



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
January 28, 2020
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 members Caryl McAlpin and Bill Yeargin were present. Committee members Kyler Gray, Harold Mills, and David Walsh attended by teleconference. Committee member Danny Gaekwad did not attend. Trustee Bill Self was in attendance.

Interim President Thad Seymour introduced new Interim Vice President for Financial Affairs and Chief Financial Officer Joseph Trubacz and recognized Michael Johnson as Interim Provost and Vice President for Academic Affairs.

MEETING MINUTES

The minutes of the December 11, 2019, Finance and Facilities Committee meeting were approved as submitted.

NEW BUSINESS

Health and Public Affairs Buildings Name Change (FFC-1)

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer, presented for approval the request to change the name of the Health and Public Affairs Building I (Building 80) and the Health and Public Affairs Building II (Building 90) to Health Sciences I (Building 80) and Health Sciences II (Building 90), respectively.

On July 1, 2018, the former College of Health and Public Affairs and the College of Education and Human Performance were reorganized and repurposed into the College of Health Professions and Sciences and the College of Community Innovation and Education. The requesting college, the College of Health Professions and Sciences, became a new interdisciplinary college with health degrees. The occupants in HPA I and HPA II are predominantly health science programs from the College of Health Professions and Sciences and the College of Medicine, Burnett School of Biomedical Sciences.

Also occupying the buildings are the (a) Department of Criminal Justice attached to the College of Community Innovation and Education (CCIE; HPA I), (b) Cyber Security Cluster (HPA I and II), and (c) Learning Sciences Cluster (HPA II). UCF designated the building liaisons for HPA I and HPA II from the Colleges of Health Professions and Sciences (HPA I, HPA II) and College

of Medicine (HPA II). Table 1 (Attachment C), which details the type of space, square footage, and student population for each college, program, and cluster, establishes that the majority of HPA I and HPA II buildings are occupied by faculty, staff, and students from health science colleges.

Replacing the external signage on the existing buildings will cost approximately \$25,000. The signage will be funded from an existing College of Health Professions and Sciences auxiliary account.

Yeargin made a motion to approve and McAlpin seconded.

The committee unanimously approved the name change for the Health and Public Affairs Building I (Building 80) and the Health and Public Affairs Building II (Building 90) to Health Sciences I (Building 80) and Health Sciences II (Building 90), respectively.

Post Investigation Action Plan for Items with Finance and Facilities Committee Oversight (FFC-2)

Trubacz and Kathy Mitchell, Associate Vice President for Financial Initiatives, updated the committee on the implementation of recommendations with Finance and Facilities Committee oversight following the inappropriate transfer of E&G funds to construction.

Item 11 was recommended as being considered complete. It states, "Internal loans should be fully disclosed and audited to ensure the safety and security of all funds, particularly E&G funds." The list of internal loans and plan for repayment was presented to the BOT at the November 14, 2019 meeting and fully discussed during the Board retreat on November 20, 2019.

Updates have been made to items 12 and 37.

Yeargin made a motion to approve and Walsh seconded.

The committee unanimously approved marking item 11 on the post investigation action plan as complete.

Oracle Technical Support Services Agreement (FFC-3)

Joel Hartman, Vice President and Chief Information Officer, presented for approval the Oracle Technical Support Services Agreement renewal.

The preceding technical support services agreement covered the period between December 19, 2014, and December 19, 2019. The proposed new agreement covers December 19, 2019, to December 19, 2022. The advantage of a multi-year agreement is that it provides for no price increases over the stated time span. The agreement now expiring has an annual cost of \$1,998,702.97. The new agreement is at an annual cost of \$2,038,677.03 per year for a total three-year cost of \$6,116,031.09. The annual cost difference between the old and new agreement is \$39,974.06, or exactly two percent.

The \$2,038,677.03 annual cost of the new Oracle software technical support services agreement will be paid from the UCF IT E&G operating budget.

