



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
August 12, 2020
Virtual Meeting

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, Harold Mills, and David Walsh attended by teleconference. Board of Trustees Chair Beverly Seay attended by teleconference. Trustees Joseph Conte, Joseph Harrington, and Michael Okaty attended by teleconference.

MEETING MINUTES

The minutes of the June 17, 2020 Finance and Facilities Committee (FFC) meeting were unanimously approved as submitted.

REPORTS

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer, provided the committee with a brief operational update.

UCF gained national attention last month through measures taken to adapt the campus environment in an effort to slow the spread of the COVID-19 virus as faculty and students return. Classroom seating has been moved or roped off to accommodate proper social distancing and reduce capacity. Touchless features have been installed on doors and restroom facilities, upgraded filters for air flow systems, installed a quarter of a mile in Plexiglass and for certain high-density buildings begun installing UV light sanitation systems. Signage regarding proper hand hygiene and mask wearing has been hung throughout campus. Enhanced cleaning schedules provide for more frequent cleaning of restrooms and high-touch points as well as nightly disinfecting of all classrooms and hundreds of new hand sanitizing and disinfectant wipe stations throughout campus.

Students began moving in last Friday, August 7th. UCF's reopening plan stipulated testing requirements for all students entering on-campus residence halls. Testing provided at Garage A this weekend was successful. Students moved through testing smoothly and parents and students expressed positive feedback on social media.

The Student Union expansion and renovation project has been completed and will open Friday, August 14th. The expansion provides additional seating capacity along with new food options like Huey Magoos, KnightStop and Starbucks. The facility is also home to a new suite with offices and a senate chamber for the Student Government Association.

The Celeste Hotel is planning a September opening. The hotel is a private/public partnership – UCF leased land near the main entrance of campus to the developer who constructed the hotel and provided for surrounding landscaping. This partnership will provide accommodations for visiting faculty and scholars, as well as provide additional options for conference and meeting space.

Annual parking decals that are set to expire August 31st have been extended through the end of December.

In June 2019, UCF concluded the ITN process for a new shuttle service contract and the committee approved the selection of Groome Transportation. On August 24th, a new fleet of 61 shuttles will roll out with UCF branded wraps. This new 10-year contract is expected to save approximately \$2.4 million annually over the incumbent's proposal. The shuttles will follow normal fall schedules but on-board capacity will be limited to 20 percent. Since on-campus classes are reduced, it is expected that this safety measure will have minimal to no impact on wait times. Shuttles will be cleaned every evening with an EPA-registered disinfectant fogger and drivers will be supplied and trained to wipe surfaces throughout the day. In line with UCF policy, face coverings will be required of all riders and drivers. Drivers are required to submit a self-check for symptoms before beginning any shift.

Additionally, UCF Student Government has partnered with Parking & Transportation Services to create a survey for students to determine how best to meet riders' expectations.

Joseph Trubacz, Interim Vice President for Financial Affairs and Chief Financial Officer, provided the committee with a brief financial update.

UCF is closely monitoring fall enrollment with 68% of classes being offered online. Summer tuition, non-resident fees, and differential tuition were up \$7.2 million from last summer. Fall student headcount and student credit hours are up from this time last fall. As of Monday, August 10th, student headcount is up 2.3% at 65,327 and student credit hours are up 2.6% at 710,336.

Students successfully started moving into UCF Housing on August 7th. The deadline was extended for students with on-campus housing to opt out of their housing contracts after the final fall schedules were posted, providing students and their families with flexibility to make informed decisions. Because many rooms were transitioned from double to single occupancy, about 452 beds were removed from UCF's inventory. In addition, 82 rooms are reserved as COVID isolation spaces on the main campus, with a total of 161 across all managed properties. Based on pre-COVID inventory, maximum occupancy is 93.64% due to the reduced number of beds for single occupancy and isolation spaces. As of Monday, August 10th, Fall housing occupancy is at 83.28% of total beds and housing applications continue to be accepted as they are received. Housing has also contracted with Brailsford and Dunlavy to review opportunities for efficiencies and management optimization to reduce costs.

