



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Millican Hall, 3rd Floor
October 5, 2018

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 9:02 a.m. Committee member David Walsh was present. Committee members Josh Bolona, John Lord, John Sprouls, and Robert Garvy attended by teleconference. Trustee Beverly Seay was present. Chairman Marcos Marchena was present.

Chair Martins began by stating staff realized after conducting research and searching records related to the UCF Downtown construction that, while these projects were presented to the board for information purposes, they were never brought to the board for individual approval based on the delegation of authority provisions that had been approved by the board.

NEW BUSINESS

UCF Downtown Project Overview (INFO-1)

Kathy Mitchell, Interim Chief Financial Officer, Thad Seymour, Vice President for Partnerships and Chief Innovation Officer, and Misty Shepherd, Interim Vice President for Administration and Finance, shared an overview of the UCF Downtown projects. The board was well informed through many presentations and discussions. However, when the projects were revisited, staff realized they were missing specific approval and had been discussed as information items only.

The parking garage approval was deemed urgent, as even an approval the previous Friday (September 28) would still have the garage open one week after classes are scheduled to begin. The contractor hopes to honor that date with an approval at today's meetings.

Previously, the Five-year Capital Improvement Plan and the Capital Outlay Budget were used as informal approval. Moving forward, however, each project will be presented individually, and the board will approve not only the projects but the funding sources in order to build trust and transparency.

Mitchell noted these projects had begun well before the current Delegation of Authority guidelines were approved on October 26, 2017. Those guidelines state that the use of university funds for capital improvement projects exceeding two million dollars in construction costs and all changes to such projects that increase project costs by more than 10 percent of the original estimate require specific approval of the board.

The \$14.6 million for the UCF Downtown Parking Garage is being paid in cash, by directive of the Division of Bond Finance.

The rest of the downtown projects are being paid from a central university resources account.

The funding for this account consists of:

- Auxiliary overhead that the university charges to all auxiliary services is 11 percent. The top 3 percent of that is dedicated to university-wide projects. \$9 million
- Auxiliary late fees \$12.1 million
- Non-E&G interest earnings \$30.2 million
- Student Development and Enrollment Services housing reserves \$2.7 million
- PECO funding \$20 million
- UCF Foundation \$20 million
 - Agreed to raise an additional \$6 million

Trustee Seay asked if the central university resources account contains E&G dollars. Mitchell stated no.

Trustee Walsh stated that he appreciated the process as open and transparent. He also stated that he believes the Finance and Facilities Committee always reviewed large projects, but perhaps the threshold for which large projects were to be brought forward individually for approval was never clearly defined.

Chair Martins stated the Finance and Facilities Committee approval of the Five-year Capital Improvement Plan and Capital Outlay Budgets was not the individual approval of the specific projects, but rather approval to add those projects to the Five-year Capital Improvement Plan and Capital Outlay Budget for submission of those lists to the Board of Governors. Chairman Marchena said with the clear Delegation of Authority guidelines now in place, any confusion regarding this will not happen again.

Mitchell said they are learning about the level of detail the board would like to see and agreed to include a greater level of specificity on the Capital Projects Funding Certification Form. Chair Martins and Chairman Marchena requested a deeper level of specificity on completed forms that includes the specific bucket of funds.

Mitchell also stated one journal entry corrected the issue with the funds for Trevor Colbourn Hall.

Mitchell added all sources of funds in the central university resources account can be used for any university project and are not tied to any particular one. President Whittaker added the account sources are verified against their uses for all projects, and verification of sources for the money in the account occurs, as well.

Chairman Marchena (answering a question posed by Trustee Walsh) said while the overall downtown campus was approved by the Board of Trustees, and extensive subsequent discussions were held regarding the parking garage and other individual components, the assumption was that because the board gave approval for the campus, that meant they also gave approval for the

individual projects, as well. However, now all bases are being covered, and the individual projects for UCF Downtown are receiving separate board approval and certification of funding.

President Whittaker noted the current Delegation of Authority guidelines were not in place when the original UCF Downtown campus was approved.

Chairman Marchena confirmed that the Board of Governors approved the establishment of a new campus and their support of the state of Florida funding \$20 million toward the campus. No additional BOG approval was necessary. Any remaining approvals come from the university Board of Trustees.