UCF IT maintains an ongoing technical support services agreement (software support agreement) with Oracle Corporation to obtain timely software updates, security patches, and application changes conforming to new regulatory and tax requirements for the university's enterprise business systems (ERP systems). This support services agreement covers the university's PeopleSoft financial system, human resources system, grants management system, student information system, customer-facing portal (myUCF), and the Oracle databases supporting these applications.

Yeargin made a motion to approve and Mills seconded.

Mills asked if the university conducted negotiations with Oracle. Hartman confirmed and said those resulted with only a two percent cost increase. Mills also asked if the university is considering replacing Oracle. Hartman confirmed and said that is why the contract renewal is only for three years and not five.

Mills asked if Oracle is having a wind-down period. Hartman said a RFP process is not in place so he cannot discuss future terms with vendors, but they anticipate one of Oracle's negotiation terms will be a favorable transition to new applications and treatment of current licenses. The proposed ERP project will take two to three years for HR and Finance modules, followed by up to three years for the student modules, for a total of six years. The wind-down for the student modules will be in the final three years of that window.

The committee unanimously approved the approval the Oracle Technical Support Services Agreement renewal as presented.

Specialized Tuition for Master of Science in Financial Technology (FFC-4)

Michael Johnson, Interim Provost and Vice President for Academic Affairs, and Tim Letzring, Senior Associate Provost for Academic Affairs, presented for approval a self-supporting tuition model for the Master of Science in Financial Technology program. The program has received academic approval, but its requested self-supporting tuition model requires Board of Trustees approval.

This item was previously approved at the October 16, 2019 Finance and Facilities Committee meeting. However, since that meeting a new CIP code for Financial Technology was created, so the program must go through the necessary approval channels again with the new CIP code.

Other than the CIP code, all other aspects of the program are the same as what was presented in October.

Self-supporting tuition programs are those in which tuition and fees charged for college-credit or continuing education courses offset the full instructional cost of serving the student and do not exceed the existing approved tuition and out-of-state fees for similar level courses.

Self-supporting tuition programs are auxiliary enterprises and all expenses must be covered by tuition revenue. Self-supporting tuition levels are set between in-state and out-of-state graduate tuition (equivalent per credit hour charges between \$369.65 and \$1,194.05). The requested tuition rate for the Master of Science in Financial Technology is \$1,150 per credit hour, or \$34,500 for the entire 30-credit program.

The Master of Science in Financial Technology is a 30-credit, self-sustaining, lock-step/cohort program offered jointly by the Department of Finance (College of Business) and Department of Computer Science (College of Engineering and Computer Science). The curriculum includes five courses in Finance and five courses in Computer Science. The face-to-face program will be offered at the main UCF campus.

Yeargin made a motion to approve and McAlpin seconded.

Martins asked for confirmation no changes other than the CIP code, including the original tuition rate, were made since the October meeting. Letzring confirmed.

Self asked if the program had been approved by the Graduate Council. Letzring confirmed and said it is on the February 6, 2020, BOT Educational Programs Committee agenda for approval.

The committee unanimously approved the self-supporting tuition model for the Master of Science in Financial Technology program as submitted.

Parking and Housing 2020-21 Auxiliary Facilities Operating Budgets (FFC-5)

Trubacz and Bert Francis, Assistant Vice President for Debt Management, presented for approval the 2020-21 Parking and Housing Auxiliary Facilities Operating Budgets.

Operating budgets were developed using requests from the 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. Bond documents require that a repair and replacement reserve totaling 30 percent of pledged revenues must be maintained.