Disbursement of CARES Act funding for the second round of student financial aid has been completed. Through both rounds of funding, UCF awarded \$21,277,937 to 24,329 students who met eligibility criteria and completed an application stating their need for support. The maximum award was \$950 for Pell-eligible students and \$900 for non-Pell eligible students for both rounds. UCF posted the required 45-day report on CARES student funding on the university's coronavirus website on July 7, 2020. As of July 31st, the university has expended \$7.7 million in CARES institutional funds to support housing and meal plan refunds and awards to students. Plans are underway to expend the remaining funds on student refunds and financial assistance, remote instruction support, COVID-19 response, and campus preparedness and technology. UCF sent the required quarterly report to United States Department of Education on July 10th. Of the \$3.7 million in Minority-Serving Institution funding, which is awarded to UCF as a Hispanic Serving Institution, a large portion of these funds— about \$2.5 million —will be used to provide grants to students during the fall semester.

The first meeting of the newly reconstituted University Budget Committee was held on August 5th. The committee is co-chaired by Trubacz and Provost Michael Johnson, and members from various areas of the university have been appointed, including a diverse group of representatives from faculty, staff, senior leadership, and students. The committee will help to ensure that the university budget is governed by a more inclusive and transparent process and that the university allocates resources strategically, as outlined by UCF's goals and objectives. The committee also will be responsible for recommending the reallocation of strategic investment funds once there is greater certainty related to state funding and student credit hours. A two-hour retreat on the university budget is scheduled for August 21st to help committee members develop a deeper understanding of UCF's financial position, obligations, and opportunities.

UCF carried forward into FY21 \$182.1 million in unspent carryforward from FY20. Of the FY20 carryforward, units received all encumbered and contractually-obligated carryforward, and all faculty-designated carryforward. Units will also receive up to 50 percent of their committed carryforward from their approved plans, after those plans are reviewed and approved by the Provost and the President. The other 50 percent of committed carryforward (up to \$26.2 million) will be held centrally until more is known about state funding and enrollment revenue. UCF also carried forward into FY21 \$49.8 million in newly generated carryforward from unspent E&G funds in FY20. After excluding \$7.3 million in legislatively protected funding (\$3.7 million for College of Medicine, \$2.9 million for Florida Center for Students with Unique Abilities, and \$726,000 for Florida High Tech Corridor), the remaining \$42.5 million of this funding will be used to pay for the new ERP system. The 2020-21 E&G Carryforward Spending Plan, along with the results of the 2019-20 E&G Carryforward Spending Plan, will be presented to FFC and Board of Trustees (BOT) at the September 10th meetings for approval.

An open forum was held on July 29th for the campus community to give an overview of the Enterprise Resource Planning (ERP) system project. UCF has contracted with Moran Consulting to assist in the selection and contract negotiations with vendors for the ERP software. Vendor demos from Oracle and Workday are occurring this week and next week. The university community has been invited to participate in the online demos and provide feedback on the vendors. With assistance from Moran, and input from the university community, the Business Owners' Council will formally evaluate each vendor's software and will make a recommendation to the Executive Steering Committee in early September. Scope, staffing, and backfill plans are being finalized for the implementation partner; that selection will also be made

in early September. The selected software vendor and implementation partner will be announced at the September 10th FFC meeting and final contracts will be brought to the October 14th FFC meeting and October 22nd BOT meeting.

FY21 Finance and Facilities Committee Annual Plan (INFO-1)

In response to trustee feedback, the Board Office, in coordination with the President's Office and committee staff, drafted a template for all committees to use in developing plans for strategic discussions, informational presentations, and actionable items that come before the committees on an annual basis. The draft template was presented to all committee chairs for their input and direction on strategic discussions to address in FY21.

The annual plan, in addition to the university's mission statement, includes a summary of the Finance and Facilities charter and committee priorities for FY21. These priorities include the monitoring of emerging issues. The plan also outlines the type of agenda items that can be placed on committee agendas including those for discussion, information, and motion items. The annual plan also details what is expected to be brought before the committee during the course of FY21. The annual plan is a dynamic document that will be updated on a regular basis but it is intended to provide the committee with a guide for what the committee's annual items of approval and discussion will be over the course of the fiscal year. Committee input will be sought over the course of the fiscal year.

NEW BUSINESS

Post-Investigation Action Plan Implementation Update (FFC-1)

Kristie Harris, Associate Vice President for Financial Affairs, provided the committee with an update on the tasks assigned to the Finance team. Harris stated that items 12, 13, 14, 16, 31, 32, 37, 46, and 57 have been completed. With approval of these items, all items on the Post-Investigation Action Plan for which FFC has oversight have been completed.

