rated poor by the overwhelming majority of users, regardless of their relationship to the university. Most markedly, 67 percent of students identified parking availability as poor. These survey results reinforce the observed decline in parking service quality and the shortage of parking spaces on the MMC.

Do you feel the availability of parking on campus is?

	Administration	Faculty	Student	Other	Total
Poor	242	164	936	101	1443
%	59.5%	61.7%	67.0%	70.6%	65.2%
Adequate	151	95	431	39	716
%	37.1%	35.7%	30.8%	27.3%	32.3%
Excellent	14	7	31	3	55
%	3.4%	2.6%	2.2%	2.1%	2.5%
Total	407	266	1398	143	2214
%	100.0%	100.0%	100.0%	100.0%	100.0%

Parking Garage Six is Part of a Community Partnership to Improve Transportation

FIU is working with Miami-Dade County Transit, Miami-Dade County Expressway, the Florida Department of Transportation, and the City of Sweetwater to solve traffic congestion and improve access to public transportation and PG6 is integral to these efforts. In 2012, FIU and its partners, proposed the University City Prosperity Project to the US Department of Transportation, an innovative and transformational partnership among the various agencies. This project included the Advanced Transit and Multimodal Station (ATMS), a joint effort with the Miami-Dade Transit and Miami-Dade Expressway Authority. It would consolidate the automobile, local county bus, university and Sweetwater shuttle bus and future express bus traffic onto a single site to increase the efficiency of travel to and from the university. Parking Garage 6 will be the hub of express bus service along SW 8th street.

The ATMS concept is envisioned as a western hub to complement the Miami Intermodal Center (MIC) at Miami-International Airport with use of the Sustainable Informed Traveler Program to assist all travelers in transportation choices. Together, the Alliance submitted US Department of Transportation Grants for funding under the TIGER program -- one in 2011 and one in 2012 -- as well as two recent grant requests to the Florida Department of Transportation and the Knight Foundation. We are encouraged that additional outside funding will materialize to fulfill the Prosperity Project.

RETURN-ON-INVESTMENT OR INTERNAL RATE OF RETURN CALCULATION

Based on the 30-year useful life of the parking garage, the internal rate of return of the project is estimated at 6.51 percent. Based on a review of the information as provided by the University consistent with the State University System Debt Management Guidelines, the Board of Governors will provide a recommendation on the project. The University, with assistance from the Division of Bond Finance, calculated the internal rate of return based on an established methodology used for a similar project at another institution within the State University System.

PRIVATE SECTOR ALTERNATIVES ASSESSMENT

Using the Private Sector to Provide On-campus Services is Appropriate in Certain Cases

FIU is an active partner with the private sector and assesses opportunities to generate cost savings by contracting with external vendors who can deliver services at a lower cost to students, faculty and staff. Most notably, within its Parking and Transportation Department, the university contracts with an outside vendor to provide shuttle bus service between its MMC and Biscayne Bay Campus, located about 24 miles from each other. Known as the Golden Panther Express, the contract was worth \$0.9 million in FY2012. The following is a list of major outsourcing contracts managed by the university:

Cost centers (service agreements)	
Repairs and Maintenance (Various)	\$ 6.4 million
Shuttle Service (Horizon Coach Lines)	0.9 million
Profit Centers (licensing agreements)	
Food Service (Aramark)	\$ 2.7 million
Printing/Copying (Toshiba)	2.1 million
Bookstore (Barnes & Noble)	1.1 million

The university has implemented outsourced private parking for its Brickell instructional site in downtown Miami, which provides executive, evening and weekend business degree programs. Parking costs for are \$19,874 per month to the university, which would equate to \$101 per student per month.

Privatization Alternatives Analyses

As a part of its ongoing strategy to review the efficacy of private alternatives, the university engaged the services of Timothy Haas & Associates, Inc. to assess options to fund construction and operate a garage. The analysis concluded that the university's recommendation to build and operate the new garage provides the most cost-effective solution to student, faculty and staff parking. The Tim Haas analysis examined the four most viable combinations garage construction, parking operation and location scenarios:

1. FIU funded and operated, on-campus
2. Developer funded and operated, on-campus
3. Developer funded and operated, on-campus with ground lease
4. Developer funded and operated, off-campus

The analysis concluded that option 2 would not be viable because of "the additional costs incurred by FIU students and staff, as well as the strain of a potential to revenue guarantee for the developer." Option 3 would further exacerbate the problem with "the addition of ground lease costs" while option 4 would include "transportation costs from the off-campus lot [that] would result in significant cost increases and inconvenience to students and staff."

Additionally, FIU contracted with Walker Parking Consultants to evaluate the feasibility of off-campus student parking. Similar to Walker Parking Consultants' finding for Florida Atlantic University, a developer funded and developer operated parking garage off-campus would result in a considerable increase in cost to our students.

The Timothy Haahs and Associates, Inc. and Walker Parking Consultants studies are included for your review and consideration.

The request for authorization to construct Parking Garage 6 on the Modesto A. Maidique Campus and the issuance of debt was approved by the FIU Board of Trustees at the March 6, 2013 meeting.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Kenneth A. Jessell". The signature is written in a cursive style with a large, stylized 'K' and 'J'.

Kenneth A. Jessell, Ph.D.
CFO and Senior Vice President

Cc. Mark B. Rosenberg, President

Attachments: Timothy Haahs and Associates, Inc. Feasibility Study
Walker Parking Consultants Feasibility Study