In their determination, repair and replacement reserve transfers are needed for each facility for the following amounts:

Parking:

Parking Transfer to Repair & Replacement Reserve	Estimate FY 2019-20	Projected FY 2020-21
Operating revenue	22,744,342	23,112,286
30% reserve requirement	6,823,303	6,933,686
Estimated R&R balance at the end of prior year	6,883,307	6,883,307
Additional reserve transfer needed	-	50,379

Housing:

Housing Transfer to Repair & Replacement Reserve	Estimate FY 2019-20	Projected FY 2020-21
Operating revenue	30,243,350	30,243,350
30% reserve requirement	9,073,005	9,073,005
Estimated R&R balance at the end of prior year	8,588,176	9,073,005
Additional transfer necessary	484,829	-

As background, certain outstanding state university system bond issues for auxiliary facilities have covenants that state: “The Board of Governors shall annually, at least ninety (90) days preceding the beginning of each fiscal year, prepare a detailed budget providing reasonable estimates of the estimated current revenues and expenses of the university during the succeeding fiscal year and setting forth the amount to be deposited in the Maintenance and Equipment Reserve Fund. The budget shall be adopted by the Board of Governors and shall not be changed during the fiscal year except by the same procedure by which it was adopted.”

In order to satisfy bond covenant requirements specified above, it is necessary to develop and submit, in advance of the annual submission of institutional budgets in August, operating budget detail approved by the University Board of Trustees for auxiliary facilities with such bond covenants.

Francis said Housing is exploring the possibility of increasing housing rates, but that is not included in the budget being presented. Rate increases, if deemed necessary, will be brought to the committee for consideration.

Yeargin made a motion to approve and McAlpin seconded.

Martins asked if Housing postponed some of the non-essential repair requests that were in the earlier budget version he reviewed. Francis said yes, \$1.5 million in painting expense was deferred to a later year.

Yeargin asked for explanation of the \$50,379 replacement reserve expenditure on the Parking 2020-21 budget. Francis explained the bond documents dictate that 30 percent of the current year’s operating revenues be held in reserve. Parking is anticipating a one percent enrollment growth, which will increase their operating revenue and thus require additional Repair and Replacement funding.

Francis added Housing has a Repair and Replacement contribution in 2019-20, but with revenues remaining flat for 2020-21, no funds are required to be placed into the reserves.

Yeargin also asked if the \$484,829 replacement reserve on the Housing 2019-20 budget has been transferred into the reserve account, and if that was the budgeted amount. Francis said the transfer will occur at the end of the fiscal year. A smaller amount was originally budgeted, but a change in the formula calculation determined the \$484,829 figure.

McAlpin asked for the Housing rental rates and if they are comparable to other State University System schools. Francis said the rates differ by UCF Housing community. Rates have not increased in eight years and UCF’s rates are now at the bottom of the market. UCF is one of only two SUS institutions that have not raised rates in the last eight years. No caps exist for rental rates. Rather, they are determined by the market. Housing is in demand, and all communities are 100 percent occupied.

Self added that when considering rental rate increases, they need to remember students who receive Florida Prepaid funds have limits on their housing allowances.

The committee unanimously approved the 2020-21 Parking and Housing Auxiliary Facilities Operating Budgets as presented.

McNamara Cove Project (FFC-6)

Shepherd and David Hansen, Executive Associate Athletics Director and Chief Operating Officer for UCFAA, requested approval of the McNamara Cove project.

Located on approximately 1.5 acres of land immediately adjacent to the southeast sector of Spectrum Stadium, McNamara Cove will primarily serve UCF student athletes year-round. Other students will have access to the facility periodically through a lottery-based system. In addition, there is an opportunity to entertain up to 250 football gameday patrons from seven to nine games a year, as well as provide a unique event space. The facility's signature feature will be a 495-foot-long by 9-foot-wide Lazy River flanked with a zero-entry pool and volleyball pool.

The total project cost is \$2,189,284 (\$1,894,000 in construction costs and \$296,284 in professional fees) and is being funded completely by charitable donations. Construction is scheduled from late February to August 2020.

Operating expenses for the facility are projected at just under \$200,000 annually, to include water treatment, lifeguard personnel and training, insurance, and supplies. Cove-gating revenue could be a maximum of \$625,000 per year, with 250 memberships being sold at \$2,500 per membership. However, the 85 memberships sold will allow the project to break even on an annual basis. Event rentals are still in the exploratory stage and have not yet been determined.