The committee unanimously approved the completion of items 12, 13, 14, 16, 31, 32, 37, 46, and 57 from the Post-Investigation Action Plan.

UCF Foundation Debt Refinancing (FFC-2)

Trubacz and Glen Dawes, Associate Vice President and Chief Financial Officer, UCF Foundation presented the committee with two opportunities for possible debt savings for the UCF Foundation regarding the Series 2009 Promissory Note and Series 2018 Promissory Note. The Foundation requested approval to move forward with refinancing the Series 2009 Note as a taxable note and the Series 2018 Note as a tax-exempt note, both at a reduced rate (to be locked after approval), resulting in annual debt service savings and no extension to the life of either notes.

The Series 2009 Notes were originally issued for the purpose of refinancing the Research Pavilion, Institute of Simulation and Training, and Orlando Tech Center Buildings. The Notes consisted of a \$12,640,000 tax exempt Note and a \$7,385,000 Taxable Note. The Taxable Note was paid off on October 1, 2017 and currently only the Tax-Exempt Note is outstanding. The

Tax-Exempt Note is currently outstanding in the aggregate principal amount of \$9,775,000 and matures annually through 2025 at an interest rate of 4.96 percent and is callable at any time without a call premium. The 2009 Note is secured solely by a mortgage on the properties.

Truist has proposed a taxable rate of 2.39 percent which will result in \$120,000 - \$130,000 in annual savings. Over the remaining 6-year life of the note, the total annual savings are expected to be \$650,000 and present value savings are estimated at \$605,000.

The Series 2018 Notes were for the purpose of the acquisition of the L3 Building (now Digital Learning) located in Central Florida Research Park. The Series 2018 has an outstanding balance of \$5,792,000 and a final maturity of October 1, 2038. The Note has an interest rate of 3.93% but is subject to a "Put" on any date on or after December 11, 2029. The Series 2018 Note has a call premium of 2 percent prior to January 1, 2024. Like the Series 2009 Note, the Series 2018 Note is secured solely by a mortgage on the property.

Based on initial discussion with Truist, the Foundation may be able to save approximately \$30,000 to \$40,000 annually through July 1, 2029 and \$360,000 through July 1, 2029 (12/11/2029 Put Date). The debt would be issued under the same provisions as on the existing bonds.

The committee unanimously approved the UCF Foundation Debt Refinancing.

UCF Convocation Corporation Management Agreement with UCF Athletics Association (FFC-3)

Shepherd provided a brief overview of the UCF Convocation Corporation (UCFCC), which was created by the UCF BOT to provide a vehicle for the financing of new facilities to meet university needs for large convocation space and to provide additional student housing. To accomplish this, the university entered into a long-term ground lease with the DSO created to be coterminous with the outstanding debt issuance. In 2018 the debt was refinanced and in effect paid the original debt thereby terminating the ground lease. The land and all improvements on it reverted to the direct ownership of the university. UCFCC still holds the debt and the university continues to pledge all revenue generated from the arena and the additional student housing to the UCFCC for repayment of the debt to fulfill its obligations.

Currently under the Operating Agreement, the arena is managed by UCFCC through a general manager and staff employed under a PEO (or professional employment organization). At this time, it is the desire of the UCFCC board and UCFAA to enter into an agreement for UCFAA to manage the athletic facilities, the arena, including The Venue. The agreement would be coterminous with the outstanding debt, which is set to mature in 2036, Since the agreement is longer than five years, it requires approval by the BOT.

The transition of management to UCFAA is estimated to save approx. \$1.5 million annually related to building and landscape maintenance and improvements in utility consumption, provide the opportunity for UCFAA to generate greater revenues, and reduce university risk of liability by eliminating PEO arrangement and allowing UCF facilities to maintain the building consistent with UCF policy and standards.

Trustee Mills asked why the initial decision was made to externally manage the UCFCC and pay \$1.5 million extra for management of staff. Shepherd responded that the savings will occur through economies of scale by folding the management and maintenance of the UCFCC into existing UCF structures. Mills asked that other self-contained islands be identified for future savings and efficiency.

Martins added that the UCFCC was originally created as a financing tool to build the arena and create housing. Putting the arena operations under Athletics gives them opportunity to maximize and leverage revenue across all athletics facilities and provide additional revenue. Trustee McAlpin added that she was happy with the direction of this agreement and impressed with Athletics operations.

