



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Third Floor, Millican Hall
June 19, 2019

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 members Kyler Gray, John Lord, and David Walsh were present. Committee member Robert Garvy attended by teleconference. Trustees Joseph Conte, Beverly Seay, and Bill Self were present. Trustee Ken Bradley attended by teleconference.

Chair Martins opened the meeting with commentary regarding the report issued by Joey Burby of the Bryan Cave law firm at the Board of Governors' Audit and Compliance Committee meeting last week on the status of the UCF investigation.

Burby's findings included projects that at one point received Education and General (E&G) funds. These projects had already been acknowledged by the internal UCF investigation. Burby's list did not distinguish whether the funds were spent or replenished, nor whether they were allowable uses of E&G funds.

The UCF Board of Trustees' self-directed investigation identified all but three of the projects on Burby's list. The three projects were known to staff during this past September's assessment but deemed allowable based on staff's best judgement at that time. Also, these three projects are from 2012 and extend past most of this board's tenure. Conversations are occurring with staff and the BOG to see if E&G funds need to be replenished for the three projects. Martins noted that the spent or transferred E&G funds, other than the three projects awaiting BOG guidance, were corrected in September 2018.

Interim Chief Financial Officer Dennis Crudele is researching the projects and their funding and working with Board of Governors (BOG) staff. The BOG has stated that no determination will be made until the Bryan Cave investigation has concluded.

Martins said he is confident that current staff has worked honestly, with integrity, and with transparency, and that the UCF board is upholding its fiduciary responsibility. Martins further stated the UCF board has taken action, continues to take action, and continues to force change and accountability. This will continue until UCF's system of transparency and accountability is in order.

MEETING MINUTES

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

NEW BUSINESS

Center for Emerging Media Name Change (FFC-1)

Misty Shepherd, Interim Vice President for Administrative Affairs and Operations, and Mike Kilbride, Assistant Vice President for UCF Downtown, presented for approval a request to change the name of the Center for Emerging Media to the Communication and Media Building.

Currently, the Florida Interactive Entertainment Academy (F.I.E.A.) and the Center for Research and Education in Arts, Technology, and Entertainment (C.R.E.A.T.E.) are the only programs located in the Center for Emerging Media.

When the renovations to the Center for Emerging Media are complete, the building will be home to the following departments and units:

- Center for Research and Education in Arts, Technology, and Entertainment
- Department of Games and Interactive Media
- Department of Communication
- Florida Interactive Entertainment Academy
- Nicholson School of Communication and Media Administration

In addition, the newly renovated building will include general purpose classrooms, computer labs, dedicated space for the new doctoral program in Strategic Communication, and research space.

A name change is requested to better identify the new mix of programs and units located in the building.

Replacing the external signage on the existing building will cost \$22,560. The signage will be funded from existing dollars within the renovation project. Those funds were certified on October 5, 2018 as auxiliary revenues that are neither for student services nor for debt service.

The committee unanimously approved the request to change the name of the Center for Emerging Media to the Communication and Media Building.

2018-19 Increase Budget Authority for Auxiliary Enterprises (FFC-2)

Crudele presented for approval an increase in the 2018-19 Auxiliary Enterprise operating budget of \$48.3 million.

During 2018-19, \$84.7 million was transferred from capital projects to E&G carryforward to correct projects that were improperly funded (\$38.2 million for Trevor Colbourn Hall (TCH) and \$46.5 million for other projects). In addition, \$52.2 million of auxiliary funds were transferred to the projects to fund TCH (\$38.2 million) and other project cash deficits as of June 30, 2018 (\$13.7 million). They are currently working with the Board of Governors to reverse up to \$13.3 million that was overcorrected last fall.

Auxiliary funds totaling approximately \$35 million will be used to fund a portion of remaining cash deficits for the other projects as of June 30, 2019. Approximately \$33.7 million will need to be funded in future fiscal years.

The Board of Trustees approved the 2018-19 university operating budget on May 24, 2018, including the Auxiliary Enterprises budget of \$294 million. An increase in Auxiliary Enterprises spending authority of \$48.3 million is requested for funding the other projects.

The first six projects shown on Attachment A of the meeting materials (CREOL Expansion, Downtown Academic Building, Center for Emerging Media, Downtown Energy Plant, Downtown Infrastructure, and Downtown Student Center) are still under construction. The Board of Trustees has previously approved Capital Project Certification forms for these projects.

