



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
December 11, 2019
President's Boardroom, Millican Hall

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 8:30 a.m. Committee member Kyler Gray was present. Committee members Danny Gaekwad, Robert Garvy, and David Walsh attended by teleconference, but Gaekwad and Walsh arrived late after the initial call to order was made. Committee member Bill Yeargin did not attend. Trustee Bill Self was in attendance.

MEETING MINUTES

The minutes of the October 16, 2019, Finance and Facilities Committee meeting were approved as submitted.

NEW BUSINESS

Huron Consulting - UCF Rising Master Services Agreement Amendment #4 (FFC-1)

Kathy Mitchell, Associate Vice President for Financial Initiatives, presented for approval Amendment #4 to the Master Services Agreement (MSA) with Huron Consulting to provide an extension of business and administrative support services to UCF departments for the implementation, upgrade, and system optimization of three Oracle/PeopleSoft systems for the UCF Rising project, as well as overall program management of the project.

Amendment #4 will bring the total project cost over \$5,000,000, which requires approval by the Board of Trustees. This amendment extends key Huron consultants for two to four months to provide production support post go-live for the Human Capital Management (HCM) and Grants Management modules, as well as for the Program Management Office. The extension will provide production support for Finance & Accounting, Human Resources, and the Office of Research; additional reviews and improvements to key business processes; prioritization of deferred items; and further dissemination of lessons learned. The cost of this extension is \$616,680, bringing the total project cost to \$5,318,298. The \$616,680 cost of this contract amendment will be paid from Division of Finance and central E&G carryforward funds. It will not be paid until work has been completed.

This request for additional services to be provided was supported by the UCF Rising Business Owners Council and approved by the Executive Steering Committee (members include Provost Elizabeth Dooley, Interim Chief Financial Officer Dennis Crudele, Interim Chief Operating Officer Misty Shepherd, Chief Information Officer Joel Hartman, and Vice President Elizabeth

Klonoff). Continued support from Huron consultants for this period is considered vital to the overall success of the project.

Gray made a motion to approve and Walsh seconded.

Garvy asked if the new modules would have been able to prevent the unallowable transfer of construction funds. Mitchell said no, that these modules are primarily for research and grant management. She added that thresholds now are in place in PeopleSoft where transfers must be approved by Associate Vice President Kristie Harris and/or Crudele.

Garvy also asked why the committee had not seen the Huron agreement before now, and Mitchell said that until Amendment #4, the MSA was under the \$5 million threshold.

Mitchell said the university is not expecting to need Huron's support for this project after this additional two-to-four month period. However, Huron will be used for pre-launch services for the ERP implementation. That contract will be for approximately \$500,000 to \$750,000.

Walsh asked if there was an initial competitive bid. Mitchell said no, the contract was obtained via piggy-backing on a Texas contract, which had been competitively bid. The piggyback process is an allowable exemption from the competitive bidding process.

Self added that the University Budget Committee approved the MSA. Interim President Thad Seymour stated that Huron was a viable option for completing these projects, and also that Huron is reputable vendor which provides quality work.

Walsh and Gaekwad expressed concern that 80 percent of the initial \$4.4 million cost had been prepaid. Mitchell said this was done so the university would receive a 20 percent discount from Huron.

Garvy requested, and Martins agreed, that a discussion of prepayment for services be brought to a future committee meeting.

The committee approved the amendment as presented, with Martins, Garvy, and Gray voting for the amendment and Gaekwad and Walsh opposing.

L3Harris Engineering Center External Building Signage Change (FFC-2)

Shepherd presented for approval the request to change the name of the Harris Engineering Center (Engineering III Building #116) to the L3Harris Engineering Center.

L3 and Harris Corporation merged in 2018. They are now ready to officially change their name to L3Harris in all spaces that hold their name, including the Harris Engineering Center. The signage on the external façade of the building will be changed to L3Harris Engineering Center, with L3Harris paying for all expenses for the signage change and installation. The signage is designed to be similar to existing signage that it will replace.

UCF Facilities has been briefed and UCF has obtained three separate estimates from three vendors to bid on the project. The installation is expected in December 2019, and a re-brand opening media event of the building will be held in January 2020.

L3Harris (naming donor for the Harris Engineering Center) named the building with a \$3 million philanthropic commitment to the UCF Foundation in 2005. At that time, the Board of Trustees approved the naming of the building with no limitation as to the life of the naming. Therefore, UCF must honor the naming, as the donor wishes to change the name to their current brand.

