UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Third Floor, Millican Hall
September 18, 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 Robert Garvy and Kyler Gray were present. Committee members Danny Gaekwad and David Walsh attended by teleconference. BOT Chair Beverly Seay was present. Committee member Bill Yeargin did not attend.

MEETING MINUTES

The minutes of the August 14, 2019 Finance and Facilities Committee meeting were approved as submitted.

NEW BUSINESS

Carryforward Spending Plan for 2019-20 (FFC-1)

Dennis Crudele, Interim Vice President for Financial Affairs and Chief Financial Officer, presented for approval the carryforward spending plan for 2019-20.

In response to Senate Bill 190 becoming law effective July 1, 2019, the Board of Governors (BOG) requires universities to obtain approval of annual E&G carryforward expenditure plans by their Board of Trustees and the Board of Governors. The Board of Governors also requires universities to obtain written certification of the E&G carryforward expenditure plan, along with the university operating budget and university fixed capital outlay budget, by the University President, Chief Financial Officer, and Board of Trustees Chair. The annual university operating budget for 2019-20 was approved by the Board of Trustees at the June 19, 2019 Board of Trustees meeting. The university fixed capital outlay budget is the following item on the agenda for this committee meeting (FFC-2).

Approximately $302,400,819 in E&G carryforward funds for 2019-20 will be used for these initiatives. The trustees are being asked to approve the spending plan as described in Attachment B and, as with the operating budget, allow the president to amend the plan up to 10 percent.

Senate Bill 190 requires that seven percent, or $45,087,127, of the carryforward funds be placed into reserves. The funds will be in an interest-bearing account, but the university cannot access the money.

When developing the plan, staff took into consideration the seven percent hold back, BOG-required formatting, prior approved carryforward projects, student success including student financial aid, faculty startups, deferred maintenance and plant operation and maintenance, a chemical storage facility, and computer equipment and software.

Crudele said they chose to not condense the number of line items so that reporting back the actual expenditures of the carryforward plan will be easier. All expenditures meet E&G-allowed spending criteria per the BOG.

Chair Martins reiterated that numerous conversations had occurred with BOG staff to ensure the carryforward spending plan was correct in its design and expenditure use was appropriate.

Vice Chair Garvy stated that, moving forward, UCF internal audit and compliance staff should be used to certify the carryforward spending plan. Martins agreed. Martins also recommended the spending plan be tied to the university's strategic plan.

The committee unanimously approved the carryforward spending plan for 2019-20 as presented.

2019-20 Capital Outlay Budget (FFC-2)
Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer, presented for approval the 2019-20 capital outlay budget.

Pursuant to Florida Statute 1013.61, each university's Board of Trustees must adopt an annual capital outlay budget that designates proposed expenditures by project. The University of Central Florida 2019-20 capital outlay budget reflects funding for PECO; Capital Improvement Trust Fund; maintenance, repair, renovation, and remodeling projects; and carryforward projects. It includes state-funded projects (requested through the Legislative Budget Request process) and non-state-funded projects.

The Board of Governors also requires universities to obtain written certification of the university capital outlay budget, along with the E&G carryforward expenditure plan and university operating budget, by the University President, Chief Financial Officer, and Board of Trustees Chair. The annual university operating budget for 2019-20 was approved by the Board of Trustees at the June 19, 2019 Board of Trustees meeting. The university E&G carryforward expenditure plan was the previous item on the agenda for this committee meeting (FFC-1).

The budget format was set by the BOG with a prescribed template that includes the following designated columns: Project Title, Funding Source, Total Project Cost, Available Approved Budget, Encumbrances, Activity to Date, Balance, and FY19/20 Projected.

Project categories are New Construction/Expansion (further broken down into New/Proposed, In Progress, and In Close-out), Renovations/Renewal (further broken down into HVAC, Roof Replacement, Building Automated Systems, and Other Renovation Projects), and Fixed Capital Outlay Maintenance and Repairs (Deferred Maintenance).

