



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
FAIRWINDS Alumni Center
September 27, 2018

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 11:10 a.m. Committee members Joshua Bolona, Robert Garvy, John Lord, David Walsh, and Bill Yeargin were present. Committee member John Sprouls attended by teleconference. Trustees Ken Bradley, Danny Gaekwad, Beverly Seay, and William Self were present.

Chair Martins began by reinforcing his confidence that in light of the recent events surrounding the misuse of \$38 million in state funds for Trevor Colbourn Hall, the Finance and Facilities Committee performed all due diligence at the time any information concerning that project was brought to the committee and asked the right questions. He encouraged the committee to continue that diligence to continue to restore public trust and confidence in the university and also to provide guidance to the staff to ensure the university and the board are in compliance and are successful.

Moving forward, all Board of Trustees' committees' agendas will be created with input and approval of the committee chair before public posting. In addition, all committee meeting minutes will be reviewed and approved by the chair before public posting.

NEW BUSINESS

UCF Downtown Campus Store Award (FFC-1)

Kathy Mitchell, Interim Chief Financial Officer, Thad Seymour, Vice President for Partnerships and Chief Innovation Officer, and Greg Robinson, Assistant Vice President for Procurement Services, requested approval to proceed with the award to Barnes and Noble College for the operation and management of the UCF Downtown campus store, which will be located on the first floor of the UCF Downtown parking garage.

Year one of the contract is for planning, construction, and build-out of the approximately 9,000 square feet of white-box space provided by UCF to the campus store provider. The remaining 10 years are for the operation and management of the store. The contract will be for 11 years total, with two 10-year renewal options that must be mutually agreed upon by both UCF and the provider.

This award stems from a competitive procurement process (Invitation to Negotiate). The awarded contractor will design, build-out and finish, and operate the UCF Downtown Campus Store. The store will provide retail space and a full-service café. This contract represents significant capital dollars (provided by the awarded contractor) to build-out and finish the space, revenue sharing through commissions, and flexibility for exploring, adopting, and delivering course materials.

UCF received proposals from Barnes and Noble College and Follett Higher Education Group. The evaluation team at UCF consisted of three Business Services employees, four Valencia College staff members, one UCF professor, one UCF student, and one UCF Downtown staff member. UCF Procurement Services and the evaluation team also worked with Tom Bryne of Campus Bookstore Consulting.

Seymour was the decision maker and recommended to the Finance and Facilities Committee that Barnes and Noble College be given the award based on its stronger financials, and he is confident it can build-out and finish the store within its \$700,000 capital investment budget. The team also appreciated that Barnes and Noble College showed innovation with a modern Amazon-like model for textbook ordering, along with other outside-of-the-box ideas for the store.

The commission schedule is tiered and based on revenue volumes with a \$250,000 minimum for the first year, and for years two through 10 of the contract, 95 percent of calculated sales commission of the immediately preceding year. Seymour projects \$2 million in commissions over the first five years, but this could be higher or lower.

Trustee Yeargin suggested the contract end date be prior to the Summer term to ensure a smooth transition to a new provider if need be before the rush of the Fall term. Robinson added for contracts of this size negotiations usually begin at least a year before the contract ends.

Trustee Garvy expressed his curiosity as to why only two companies bid. Robinson stated Barnes and Noble College and Follett Higher Education Group are the two primary companies in the college bookstore industry. Garvy also requested and received confirmation from Robinson that the contract complies with all state statues and Board of Governors regulations.

Trustee Gaekwad requested that renderings of the space be included with the final contract.

Martins asked why the contract is 11 years in length. Seymour stated it is because of the substantial capital dollar investment by the provider, but he reiterated that UCF has termination clauses in the contract that protect the university. Martins also asked and received confirmation that customer service standards have been placed in the contract, and the provider will be held accountable if those are not met.

The full contract will be brought to the board for approval at a later date.

The committee unanimously approved the request to proceed with the award to Barnes and Noble College for the operation and management of the UCF Downtown campus store.

Concessions Award (FFC-4)

Mitchell, Robinson, and Ronnie Korosec, Associate Provost and Chief of Staff for Academic Affairs, requested approval to proceed with the award to Spectra Food Services and Hospitality to provide concession services at the CFE Arena and the Venue.

A competitive procurement process (Invitation to Negotiate) was recently completed. This award will include capital dollars (provided by the awarded contractor) to improve concession spaces at the CFE Arena while also offering substantial revenue sharing through commissions. No UCF funds will be used for the facility improvements.

The award will be for five years with the option for an additional two five-year renewals that must be mutually agreed upon by UCF and the provider.

UCF received proposals from Spectra Food Services and Hospitality and Valley Services. The evaluation committee at UCF consisted of Trustee Seay, former Trustee David Albertson, Chief Audit Executive Robert Taft, Associate General Counsel Sherry Andrews, and Assistant Controller Albert Francis. Robinson emphasized these individuals have strong business acumen. The committee also received guidance from John Pittman, Associate Vice President for Debt and Revenue Management.

