



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
June 17, 2020
UCF *FAIRWINDS* Alumni Center

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 Danny Gaekwad, Caryl McAlpin, and William Yeargin attended by teleconference. Committee member David Walsh attended in person. Board of Trustees Chair Beverly Seay attended by teleconference. Trustees Joseph Conte and Joseph Harrington attended in person.

MEETING MINUTES

The minutes of the May 13, 2020 Finance and Facilities Committee meeting were unanimously approved as submitted.

REPORTS

Joseph Trubacz, Interim Vice President for Financial Affairs and Chief Financial Officer, provided the committee with a brief financial update. Trubacz informed the committee that the University of Central Florida (UCF) is projecting a new carryforward amount of \$45 – \$50 million based on actual and projected revenues and expenditures, and that these funds will be the main source of funding for the ERP project that will be discussed at the Board of Trustees (BOT) meeting on June 18, 2020. Trubacz updated the committee on UCF's current enrollment numbers, which reflected a small decrease of 2.7 percent for the Fall semester. Trubacz informed the committee of cost cutting measures being implemented to increase efficiency without furloughing staff, which include:

- a. Continuing the hiring, spending, and travel freezes, which are estimated to save \$13.55 million over four months, translating into approximately \$3.4 million per month.
- b. Implementing budget software, which is planned to start this summer and go live after the first of the year.
- c. Implementing DocuSign campus-wide this summer to facilitate electronic signatures and increase efficiency while working remotely.

Trubacz informed the committee of a recently formed auxiliary working group, chaired by Bert Francis, Assistant Vice President for Debt Management, that will examine each auxiliary's financial position to better understand the revenue and expenditure drivers that are critical to interpreting financial sustainability. The findings of the working group will then be presented to the BOT in a clear and consistent manner.

Trubacz also informed the committee of the re-establishment of the University Budget Committee. The committee will look holistically at the university budget and increase transparency. It will include representatives from the President's Cabinet and Faculty and act as an advisory board to the President.

Trubacz stated that the Board of Governors (BOG) has allowed for continued flexibility with carryforward spending through June 2021.

Trubacz provided the committee with an update on CARES Act funding. In the first round of student funding, UCF awarded a total of \$16,715,854 to 18,514 students who met eligibility criteria and completed an application that stated their need for support. The maximum award levels for the first round of emergency aid were \$950 for Pell-eligible students and \$900 for non-Pell-eligible students. If students requested less in their applications, they received the lesser amount. Requests ranged from \$9 for technology to \$30,000 for medical bills. When possible, UCF worked to provide funding in the amount each applicant requested unless it exceeded the maximum award level. UCF will reopen the application window later this month to allow students who missed the first application window to apply and so that students who did not receive the maximum amount can request additional support if they have other expenses. The institutional portion of funds is available but has not been drawn down yet. Based on the latest communication received from the BOG, state universities will not receive any of the \$174 million awarded to the state for the Governor's Emergency Education Relief funding, which will instead be going to childcare and K-12 education.

Trubacz concluded by informing the committee that UCF is waiting to hear from the BOG regarding possible budget cuts associated with COVID-19.

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer, provided the committee with the COO update. Shepherd informed the committee that UCF is currently implementing plans related to the repopulation of campus. UCF is following the guidance from CDC, OSHA, WHO, and state and local agencies to effectively implement these plans. Shepherd provided the committee with steps that have been implemented, including:

- a. Touchless mechanics in buildings: 400 StepNpulls installed, 250 swipe-to-open retrofits for existing doors, auto faucet and toilet valves, and touchless elevator controls;
- b. Utilization of plexiglass shields;
- c. UVC lighting technology to disinfect air flow through ventilation systems in certain high-density buildings; and
- d. Upgrading filters throughout.

Shepherd stated that UCF has also worked to enhance cleaning protocols and are using products that are CDC/EPA-approved effective on coronavirus. UCF is adding additional resources to its

housekeeping team to provide more frequent cleaning of high-touch areas and common areas, and deep cleaning of bathrooms. Each building will have between one and three full-time team members assigned to it, based on size.

Shepherd addressed the current events surrounding the death of George Floyd and assured the committee that the UCF Police Department (UCFPD) is currently evaluating policies and training to ensure diversity and inclusion. Currently, UCFPD has several required training courses, including fair and impartial policing, Muslim student association training, fair and impartial policing booster course, procedural justice, and safe zone training. Shepherd also indicated that UCFPD will be reviving the Chief's Advisory Council, which includes students, faculty, staff, and parents. This group was first formed in 2015 and met quarterly, but evolved to a larger, more loosely organized group of campus partners. The Council will revisit how to best organize and move forward, and meetings will resume in the fall.

