



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
March 26, 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 10 a.m. Committee members Harold Mills, Danny Gaekwad, Kyler Gray, Caryl McAlpin, David Walsh, and William Yeargin attended by teleconference. Board of Trustees Chair Beverly Seay attended by teleconference. Trustees Ken Bradley, Joseph Conte, Michael Okaty, and John Sprouls attended by teleconference

NEW BUSINESS

Proposed UCF On-Campus Housing Rental Rates Increase (INFO-1)

Joseph Trubacz, Interim Vice President for Financial Affairs and Chief Financial Officer, updated the committee on the proposed UCF on-campus housing rental rates increase request that is tentatively scheduled for the April 22 Finance and Facilities Committee meeting.

The university is proposing to raise campus housing rental rates an average of 5 percent for each of the next three years (fiscal years 2021, 2022, and 2023) to fund planned maintenance and improvement projects, as well as to support additional staffing and other operating expenses that have grown with the increased number of beds and the demand for on-campus housing. Occupancy for UCF housing averages 99 to 100 percent with a consistent waitlist.

This agenda item will include a recommended average of 5 percent increase for fiscal year 2021. Each future increase mentioned above would be brought before the Board for discussion and reaffirmation.

This would be the first time since 2012 that the university has sought to increase its owned and managed campus housing rental rates. In that same period of time, UCF has increased its beds by nearly 2,000. This rental increase would impact the 4,444 beds that the university owns – about a third of UCF's 12,268 owned or managed student beds across 10 communities.

In February, the UCF Convocation Corporation increased the Towers' housing rates by 5 percent for fiscal year 2021, with additional 5 percent increases planned for each of the following two years. Other externally owned, UCF-managed properties have recently approved rental increases of up to 5 percent to take effect in Fall 2020, including a 5 percent increase at the Rosen College student apartments, a 4 percent increase at NorthView, and increases ranging from 1.3 to 5 percent at UnionWest at UCF Downtown.

Since 2012, the Department of Housing and Residence Life (Housing) has drawn on its operating reserves to fund operations and to complete all necessary maintenance projects, while deferring some projects that are primarily enhancements. However, Housing is reevaluating its reserves with the goal of creating a \$12 million reserve, approximately one semester of operating expenses and debt service. Alternatively, this amount could cover one year's debt service reserve plus three months of operating expenses.

Housing is projecting an operating deficit of \$3.3 million for fiscal year 2020 as a result of rising expenses, no rate increases, and anticipated impacts of the COVID-19 virus on housing operations. To address this operating deficit, Housing has elected to defer certain non-critical maintenance and improvements. Because Housing's bond-restricted renewal and replacement reserves may only be used for extraordinary circumstances, typical planned maintenance and improvements, such as painting or replacing flooring, must be funded through operating reserves.

Even with the rate increases, UCF's main campus rental rates would remain among the lowest in the State University System and the surrounding communities because of UCF's commitment to keeping costs low for students and their families.

Martins asked for a breakdown of the UCF Housing properties. Trubacz said UCF owns and manages the Apollo, Libra, Lake Claire, Nike, Hercules, and Neptune communities on campus. Towers housing is owned by UCF, with the related debt held by the UCF Convocation Corporation; Rosen College Campus housing is managed by UCF but owned by UCF Hospitality School Student Housing Foundation, Inc. for Rosen College. Northview and UnionWest are managed by UCF but owned by a private third party. Knights Circle and The Pointe at Central apartment complexes are affiliated with UCF, but Residence Life services are only provided at Knights Circle, not at The Pointe at Central.

Martins also asked if other State University System universities were proposing housing rate increases. Maribeth Ehasz, Vice President for Student Development and Enrollment Services, said the University of Florida, Florida International University, Florida Gulf Coast University, and Florida State University are requesting increases.

UCF President-Elect Alexander Cartwright requested costs for staffing per bed and how UCF compares to other institutions.

The following topics were then discussed: the need in recent years to not raise fees, local rental market conditions, whether UCF Housing rental rates should be raised by the maximum-allowed 6 percent versus the requested 5 percent, an explanation of the ResNet upgrade project cost, maintenance costs, and Housing staff salary expenses.

Walsh requested that this topic be tabled because of the current economic situation, allowing more time to consider how to best serve students.

Seay responded by stating that this item is only to provide a thorough understanding of UCF Housing's financing. It is important to have this data prior to discussing the Housing refunds that are on today's agenda as FFC-1.

Trubacz and staff will gather information and answer outstanding questions from the discussion at the next committee meeting.

Proposed Housing Refunds Due To COVID-19 Closures (FFC-1)

Trubacz presented for approval a request to use \$5,355,205 in E&G carryforward funds to refund students in university-owned housing, Towers, and Rosen facilities for March 30 – April 28, 2020, when students were asked not to return to campus following Spring Break to prevent the spread of the COVID-19 virus.