Yeargin made a motion to approve and Mills seconded.

McAlpin asked if all professional fees and construction costs are covered by the pledged donations. Hansen confirmed. She also asked how they determined the annual \$200,000 in operating expenses. Hansen said that Attachment B details how that figure was calculated. The first 85 of the possible 250 possible memberships sold will be used to generate the required operating revenue. Maintenance is included in the operating expenses.

McAlpin recommended that they add a contingency to the annual operating expenses to cover unforeseen expenses.

Martins asked if all pledges for the full amount of construction have been certified by the UCF Foundation. Hansen confirmed.

Seymour asked if the memberships sold beyond the initial 85 can be used to cover additional costs if necessary. Hansen said that they could and added that all current premium seating at the stadium is sold out and 29 McNamara Cove memberships have already been purchased.

Walsh asked if memberships are tied to pledges or donors. Brad Stricklin, Executive Associate Athletics Director and Chief Financial Officer for UCFAA, said that there are 18 donors with a total of \$2.1 million in cash and pledges to cover the capital cost principal and interest. Hansen and Martins said membership purchases and project donations are two separate entities. Pledges are for the capital costs, while memberships will cover the operating costs.

Martins said the motion to approve is contingent upon the Board of Governors approving the project as being primarily for student-activity use. The committee unanimously approved the McNamara Cove project with that contingency.

UCFAA Loan for McNamara Cove Project (FFC-7)

Trubacz and Stricklin requested approval for UCFAA to seek a construction loan secured solely by charitable pledges to begin construction of the McNamara Cove project.

The project will be funded entirely by charitable contributions and all collections on pledges are expected to be received within 60 months. The timing of cash receipts from pledges necessitates UCFAA seek a construction loan secured by these pledges to begin construction. Certification has been completed by the UCF Foundation, which has determined the pledge schedule shown is accurate.

The loan is being financed by Regions Capital Advantage, Inc.

Stricklin highlighted item K in the Board of Governors Debt Guidelines Checklist (Attachment A), which shows sufficient pledges to cover principal and interest for the project and a 15 percent contingency for uncollected pledges. He also said the UCFAA Board approved the loan yesterday, and item C (the DSO Board Resolution) was updated to reflect that the project intent is for student use.

Yeargin made a motion to approve and McAlpin seconded.

McAlpin asked if they have plans in place for construction overages. Stricklin said that they can adjust projects as needed, and they have a two percent contingency. McAlpin recommended that they increase the contingency amount to five or 10 percent. Martins agreed and said that once guaranteed pricing is in place, they should increase the contingency to greater than two percent.

Yeargin asked if donations can still be accepted. Stricklin confirmed. Yeargin also asked how the pledges were certified and what is the current certified amount. Stricklin said that the full \$2.1 million has been certified by the CFO of the UCF Foundation.

Martins said the motion to approve is contingent upon the Board of Governors approving the project as being primarily for student-activity use. The committee unanimously approved the UCFAA receiving a loan to construct the McNamara Cove project with that contingency.

Finance and Facilities Committee Charter Review (INFO-1)

Shepherd informed the committee the Finance and Facilities Committee charter is due for review in 2020.

Regulations implemented by the Board of Trustees in January 2011 direct the Finance and Facilities Committee to review its charter every three years. The current charter was approved at the June 14, 2017, Finance and Facilities Committee meeting and July 20, 2017, Board of Trustees meeting, respectively.

Changes only in style require approval at the committee level. Changes in content must be approved by the committee and then be presented to the full Board of Trustees for approval.

Comments and suggestions for potential modifications to the charter will be collected by staff. An updated draft charter will be presented to the committee for approval consideration at a future Finance and Facilities Committee meeting.