Today's meeting is for the approval of the individual UCF Downtown projects at the Board of Trustees' level.

Dr. Phillips Academic Commons at UCF Downtown (FFC-1)

Shepherd and Seymour requested the approval of \$66.38 million toward the design, construction, and furnishing of the 148,000-square-foot Dr. Phillips Academic Commons at UCF Downtown.

Seymour shared the project is well underway with the final beams being put in place, but more work remains to be done prior to the building completion.

A motion was made by Trustee Garvy and seconded by Trustee Sprouls.

Trustee Walsh asked why the project is now \$4.5 million over the original projection. Seymour stated the project is operating in a construction environment where inflation is averaging over 1 percent a month, and while pricing was locked in for some projects, this was not an option for all. Additionally, they have already exhausted both the contractor and owner contingency.

Chair Martins asked that at the conclusion of these projects, the board receive a report on the project's completion as an information item.

Trustee Walsh asked that the forensic audit being done surrounding the Trevor Colbourn Hall financing be expanded to include other large projects that need board approval. He also asked if approval on the items being presented at today's meeting could be delayed until after this review.

Seymour responded this would prevent the parking garage, which includes the bookstore, and the renovations to the Center for Emerging Media being completed in time for the campus opening.

Chairman Marchena stated the investigation is into the use of incorrect funds for projects, not into the Board's approval of projects. Today's meeting is a formality for the contracts to have the blessing of the committee and the board, even though they have previously been fully discussed. Staff is identifying issues where things are not perfect and is working to make them perfect, unrelated to what the law firm is investigating. There is no question in this case whether the funds are appropriate or not.

Trustee Walsh stated he thought we should potentially expand the scope of the investigation to capture other projects like these. Scott Cole, Vice President and General Counsel, stated the

university needs the legal authority of a governing board to continue to spend on these projects, so we cannot delay the approval.

Mitchell stated that the Board of Governors has asked for a 10-year lookback be provided to them by October 19, 2018. She thinks their work related to this review will provide the scope requested by Trustee Walsh. This report also will be provided to Bryan Cave.

Vice Chair Garvy asked that the committee move ahead with the motion for the Dr. Phillips Academic Commons at UCF Downtown and discuss the expansion of the investigation under a different cover.

The committee unanimously approved \$66.38 million toward the design, construction, and furnishing of the 148,000 square-foot Dr. Phillips Academic Commons at UCF Downtown.

Center for Emerging Media at UCF Downtown (FFC-2)

Seymour and Shepherd presented for approval a request for \$5.75 million for the design, renovation, and furnishing of the Center for Emerging Media at UCF Downtown. Seymour stated they are experiencing financial pressure because of higher than estimated technology costs. They do not have a final guaranteed maximum price (GMP) contract in place yet and thus have been conservative with the \$5.75 million figure. While it is only a projected figure, he said staff will do their best to come in under that amount.

Chairman Marchena asked for the source of funds, and Shepherd confirmed it is non-E&G interest earnings.

A motion was made by Trustee Lord and seconded by Trustee Walsh.

Trustee Walsh asked if the UCF Downtown team has looked at the academic programming for the facilities and how the spaces will be optimized for a mix of online and traditional classes for both traditional and non-traditional students. Seymour stated they had reexamined plans and updated those based on new data. He believes they have hit the mark, but only time will tell. The team also has explored ways to create efficient office space, such as using offices that are smaller than the main campus but better designed, as well as creating more “hoteling” spaces for shared use by those who aren’t permanently working at the UCF Downtown campus.

Trustee Walsh also asked if they had requirements for in-person usage for those who have spaces (such as offices or classrooms). Seymour said they have asked those questions as part of the design. He shared they have focused on having consistency of furniture so items can be moved around, and UCF Downtown also will be centrally scheduling space (as opposed to individual departments or colleges) in order to drive efficiency of classrooms and conference room space.

The committee approved the use of \$5.75 million toward the design, renovation, and furnishing of the Center for Emerging Media at UCF Downtown, with Chair Martins, Vice Chair Garvy, Trustee Bolona, Trustee Lord, and Trustee Sprouls voting to approve. Trustee Walsh opposed.