Shepherd stressed the importance of seeking out and investing in training opportunities, such as requiring all officers and staff to complete Harvard's Project Implicit Bias test, and having certain officers selected to participate in a "train the trainer" course on Implicit Bias Training to teach this course in-house for all new officers as part of their onboarding.

Shepherd also provided a brief update on the Emergency Management team, which has started planning for the current hurricane season. Emergency Management has developed the first comprehensive hurricane plan, which allows UCF to capture action items for implementation in all phases of a hurricane: preparation, response, and recovery.

Yeargin asked Shepherd if they are currently monitoring the outbreak of COVID-19 cases near campus and whether that will have an impact on the repopulation of campus. Shepherd stated that they are not concerned at this time, but will continue to monitor the situation and implement the processes in place to ensure student safety.

Martins asked Shepherd about UCF's plans for food and beverage service. Shepherd informed Martins that Aramark submitted plans to UCF on increased safety measures. These measures include prepacked food options, disposable dishes, masks worn by staff members, wellness checks for staff members, eliminating self-serve stations, and frequent cleaning.

Walsh inquired when UCF will know about budget cuts due to COVID-19 from the BOG, to which Janet Owen, Vice President, Government Relations, replied that they anticipate the governor will release the information any day now.

NEW BUSINESS

University Operating Budget Quarter Ended March 31, 2020 (INFO-1)

Kristie Harris, Associate Vice President for Financial Affairs, gave a brief overview of the University Operating Budget for the quarter ending March 31, 2020. Harris stated that through the third quarter, UCF has not seen a major impact due to COVID-19; however, it will be reflected in the fourth-quarter report.

Harris informed the committee that they are constantly brainstorming new report formats to bring to the committee and will have more reports in the coming fiscal year.

The committee had no questions regarding the University Operating Budget.

FY 2020-21 Continuation Operating Budget (FFC-1)

Trubacz requested approval of a continuation budget for FY 2020-21 at the same funding levels approved by the BOT on June 19, 2019, for the 2019-20 operating budget. Once the state budget has been finalized by the governor, staff will prepare and submit a detailed operating budget to the BOG on or before the submission deadline of August 21, 2020. Additionally, the final budget will be presented to the BOT for approval at a future meeting due to the uncertainties of the pandemic.

Yeargin asked Trubacz if other universities within the SUS are taking the same route, to which Trubacz replied that this seems to be the route most institutions are taking at this time.

Walsh inquired whether UCF is continuing with business as usual until cuts are made, to which Trubacz responded that this budget allows UCF to continue operating into the next fiscal year with the spending, hiring, and travel freezes that have been implemented. The budget will be reevaluated once the cuts have been made.

The committee unanimously approved the Continuation Operating Budget for FY 2020-21.

Five-Year Capital Improvement Plan (FFC-2)

Shepherd provided the committee with a brief overview of the Capital Improvement Plan (CIP). The CIP is a component of the university's Legislative Budget Request (LBR) and puts forth the capital projects for which UCF is seeking Public Education Capital Outlay (PECO) or other state funds. Shepherd informed the committee that approval of the CIP does not constitute the BOT's approval of any specific project and that it does not include all capital projects, but rather only those for which UCF is seeking additional state funding. This year's CIP includes a new facility for Teaching/Learning Labs, a new facility for interdisciplinary research (Research II), and a new facility for performing arts (Performing Arts Center II). It also includes the renovation of the Communication and Media Building - Downtown, the Chemistry Building, and Howard Phillips Hall. Shepherd provided an overview of each project and its importance to UCF.

Shepherd explained that in 2017, UCF held a three-day workshop at which each college presented its vision for future program growth and its greatest facility needs. From that exercise, the highest priorities identified were two new innovative, interdisciplinary facilities to meet campus-wide needs for teaching and research laboratories.

Walsh asked Shepherd if the committee was being asked to approve the whole five-year plan or each individual year. Shepherd informed the committee that the approval was for the entirety of the CIP.

The committee unanimously approved the Five-Year Capital Improvement Plan.