Korosec was the decision maker and recommended to the Finance and Facilities Committee the award be given to Spectra Food Services and Hospitality. She detailed the robust six-prong approach used by the evaluation committee that included an evaluation rubric, reference checks, and an in-person tasting by each potential vendor that included requests from the committee for gluten-free items along with the foods people usually eat at events such as beef and seafood.

Spectra will provide a tiered commission schedule, with 36 percent of gross for sales under \$750,000 and 40 percent of gross for sales over \$750,000. Martins and Marchena noted it might be futile for future contracts to lower the commission amount to receive lower prices and higher levels of customer service.

Spectra also will provide a capital investment of \$125,000 for the CFE Arena facility, \$125,000 for technology in the arena, and \$40,000 for a refresh in year six if the contract is renewed. The Convocation Corporation and the contractor will mutually decide exactly how the money will be spent, and the Convocation Corporation and the contractor also will mutually decide upon the pricing for menu items.

Martins asked about customer service standards. Ronnie Lamkin, General Manager for the Convocation Corporation, detailed the options available for patrons to provide feedback including a customer service phone number and e-mail. QR code scanners also are onsite in the arena that take patrons directly to the survey. In addition, Lamkin and his team perform onsite inspections during operations and during off hours.

Garvy inquired as to why only two companies bid, and Robinson stated this is likely because of the smaller scope of the contract and the Spectrum Stadium concessions not being included.

Gaekwad requested that in the future the evaluation committee for any contract pertaining to food service include individuals with restaurant and hospitality management experience. He also

detailed his recent experience at a concert at the arena and expressed concern over the vendor not having hot water for tea and the \$4 price for bottled water.

Walsh suggested including performance-based metrics in the final contract, and Martins concurred. Martins will work with Robinson to develop key performance indicators.

Walsh also asked about termination clauses. Robinson said if UCF terminates for cause, the university does not have to return any of the capital investment dollars. If the termination is not for cause, the university would have to reimburse the vendor the appropriate portion of the capital investment dollars. In either case, however, the fixtures remain the property of UCF.

The full contract will be brought back to the board at a later date with the key performance indicators included.

Martins also requested moving forward that for any contract the item cover page in the committee and full board meeting materials contain a “this conforms to all state statutes and Board of Governors regulations” statement.

The committee unanimously approved the request to proceed with the award to provide concessions at the CFE Arena and the Venue, with Trustee Sprouls recusing himself because of potential conflict of interest.

Puerto Rico Tuition Waiver Extension (FFC-2)

Maribeth Ehasz, Vice President for Student Development and Enrollment Services, requested approval to extend granting in-state tuition rates for students from Puerto Rico and the Virgin Islands who were impacted by Hurricane Maria.

In response to Hurricane Maria in September 2017, the Board of Trustees voted unanimously to waive out-of-state fees and charge in-state tuition beginning in Spring 2018, through Spring 2019, for students from Puerto Rico and the Virgin Islands. Ehasz requested that this waiver be extended through Summer 2023 for students affected by the storm who meet one of the following criteria: are currently enrolled at UCF, are currently enrolled in a Florida state college, or are new students admitted in Spring 2019 to UCF or any Florida state college.

Students who meet the above criteria can continue to receive in-state tuition rates through Summer 2023 as long as they remain continuously enrolled.

The waiver has been granted to 244 students (a question asked by Trustee Lord). Trustee Self asked if UCF has lost money because of the waiver. Ehasz stated yes, but UCF received \$2 million in federal replacement funds to help offset the loss of revenue.

The committee unanimously approved the request to extend granting in-state tuition rates for students from Puerto Rico and the Virgin Islands who were impacted by Hurricane Maria.

Capital Projects Approval Policy (FFC-3)

Scott Cole, Vice President and General Counsel, requested approval for a policy requiring a written certification to be presented to the Finance and Facilities Committee and Board of Trustees as to the source of funds for any capital project exceeding \$2 million.

Effective September 6, 2018, the University President, Vice President submitting the item, Chief Financial Officer, and General Counsel, must submit a completed Capital Projects Funding Certification Form identifying the source of funds for all capital projects exceeding \$2 million to the Finance and Facilities Committee and Board of Trustees for approval.

Trustee Walsh stated this might not be the only control feature put in place for capital projects, and Chairman Marchena added he fully expects other steps will be made.

Walsh also recommended exploring what changes need to be made to the UCF Five-year Capital Improvement Plan, and Martins said a review of the UCF Five-year Capital Improvement Plan will be placed on a future Finance and Facilities Committee meeting agenda.

Martins asked Cole for and received confirmation this policy and certification will appease the Board of Governors.

The committee unanimously approved the new policy and the Capital Projects Certification Form as submitted.

Chair Martins adjourned the Finance and Facilities Committee meeting at 12:17 p.m.