Crudele is waiting for the BOG to confirm if \$2.7 million in E&G funds can be used for the Downtown Student Center. If that authorization is made before June 30, a Capital Projects Certification form will be presented to the board.

Walsh asked for clarification as to whether this request is to continue the cash-flow process and is not related to capital project certifications. Crudele and Martins confirmed.

Trustee Lord asked when the BOG is expected to respond regarding the possible overcorrection of the \$13.3 million. Crudele said he hopes to have a response by June 30.

Trustee Self asked if equivalent funds have been moved back into the auxiliary accounts from which funds were removed to replenish E&G funds used for construction projects. Crudele confirmed that they had.

Walsh asked if the Bryan Cave investigation changes the reconciliation process for E&G funds. Crudele said that it does not.

Trustee Seay reiterated that all but three of the projects were part of the UCF board investigation, and Chairman Garvy added that the UCF board was aware last fall of the three projects. Whether they were allowable or not is still being determined.

The committee unanimously approved the use of \$48.3 million existing auxiliary cash.

Direct Support Organizations' 2018-19 Third-Quarter Financial Reports (INFO-1)

Crudele and Bert Francis, Assistant Controller, presented as an information item the 2018-19 Third-Quarter Financial Reports for the Central Florida Clinical Practice Organization and the university Direct Support Organizations (DSOs): UCF Athletics Association and Stadium Corporation, UCF Convocation Corporation, UCF Finance Corporation, UCF Foundation, UCF Limbitless Solutions, and the UCF Research Foundation.

Francis said notes for each DSO were provided on the cover page to explain any variances, but overall none adversely affect the operating results.

2019-20 Direct Support Organizations' Budgets (FFC-3)

Crudele and Francis presented for approval the 2019-20 budgets for the Central Florida Clinical Practice Organization and the university DSOs: UCF Athletics Association, UCF Academic Health, UCF Convocation Corporation, UCF Finance Corporation, UCF Foundation, UCF Limbitless Solutions, UCF Research Foundation, and the UCF Stadium Corporation.

Francis said notes for each DSO were provided on the cover page to explain variances in current-year budgets versus the next year's budgets.

Walsh requested a presentation to discuss the results of the consultant review of the CFCPO. Crudele said this would be appropriate for the budget workshop he wants to have with the trustees in the fall. Lord said that he is on the CFCPO board, and financial oversight had been lacking because of turnover. Staff is now in place, as are measures to improve. Trustee Conte is on the UCF Academic Health board and added that the doctors are creating a plan that will resolve many issues moving forward.

Walsh stated that it would be worth investigating if mental health counseling for students could be integrated into the clinical practice. This also would allow them to receive insurance reimbursement.

Self asked for an explanation of the increase in debt service for the UCFAA. Brad Stricklin, Senior Associate Athletics Director and Chief Financial Officer, said this is to allow for the Roth Athletics Center Phase II construction to begin pending the BOG lifting the moratorium on capital projects that exceed \$2 million. The increase is also due to stadium enhancements, including increased premium seating, as well as video boards for the baseball, softball, volleyball, and soccer and track facilities.

Martins expressed concern about the minimal amount in the Repair and Renovation (R&R) reserve of the UCF Stadium Corporation budget. While Danny White, Vice President and Director of Athletics, reported that, on average, \$250,000 is spent annually on stadium repair and maintenance, Martins believes reserves need to be enough to cover unexpected repairs. Crudele said that on the next agenda item (FFC-4 Release of Unrestricted UCF Stadium Corporation Revenues), he would ask that the \$100,000 amount be increased to \$250,000. Francis said the \$100,000 amount is being added to the R&R fund. At the end of the year, that fund will have approximately \$470,000 total.

Seay said that the UCF Convocation Corporation's R&R fund also is depleted. Crudele said that the corporation has not raised housing rates in seven years. To have the revenue necessary to be in compliance with loan documents, housing rates might need to increase. This will be brought back to the board for discussion at a future meeting.

The committee unanimously approved the 2019-20 budgets for the Central Florida Clinical Practice Organization and the university DSOs: UCF Athletics Association, UCF Academic Health, UCF Convocation Corporation, UCF Finance Corporation, UCF Foundation, UCF Limbitless Solutions, UCF Research Foundation, and the UCF Stadium Corporation.

Release of Unrestricted UCF Stadium Corporation Revenues (FFC-4)

Crudele requested the approval of the release of revenues of \$6,510,667 above budgeted obligations from the UCF Stadium Corporation to the UCF Athletics Association for 2019-20, but that the “Less: Deposit to Reserve Accounts” line on the Stadium Corporation budget be changed from \$100,000 to \$250,000.