Gray made a motion to approve and Garvy seconded.

The committee unanimously approved the name change to the L3Harris Engineering Center as presented.

Post Investigation Action Plan for Items with Finance and Facilities Committee Oversight (FFC-3)

Mitchell updated the committee on the implementation of recommendations with Finance and Facilities Committee oversight following the inappropriate transfer of E&G funds to construction.

Three items were recommended as being considered complete.

Item 55 on the attached spreadsheet states, "The Division of Finance will consider use of periodic employee satisfaction surveys." Finance considered the use of periodic satisfaction surveys and determined that the existing process to survey satisfaction with services is accomplished by Procurement Services' and Finance and Accounting's email signature blocks that solicit feedback. This information is consolidated, reviewed, and acted on by the Assistant Vice President for Tax, Payables, and Procurement in Finance and Accounting. Finance considers this action item completed. The original completion date was set for June 2020 but was changed to reflect completion in November 2019.

Item 42 on the attached spreadsheet states, "Develop a policy for the authorization of funds, which is approved by the President, CFO, Legal, and Board of Trustees." This commitment refers to the policy on capital projects. Upon further review it was determined that this had already been satisfied by the Board of Trustees Policy titled Capital Projects Funding Certification implemented in September 2018 and posted to the BOT website. There is no further action required.

Item 7 on the attached spreadsheet states, "All future board and committee approvals of capital projects over \$2 million require a written certification signed by the president, vice president submitting the item, the CFO and general counsel identifying the source of funds and certifying that they are appropriate for that purpose." Upon further review by Audit and Compliance, it was determined that this recommendation had already been satisfied by the Board of Trustees Policy titled Capital Projects Funding Certification implemented in September 2018 and posted to the BOT website. There is no further action required.

Updates (highlighted in red on the attached spreadsheet) were made to items 11, 12, 14, 16, 21, 31, 37, 43, 44, 45, and 48.

Gray made a motion to approve and Gaekwad seconded.

The committee unanimously approved marking items 55, 42, and 7 on the post-investigation action plan as complete.

Amendment to Ground Sublease Between UCF Academic Health and Central Florida Health Services (FFC-4)

Shepherd and Jeanette Schreiber, Associate Vice President for Medical Affairs and Chief Legal Officer, presented for approval the Third Amendment to the Ground Sublease between UCF Academic Health (UCFAH) and Central Florida Health Services (CFHS).

The proposed Third Amendment to the Ground Sublease permits Tavistock to have the term of sublease it desires to build a medical office building, while protecting UCFAH's ability to adequately evaluate the rental rate at a date in the future when the project is more fully developed. There is no financial impact on UCF or the Academic Health DSO.

On August 22, 2017, UCFAH sublet 25.2 acres in Lake Nona Medical City to CFHS for the development and construction of the UCF Lake Nona Medical Center under the terms of a Ground Sublease. The UCF Lake Nona Medical Center was approved by the Board of Trustees in 2016, and the Florida Board of Governors approved the medical center as a public-private partnership (P3) in March 2017. A medical office building adjacent to the hospital was included in that P3 approval and will benefit the medical center. The Ground Sublease had an initial term of 50 years and granted to CFHS the option to renew the Ground Sublease for an additional renewal term of 49 years.

CFHS is subletting a portion of the 25.2 acres to Tavistock, where Tavistock will be responsible for the development of the medical office building. Tavistock requested a 97-year lease term to build, and in order to do so, CFHS must exercise its extension under the UCFAH/CFHS sublease. However, the existing sublease requires UCFAH and CFHS to determine a rental rate for the renewal term at the time the renewal term option is exercised. UCFAH would prefer to wait to evaluate the renewal rate until closer to the expiration of the existing 50-year term, so this proposed Third Amendment to Ground Sublease clarifies that the time frame for commencing the process for determining the renewal term rent is not at the time that CFHS exercises the option to renew, but rather is 24 months prior to the end of the initial term.

Gray made a motion to approve and Walsh seconded.

The committee unanimously approved the Third Amendment to the Ground Sublease between UCF Academic Health and Central Florida Health Services as presented.