Direct Support Organizations' 2019-20 Third-Quarter Financial Reports (INFO-2)

Christina Tant, Assistant Vice President for Direct Support Organization (DSO) Accounting and Reporting, provided the committee with the DSOs' 2019-20 Third-Quarter Financial Reports. These reports are provided to the BOT quarterly for informational purposes only. Tant informed the committee that there was no information to highlight.

The committee had no questions regarding the Direct Support Organizations' 2019-20 Third-Quarter Financial Reports.

2020-21 Direct Support Organizations' Budgets (FFC-3)

Tant informed the committee that the DSOs develop their annual budgets and present them for approval to their respective boards of directors each spring. Each DSO board has one voting member who also serves as a member of the BOT. All of the budgets presented were approved by the respective DSO boards.

Tant highlighted the UCF Athletics Association (UCFAA) budget, which reflects a \$5.1 million net surplus. Of the budgeted revenues, approximately half is from student athletic fees and university scholarship support, and half is driven by football. The budget assumes a full college football season of seven home games with spectators present. Tant expressed that UCFAA is working on plans to mitigate potential revenue shortfalls and is prepared to make additional adjustments to the budget.

Tant next highlighted the Stadium Corporation. The budget reflects a net surplus of \$12.1 million and debt service of \$3.6 million, leaving approximately \$8.5 million available to transfer to UCFAA to fund its operations. Like UCFAA, this budget also assumes a full college football season with spectators present.

Tant stated that UCF Academic Health's budget reflects increased leasing operations at the Lake Nona Cancer Center. The net decrease of \$178,000 will be funded by cash on hand at the end of FY 2020.

The UCF Convocation Corporation budget will need to be adjusted based on student housing and retail shortfalls due to COVID-19.

Tant then provided a brief overview of the remaining DSO budgets.

The committee unanimously approved the 2020-21 Direct Support Organizations' Budgets.

UCF Athletics Association Request to Participate in the CARES Act Payroll Tax Deferral Program (FFC-4)

Brad Stricklin, Executive Associate Athletics Director and Chief Financial Officer, informed the committee of the CARES Act Payroll Tax Deferral Program, which allows UCFAA to defer payment of payroll taxes (6.2 percent of employer wages, up to \$137,700) from the date of BOT approval through December 31, 2020. The deferred taxes would be paid in 50 percent installments by December 31, 2021, and by December 31, 2022, with no interest charged.

Stricklin stated that this would provide UCFAA with additional cash flow, interest free, for the summer and fall at a time when most of the football-related revenue is used to pay the debt obligations for the football stadium. Stricklin informed the committee that this deferment would free up approximately \$315,000, which allows UCFAA to maintain a positive cash flow.

The committee unanimously approved UCFAA's participation in the CARES Act Payroll Tax Deferral Program.

Release of Unrestricted UCF Stadium Corporation Revenues (FFC-5)

Stricklin gave a brief background of the release of the unrestricted UCF Stadium Corporation revenues. Stricklin stated that this request has come before the committee every June for the last 11 years. UCFAA requests a blanket approval for any funds above debt requirements to be returned to them. UCF Stadium Corporation's board reflects a projected \$12,151,024 net increase from operations. Of that amount, \$3,623,606 is budgeted for debt service payments, leaving projected unrestricted excess revenues of \$8,527,418 available for transfer to UCFAA. Stricklin emphasized that the UCFAA budget is dependent upon receiving these unrestricted excess revenues.

The committee unanimously approved the release of revenues above budgeted obligations from the UCF Stadium Corporation to UCFAA for FY 2020-21.

Renewal of Lines of Credit - Fifth Third Bank (FFC-6)

Stricklin informed the committee that UCFAA currently has two lines of credit with Fifth Third Bank. The first line of credit is a Reducing Revolving Line used for construction. This line of credit was originally opened in 2004 for the purpose of constructing facilities for women's sports. The original line of credit was \$4.5 million and was increased to \$8.5 million in 2006 to help facilitate the initial costs of Spectrum Stadium and then additional needs once the stadium bonds were issued and the line was reimbursed for the initial expenses. Each year, the line is renewed and includes a negotiated principal payment. The interest rate on this line is tax-exempt. There are no more draws available on the line and the balance owed is \$5,080,000.

Stricklin stated that the second line of credit is a Revolving Line (Operating). This line of credit assists UCFAA with cash flow timing issues and was opened in 2012. This line is currently in the amount of \$5 million but must "rest" with a zero balance for 14 consecutive days. This year, the line was rested in March. The interest rate on this line is at taxable rate. Stricklin stated that the lines of credit are crucial for UCFAA due to the uncertainties of changes to the football season caused by the COVID-19 pandemic.