Shepherd stated that they are establishing standards for how long projects will remain in the "In Close-out" phase. At the request of the Chair, Facilities will update the trustees at the October 16

Finance and Facilities Committee meeting on the recommendations suggested by the Hill consulting firm in 2017 (project close-out time being one).

Martins added the capital outlay budget list could potentially be reduced by half if the close-out time is decreased.

Shepherd said capital outlay budget planning starts at the macro-level vision of the Campus Master Plan and the needs identified in the university's Educational Plant Survey for construction, renovation, or expansion projects, or a facility condition assessment report or other engineering report. This informs the development of the capital improvement plan (CIP), the component of UCF's state funding request (the legislative budget request, or LBR), which culminates in the spending plan presented here in the capital outlay budget.

Facilities also will strengthen the project close-out process to reduce the length of time it takes and include a clear expectation of how long a project will take in the work phase and how long it will remain in the close-out phase.

She will review the draft Campus Master Plan that is currently under review for public comment at the October 16 Finance and Facilities Committee meeting.

Martins emphasized that the capital outlay budget is not an approval for any new projects. Today the committee is only approving the budgeting for the projects listed, not the projects themselves. Any new projects on the list will come back to the committee for approval.

Garvy asked if the projects were listed in priority order on the capital outlay budget and carryforward spending plan. Shepherd said no, universities prioritize their requests on the LBR.

Trustee Gaekwad requested a summary list of vendors used for university construction projects in the last five years, how many projects each vendor has, and the dollar amounts of each project.

Trustee Walsh said space utilization and allocation for major projects should be a priority. Shepherd said that is evaluated in the Educational Plant Survey, the results of which are part of the Campus Master Plan.

Walsh also recommended implementing a "make good" process where a project is evaluated after its completion to determine if space utilization and financial expectations were met.

Martins requested a global planning calendar be provided to the trustees so they know when items will be presented to the committee during the year.

The committee unanimously approved the 2019-20 capital outlay budget as presented.

<u>UCFAA Loan for Roth Athletics Center Phase II (FFC-3)</u>
Brad Stricklin, Executive Associate Athletics Director and Chief Financial Officer for UCFAA, requested approval for the UCAFF to seek a loan up to $8,550,000 with Regions Capital Advantage to finance the construction of the interior of the Roth Athletics Center. The loan must be paid back within 60 months and will be secured by donation pledges. The interest rate will be 2.01 percent. The UCFAA board has approved the loan, and it now needs UCF Board of Trustees approval.

Martins informed the committee that the BOG lifted the moratorium on new capital projects, and that this project is completely funded by donors and will receive zero university dollars.

Stricklin stated that UCFAA also is in discussions with Regions Capital Advantage for a three-to-five-year corporate sponsorship deal worth six figures.

Garvy asked for the project completion date. David Hansen, Executive Associate Athletics Director and Chief Operating Officer for UCFAA, said July 2020.

Chair Seay said this is the first project where university audit has been involved in the evaluation. They determined that the delay (Athletics has been wanting to pursue this project for many months) was costing a significant amount of money.

Scott Cole, Vice President and General Counsel, said the construction start date on the Board of Trustees Resolution document in Attachment B should be changed to October 2019 from July 2019.

The committee unanimously approved the request for UCFAA to seek a loan up to $8,550,000 with Regions Capital Advantage to finance the construction of the interior of the Roth Athletics Center and the Board of Trustees Resolution with the construction start date to be October 2019 and not July 2019.

Post Investigation Action Plan for Items with Finance and Facilities Committee Oversight (FFC-4)

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

The Capital Outlay Budget has been completed and was approved as FFC-2 on today's meeting agenda. The Capital Outlay Budget now needs to be marked as complete and removed from the list of recommendations needing completion.

The committee unanimously approved marking the Capital Outlay Budget as complete and removing it from the list of recommendations.

2020 BOT Finance and Facilities Committee Meeting Dates (INFO-1)

Martins presented as an information item the 2020 BOT Finance and Facilities Committee meeting dates.

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

Reviewed by: 10.16.19

Alex Martins Date

Chair, Finance and Facilities Committee

Respectfully submitted : 10/18/2019

Janet Owen Date

Associate Corporate Secretary