Quarterly Operating Budget Report Ended June 30, 2019 (INFO-1)

Bert Francis, Assistant Vice President for Debt Management, presented as an information item the quarterly operating budget report for the quarter that ended June 30, 2019. The reports included year-to-date revenues and expenditures for the fiscal year that ended June 30, 2019 and 2018, in comparison to the operating budget, along with narrative discussion of significant changes in year-over-year financial results. Overall, revenues and expenditures as a percent of the operating budget are 89.2 percent and 87.9 percent, respectively, compared to 87.3 percent and 85.4 percent in the prior year.

Garvy asked why expenditures for Auxiliary Enterprises were \$339 million and revenues were \$262 million in 2018-19, whereas expenditures were only \$217 million and revenues were \$229 million in 2017-18. Francis said the \$339 million in expenditures included restoring the E&G funds that had been spent on construction projects, and the increases in revenue are mostly

because of the medical residency program, IT sales to furnish the UCF Downtown academic building, and investment portfolio gains.

Investments Quarterly Report Ended September 30, 2019 (INFO-2)

As an information item, Francis presented the investments quarterly report for the quarter that ended September 30, 2019.

At September 30, 2019, the university had the following cash and investment balances:

Bank of America operating account	\$ 7,389,071
State of Florida Special Purpose Investment Account (SPIA)	\$ 352,220,312
Bank of New York Structured Investment Portfolio	<u>\$ 298,996,032</u>
Total Cash and Investments	<u>\$ 658,605,415</u>

The structured investment portfolio earned quarterly net gains totaling \$3,267,680.

Francis noted that UCF has surpassed \$100 million in life-to-date earnings on its Bank of New York investment portfolio since inception.

University Draft Audited Financial Report 2018-19 (INFO-3)

Francis presented for information purposes the University Draft Audited Financial Report 2018-19. In accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the State of Florida Auditor General's office is currently conducting the financial statement audit for the University of Central Florida and its aggregate discretely presented statements, which collectively comprise the university's basic financial statements, as of and for the fiscal year that ended June 30, 2019. The audit is expected to be completed and the report issued between January – March 2020. The final report will be provided to the committee for review.

Francis said that the draft financials being presented will be updated prior to issuance to include a subsequent event note for the university's 2010B Parking bond refunding. The university is in the final stages of completing this refunding. Relating to this, UCF recently received updated credit ratings for the university, which have remained stable at an AA rating overall.

Mitchell added that Finance and Accounting has had a preliminary meeting with the state auditors, who said that the university will be given a clean audit report. The formal exit conference is scheduled for December 18.

Direct Support Organizations' 2019-20 First-Quarter Financial Reports (INFO-4)

Francis presented as an information item the 2019-20 First-Quarter Financial Reports for the Central Florida Clinical Practice Organization and the university DSOs: UCF Academic Health, UCF Athletics Association and Stadium Corporation, UCF Convocation Corporation, UCF Finance Corporation, UCF Foundation, UCF Limbitless Solutions, and the UCF Research Foundation.

Francis said that all organizations are performing as expected.

Garvy asked what caused the approximately \$1.5 million increase in the amount budgeted to the UCF Athletic Association from 2018-19 (when it was \$12.7 million) to 2019-20 (when it was \$14 million). Francis said that the biggest drivers were increased ticket sales, increased premium seating, and increased university allocations. Brad Stricklin, Executive Associate Athletics Director and Chief Financial Officer for UCFAA, confirmed.

Facilities Process Improvements Recommendation Update (INFO-5)

Shepherd and Bill Martin, Director, Facilities Planning, provided an update on the recommendations by Hill International, Inc., concerning the Facilities Planning and Construction Department's organizational structure, policies, procedures, roles, responsibilities, and project controls, with the objective of improving performance by implementing recommended improvements. Shepherd discussed the status of the recommendations, the use of E Builder tools, workload management using internal project managers and contracted or outsourced project managers, and the close-out process.

Discussion followed with questions from all trustees focusing on the use of outsourced project managers, current project backlogs, changes in the number of projected future projects, and environmental and regulatory compliance.

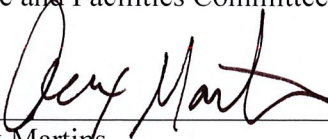
Martins requested that an update be provided to the committee every six months.

OTHER BUSINESS

Martins recognized this as the last committee meeting for Garvy and thanked him for his years of service.

Martins adjourned the Finance and Facilities Committee meeting at 10:02 a.m.

Reviewed by:



Alex Martins
Chair, Finance and Facilities Committee

1.28.20

Date

Respectfully submitted :



Janet Owen
Associate Corporate Secretary

2/3/20

Date