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

Trubacz presented as an information item the quarterly operating budget report for the quarter that ended on September 30, 2019. The reports include year-to-date revenues and expenditures for the quarter that ended on September 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 30.7 percent and 23.9 percent, respectively, compared to 39.3 percent and 29.1 percent in the prior year.

Trubacz asked the committee for feedback on changing the report format and content to make it more relevant. McAlpin said that she would like it to include budget-to-actuals.

Campus Master Plan Neighbor Meeting Public Comments (INFO-3)

Shepherd and Bill Martin, Director of Facilities Planning, presented as an information item the minutes from the December 17, 2019, Campus Master Plan Public Comment meetings. Martin said they are working on increasing attendance and will now advertise meetings on social media. Martins asked for the current advertising methods. Martin said that they rely on e-mailing past attendees and e-mail blasts from the UCF Office of Community Relations.

Amendment to 2019-20 Carryforward Spending Plan and 2019-20 Fixed Capital Outlay Budget (INFO-4)

Trubacz and Mitchell provided the committee with an update on the 2019-20 Carryforward Spending Plan and 2019-20 Fixed Capital Outlay Budget. In July 2019, the university requested Public Education Capital Outlay (PECO) funds for the renovation of the Howard Phillips Hall and Biological Sciences buildings. The total funding requested was \$34 million for both buildings.

The 2019-20 Carryforward Spending Plan and the 2019-20 Fixed Capital Outlay Budget were approved by the Finance and Facilities Committee on September 18, 2019, and subsequently by the Board of Trustees on September 19, 2019.

On September 27, 2019, the Board of Governors' (BOG) recommended that the university remove its request for PECO funds and suggested the renovations be added to the university's 2019-20 carryforward spending plans and the university's fixed capital outlay budget. In response, the university updated its comprehensive carryforward plan to include the renovation of both buildings

After further review and analysis by university leadership, the university decided to move forward with the Biology building renovation and reevaluate the timeline for the Howard Phillips Hall renovations.

The \$12.4 million funding for Howard Phillips Hall will be removed from the 2019-20 Carryforward Spending Plan. The funds will be returned to Academic Affairs and the university central resources proportionally to their contribution towards the funding of the buildings. The

Interim Provost and Interim Chief Financial Officer will develop procedures for allocating the funds to best support the university's immediate strategic needs.

Huron Consulting ERP Prelaunch Contract (INFO-5)

Mitchell informed the committee that the university is planning to begin implementation of a new cloud-based Enterprise Resource Planning (ERP) system in FY21, including financial, human resources, student, and research systems. Prior to this implementation, Huron will facilitate assessment during FY20 of the university's readiness for and specific needs from a new ERP system.

The four phases of the ERP Prelaunch assessment are:

1. Pre-Implementation Preparation
2. Cloud Transformation Value Evaluation
3. System and Process Assessment
4. Analytics and Reporting Assessment

Key questions to be addressed in this project include:

1. Does UCF have all the conditions necessary to launch the project, including funding and leadership support?
2. How should the project be staged and what is the optimum application implementation sequence?
3. What are the guiding principles and guardrails to align with a "vanilla" implementation?
4. What is the resource commitment (e.g., financial, staff, and backfill) needed for the next phase?
5. How should the project team and governance structure be organized?

This prelaunch assessment is planned for completion in May 2020; work on the ERP implementation will immediately follow this prelaunch assessment.

This request was supported by the ERP Executive Steering Committee. The contract is exempt from competitive solicitation requirements because it piggybacks on a similar University of Texas contract which was competitively bid. The rates charged by Huron for this contract are more favorable than those in the University of Texas contract or in the previous Master Services Agreement projects. Because the contract is for less than \$5 million and less than five years' duration, specific Board of Trustees approval is not required. Chair Martins requested this item be brought to the committee as an information item.

The \$700,000 cost of this contract will be paid as planned from Division of Finance carryforward funds.

Martins adjourned the Finance and Facilities Committee meeting at 9:33 a.m.