Parking Garage at UCF Downtown (FFC-3)

Seymour and Shepherd presented for approval a request for \$14.62 million toward the design and construction of a 580-space parking garage at UCF Downtown, including 25,000 square feet of space to support the university store, campus services, and facilities operations. Seymour reiterated as Mitchell said earlier in the meeting, this is the most time sensitive of the items being presented.

Shepherd confirmed that the funding sources were Parking and Transportation Services and Business Services reserves, in addition to non-E&G interest earnings.

A motion was made by Trustee Garvy and seconded by Trustee Lord.

Trustee Walsh asked if the Board of Governors supports the ability to use self-generated funds. Shepherd stated the auxiliary service funds are kept within the units where they are generated for their specific uses, such as building parking garages.

Vice Chair Garvy asked for confirmation that the materials in the packet contain signed documents by the acting Chief Financial Officer and General Counsel verifying that the funds being discussed for approval for this building have been appropriately reviewed and presented to the trustees in accordance with the altered approval process and in accordance with all oversight regulations. Chair Martins confirmed.

Trustee Walsh again requested that the board approve an objective and expanded review of all projects, in an abundance of caution. Chair Martins responded that this discussion would be added to the agenda for the next Finance and Facilities Committee meeting on October 10. Chairman Marchena added even if the committee makes that recommendation, it would ultimately be a decision for the full board.

President Whittaker added they commit to timely sequencing and presentation for each of these projects. The only reason they asked for this special meeting was because of the urgency of two of the pieces that require moving forward immediately. Otherwise, they would have been held for the normal process and normal governance of the Finance and Facilities Committee, were it not for this urgency.

Chair Martins said this was understood and clearly outlined in briefings by the staff, particularly because the parking garage needs to be approved by Monday (October 8).

The committee unanimously approved \$14.62 million toward the design and construction of a 580-space parking garage at UCF Downtown, including 25,000 square feet of ground floor “white-box” space to support the university store, campus services, and facilities operations.

Infrastructure for UCF Downtown (FFC-4)

Seymour and Shepherd presented for approval a request for \$9.8 million toward the design and construction of campus infrastructure, including civil, utilities, hardscape and landscape for the new campus.

Seymour stated these items had not previously been included on the Five-year Capital Improvement Plan or the Capital Outlay Budget but are essential to opening the campus.

The work that is associated with this project includes constructing and connecting the exterior utilities, which include potable water, fire main, sanitary sewer, storm water attenuation, and water quality, electrical, data/fiber/communications, chilled water distribution, and return. In addition, it includes exterior signage, hardscape, and landscape serving this initial phase of the campus.

They do not have a final GMP contract and are conservatively estimating \$9.8 million. Shepherd confirmed that the funding sources were non-E&G interest earnings.

A motion was made by Trustee Boloña and seconded by Trustee Lord. The committee unanimously approved \$9.8 million toward the design and construction of the campus infrastructure to support UCF Downtown, including civil, utilities, hardscape and landscape for the new campus.

OTHER BUSINESS

Five-year Capital Improvement Plan Review

Trustee Walsh asked if the Five-year Capital Improvement Plan list should be updated now. Mitchell responded the plan is currently being reviewed by the Facilities Budget Committee and then the University Budget Committee, who will generate the next list.

Walsh asked if the list needs to be reviewed now by the trustees prior to the Facilities Budget Committee and University Budget Committee.

Mitchell and Chair Martins stated the plan will be brought to the Finance and Facilities Committee as it normally does after review by the Facilities Budget Committee and University Budget Committee. Chairman Marchena said a decision can be made at that time whether the Finance and Facilities Committee wants to make modifications.

Trustee Walsh expressed concern at that being five or six months away, but Chairman Marchena stated the board will not be approving projects in that time they do not want to approve.

Chair Martins and Chairman Marchena confirmed the projects presented today, with the exception of the UCF Downtown infrastructure, are on the current Five-year Capital Improvement Plan.

President Whittaker said the only item to be presented from the PECO list to the Board of Governors will be the renovation of Engineering I on October 14.

Trustee Walsh said the opportunity has presented itself to reduce the list by \$38 to \$40 million. Chair Martins asked Trustee Walsh if he agreed to let the Five-year Capital Improvement Plan go through its normal review process by the internal committees and then try to expedite it coming before the Finance and Facilities Committee. Walsh agreed.

Chair Martins adjourned the Finance and Facilities Committee meeting at 9:52 a.m.