The committee unanimously approved the release of the unrestricted UCF Stadium Corporation Revenues of \$6,510,667 to the UCFAA, with the caveat that the “Less: Deposit to Reserve Accounts” line on the Stadium Corporation budget be changed from \$100,000 to \$250,000.

2019-20 University Operating Budget (FFC-5)

Crudele made a detailed presentation on the process and strategy behind the development of and presented for approval the university operating budget for 2019-20 totaling \$1,962,934,570.

The E&G and Medical School budgets reflect the amounts proposed by the Florida Legislature and are subject to approval by the governor.

All other budgets were compiled using requests from individual departments and a review of expected revenue, expenditures, and fund balances for each area, along with a comparison to projected and actual amounts from the prior year. Performance-based funding is subject to final approval by the BOG in July. Universities are required to maintain an unencumbered balance in the E&G fund of at least seven percent of the approved operating budget.

Crudele’s presentation discussed the ten budgetary components, the budget development process, an executive summary of the budget, and breakdowns of the composition of the 2019-20 E&G budget, 2019-20 auxiliary budget, and the 2019-20 proposed operating budget.

A robust discussion with questions from all trustees followed, specifically focused on significant variances from the prior year.

The committee unanimously approved the 2019-20 university operating budget as presented.

Subway at Knights Plaza Lease Amendment (FFC-6)

Shepherd and Ronnie Lamkin, General Manager of the UCF Convocation Corporation, requested approval of an amendment to the lease of the Subway restaurant at Knights Plaza.

The amendment proposed two, five-year renewal options to the term of the lease that will allow Subway to refresh its current space as required by the franchise and amortize that cost over a 10-year period, while allowing UCF to buy out and terminate the lease if future market conditions merit such an action. The first renewal option will begin on March 29, 2022. The amendment includes provisions for UCF to terminate the lease at any time during either of the extended terms by providing notice to Subway, allowing Subway a first right of refusal for the space under revised terms dictated by UCF, and by reimbursing Subway for any remaining balance of undepreciated facility investment.

All other terms of the current lease will remain in full force and effect throughout any extensions.

Martins informed the committee that the State Division of Land will need to approve the lease before the board can sign it.

The committee unanimously approved the Subway at Knights Plaza lease amendment as presented.

Investments Quarterly Report Ended March 31, 2019 (INFO-2)

As an information item, Crudele and Brad Hodum, Interim Controller, presented the investments quarterly report for the quarter that ended March 31, 2019.

On March 31, 2019, the university had the following cash and investment balances:

Bank of America operating account	\$ 9,644,868
State of Florida Special Purpose Investment Account (SPIA)	\$ 320,683,227
Bank of New York Structured Investment Portfolio	<u>\$ 288,552,494</u>
Total Cash and Investments	<u>\$ 618,880,639</u>

The structured investment portfolio earned quarterly net gains totaling \$13,687,651.

Garvy requested that more information be provided to the trustees on the spending of gains, their guidelines, and setting reporting requirements so the trustees understand where funds go and for what use.

Repeat Course Fee for 2019-20 (INFO-3)

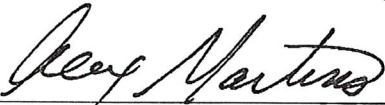
Crudele presented as an information item the repeat course fee for 2019-20. Pursuant to Florida Statute 1009.285 *Fees for repeated enrollment in college credit courses*, each student enrolled in the same undergraduate college-credit course more than twice shall pay tuition at 100 percent of the full cost of instruction. This increase in the per credit hour charge is referred to as the repeat course fee. It is adjusted each year by the BOG based on the system wide average of the prior year's cost of undergraduate programs in the state university system.

The repeat course fee for 2019-20 is \$192.85 per credit hour. This is an increase from 2018-19 by \$2.01 due to the fact that expenditures grew at a higher rate than student credit hours. This increase is expected to yield approximately \$20,000 in additional E&G tuition revenue. These funds are restricted to support the educational, research, and public service mission of the university.

2018 Capital Projects Summary (INFO-4)

This item was tabled because of time constraints and will be presented at the July 18, 2019 Finance and Facilities Committee meeting.

Martins adjourned the Finance and Facilities Committee meeting at 10:35 a.m.

Reviewed by:  7.18.19
Alex Martins
Chair, Finance and Facilities Committee
Date

Respectfully submitted:  8/2/19
Grant J. Heston
Associate Corporate Secretary
Date