McAlpin asked Stricklin if UCFAA frequently tries to negotiate the interest rates of the loans with Fifth Third Bank. Stricklin informed McAlpin that UCFAA tries to receive the best rate possible.

The committee unanimously approved the Renewal of Lines of Credit - Fifth Third Bank.

UCF Lake Nona Cancer Center Amended and Restated Master Lease Agreement (FFC-7)

Shepherd provided the committee with the history of the Sanford Burnham property in Lake Nona. The property was purchased from Orange County through the UCF Real Estate Foundation (UCFREF) as the holding entity. The property was immediately leased to UCF for the development of a comprehensive research and treatment center that would allow College of Medicine cancer research to coexist with several highly recognized private entities in the field. Shepherd stated that as UCF and UCF Academic Health (UCFAH) became more involved in preparing the building for private tenants, unanticipated costs associated with changing the facility from a single-tenant space to a multi-tenant space were discovered. UCFREF agreed to cover the building renovation costs and worked with UCF to amend the master lease to charge UCF rent based on the square footage it occupied, in addition to the rent received from the third-party sub-subtenants.

Shepherd introduced Jeanette Schreiber, Chief Legal Officer and Associate Vice President for Medical Affairs, who explained to the committee members that the purpose of the proposed amendments is to provide a structure for UCF to pay annual rent and operating expenses to UCFREF for the portion of the UCF Lake Nona Cancer Center occupied by UCF, which funds will be used by UCFREF to cover the expenses of managing and maintaining the property; to clarify the insurance language in Master Lease; and to make other minor changes to align language throughout the Master Lease.

Walsh inquired if the subleases received by the private residents are formally linked to the mortgage payment to the county. Schreiber explained that they are not formally linked; however, the cost of the mortgage will be covered by rent from the private tenants.

The committee unanimously approved the Lake Nona Cancer Center Amended and Restated Master Lease Agreement.

Lake Nona Cancer Center Amended and Restated UCFAH Sublease (FFC-8)

Schreiber stated that the purpose of the proposed amendments to the UCFAH sublease is:

1. To make conforming changes to align with amendments being proposed to the Master Lease between UCFREF and UCF regarding the role of UCFREF as owner;
2. To clarify the rent commencement date;
3. To clarify insurance requirements for sub-subtenants; and
4. To attach the amended and restated Master Lease.

The committee unanimously approved the Lake Nona Cancer Center Amended and Restated UCFAH Sublease.

Post Investigation Action Plan Implementation Update (FFC-9)

Kathy Mitchell, Associate Vice President for Financial Initiatives, provided the committee with an update on the tasks assigned to the Finance team. Mitchell stated that items 43, 44, 45, and 48 have been completed.

Chair Martins asked Mitchell if all items from the Post Investigation Action Plan will be completed by the scheduled completion date of June 30, 2020, to which Mitchell replied they would.

The committee unanimously approved the completion of items 43, 44, 45, and 48 from the Post Investigation Action Plan.

UCF Investments Quarterly Report Ended March 31, 2020 (INFO-3)

Danta White, Assistant Vice President and University Controller, provided the committee with the quarterly update on the university's investment portfolio for the quarter ended March 31, 2020. White explained that the portfolio experienced an overall quarterly net loss of \$15.8 million primarily as a result of COVID-19's effect on the market; however, since that time, UCF's investments have seen a significant recovery.

Walsh had several questions regarding the losses reflected in the investment portfolio. Mitchell and White will follow up with Walsh later to ensure his questions are answered sufficiently.

UCF Investment Policy Manual Update (FFC-10)

White explained to the committee that the university establishes its investment parameters in accordance with sections 1011.42(5) and 218.415, Florida Statutes, and the UCF Investment Policy Manual (policy). He stated that this policy is applicable to UCF funds being held to meet current expenses and the excess of funds required to meet current expenses. White informed the committee that the changes made to the policy include updates for changes in the name of the Finance and Facilities Committee, the titles of the Vice President and Chief Financial Officer and the Division of Finance, and corrections to investment index nomenclature.

The committee unanimously approved the revisions to the UCF Investment Policy and Manual.

Martins adjourned the Finance and Facilities Committee meeting at 10:22 a.m.