The university, along with all other SUS institutions, plans to refund students who are no longer able to utilize their university-owned housing facilities.

For facilities owned and managed by the university (the Apollo, Libra, Lake Claire, Nike, Hercules and Neptune communities), UCF plans to refund a portion of the Spring semester housing charges.

For Towers (UCF Convocation Corporation holds the debt) and the Rosen Campus (UCF Hospitality School Student Housing Foundation, Inc. holds the debt), the university plans to refund a portion of the Spring semester’s housing charges because the university is contractually obligated to cover debt service for the properties should they be unable to do so themselves.

For other facilities managed by, but not owned by the university – Northview (owned by Provident Group – UCF Properties, LLC) and UnionWest at the UCF Downtown Campus (owned by Creative Village SHP Owner, LLC) – the owner will be responsible for any refunds to students. UCF is communicating with these partners so that they are aware of the refunds planned for students in university-owned housing.

Separate conversations are being held with Aramark concerning potential credits for students who are no longer able to utilize their university meal plan.

Housing updated its financial projections and calculated the financial impact of refunding students in all housing for which the university is responsible for debt service (i.e., in university-owned, Towers, and Rosen housing facilities). The refund period will start on March 30, 2020, in accordance with Board of Governors’ directives to depopulate SUS campuses for two weeks after each institution’s spring break, and will extend through April 28, 2020, the end of the spring semester.

The refunds for these facilities total:

University-owned housing	\$ 3,040,450
Towers	2,082,722
Rosen	<u>232,033</u>
Total	\$ 5,355,205

On March 20, 2020, the Board of Governors provided guidance that outlined the allowable sources of funding for any refunds or credits to students, which included:

- Unencumbered surplus funds in housing that are not required for maintaining prudent debt service coverage.

- End-of-year balance funds in university E&G carryforward accounts that can be used for any purpose as specified by each university board of trustees pursuant to section 1011.45(3)(f), Florida Statutes. In light of the emergency circumstances, the Board of Governors authorized use of these funds to provide students refunds, rebates, or credits for unutilized portions of housing and/or dining plan contracts through August 31, 2020.
- Unencumbered surplus funds in any state university auxiliary.
- Proceeds from any applicable business insurance policy.

Per the university's Risk Management and Insurance Office, the current university business interruption policies will not cover loss of revenue or other expenses related to COVID-19.

Funding options for the refunds include:

- Paid fully from Housing auxiliary funds.
- Paid partially from Housing auxiliary revenues and partially E&G carryforward funds.
- Paid fully from E&G carryforward funds.

The university is requesting that the entire \$5,355,205 in refunds be paid with E&G carryforward funds.

As of February 29, 2020, the university's E&G carryforward cash balances (excluding encumbered and contractually obligated amounts) totaled \$125.2 million, consisting of \$34.5 million in academic units, \$61.8 million in non-academic units, and \$28.9 in central reserves; an additional \$45.8 million is in a State-required reserve. Additional carryforward funding is projected to result from unspent FY20 operating funds. Any use of carryforward for these housing refunds would necessitate changes in current planned and board-approved usage of these funds.

Yeargin made a motion to approve and Walsh seconded.

Discussion followed with questions about why UCF funds and not DSO funds are being used for refunds for the DSO-owned properties, business interruption insurance, the possibility of receiving money from Aramark (UCF's contracted dining services provider) to cover losses, why March 30 was chosen as the refund period start date, current steps being taken to manage expenses, and whether Housing could issue credits instead of refunds.


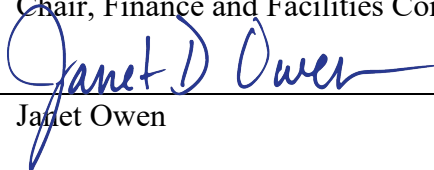
Seay stated that Housing's current financial state stems from the way in which business was managed for several years. Close attention must be made to get back on track.

She also requested an overview of what changes were made in the carryforward spending plan to accommodate the Housing refunds. Trubacz detailed the adjustments that he and Interim Provost Michael Johnson are making to the plan.

Walsh asked for more time before voting on the refunds to decide how to handle the mandated shutdowns, but Martins stated that they need to balance the financial needs of the students with managing the university.

The committee unanimously approved the use of \$5,355,205 in E&G carryforward funds to refund students in university-owned housing, Towers, and Rosen facilities for March 30 – April 28, 2020, which students were asked to leave because of the COVID-19 virus.

Martins adjourned the Finance and Facilities Committee meeting at 11:15 a.m.

Reviewed by:		<u>5/6/2020</u>
	Alex Martins	Date
	Chair, Finance and Facilities Committee	
Respectfully submitted :		<u>5/12/2020</u>
	Janet Owen	Date