The committee unanimously approved the UCF Convocation Corporation Management Agreement with UCF Athletics Association.

First Amendment to Ground Lease Agreement Between Knights Crossing Student Housing, LLC and CaPFA Capital Corp, 2000F (FFC-4)

Shepherd presented for approval the First Amendment to Ground Lease Agreement Between Knights Crossing Student Housing, LLC and CaPFA Capital Corp. In 2000, the University of Central Florida Foundation, Inc. entered into a ground lease agreement with Capital Projects Finance Authority (CaPFA) to finance and construct student housing projects, Knights Crossing and The Pointe at Central.

The Foundation wishes to amend this ground lease to extend the term and permit the refinance of the Student Housing Revenue Bonds. This refinance is expected to provide interest cost savings and restore surplus revenue payments to UCFF starting in March 2022 and is expected to be in the \$2 million - \$4 million range. This range could be negatively impacted if the properties incur significant additional operating costs related to COVID or other unanticipated expenses.

Jennifer Cerasa, Senior Associate Legal Counsel and Legal Counsel for the Foundation, added that the Foundation only owns the ground for Knights Crossing, which is leased to the third party, CaPFA. CaPFA owns the building, which will revert to Foundation for ownership once the lease term is finished. CaPFA is refinancing the bonds and UCF is the third-party beneficiary. Mold remediation put the bonds into default several years ago. Once this default occurred in 2011, the Foundation stopped receiving ground lease payments. This amendment does not extend the terms of the ground lease, but it does delete the bond insurer requirement. The bonds also do not exist past the time of the ground lease; the bonds will be paid off before ground lease ends in 2034.

Trustees Gaekwad and McAlpin had questions regarding the structure of the agreement and the payments to the UCF Foundation, including whether a repair and maintenance reserve would be instituted. Dawes responded that it would. Dawes gave a brief history of the current ground lease agreement and clarified the financial terms of the amended agreement.

Trustee Gaekwad suggested that a team to look at existing contracts be convened, particularly with respect to the university's existing assets. Chair Seay agreed that this should be developed as an emerging issue task force.

Trustee Okaty asked whether the second mortgage behind the mold remediation would also be refinanced and if it was being paid at full face value, including accrued interest. Dawes responded that it would.

Trustee Walsh had a question regarding whether there were any added restrictions in the university's long term use or strategic decisions made about the use of the housing. Cerasa said there were none.

Trustee Conte had questions regarding the bond refinancing process that CaPFA is undergoing since the university is a party to the refinance. Dawes went into detail regarding the investment rating.

The committee unanimously approved the First Amendment to Ground Lease Agreement Between Knights Crossing Student Housing, LLC and CaPFA Capital Corp, 2000F.

Sightlines Facilities Annual Condition Assessment Report (INFO-2)

Shepherd and Duane Siemen, Interim Associate Vice President for Facilities and Safety, gave a brief overview of the Sightlines Facilities Annual Condition Assessment Report. Shepherd explained that UCF Facilities has been contracting with Gordian, a leading facilities management firm, to perform annual building condition assessments and evaluate efficiency of facilities operations. The work product from Gordian assists the Facilities team in making strategic recommendations on where and how best to invest in the university's physical assets. The Sightlines report will now be presented annually to FFC.

Shepherd introduced Peter Reeves, Vice President of Member Services, to present Gordian's findings. The report compared UCF to two peer groups: Research I institutions in the Southeastern US and the Florida State University System. The scope was limited to E&G space on UCF's main campus, Lake Nona, Downtown Campus, and Rosen College and emphasized the interactions between space, capital investment, and operations. Key observations from the report include:

- The significant addition of new space on campus over the last 10 years, which has been driven by gains in enrollment and lower space per student compared to other SUS and R1 schools.
- The low and declining historical investment into existing buildings, at a time when building renewal needs are increasing in many of the oldest spaces on campus.
- Increased efficiency in facilities operations, despite the increasing need and limited capital investment into existing space.

Trustee Walsh asked whether privatizing facilities operations and maintenance was utilized by any of the peers modeled in the report. Reeves responded that certain institutions have used a third party, and that the effectiveness depends on what is trying to be optimized, such as service levels, cost, control, and other factors.

Chair Seay asked why UCF's energy costs were so high, given that it has on-site generators and newer buildings that are more energy efficient. Shepherd answered that leased equipment from Duke Energy contributes to the overall cost and that Facilities has conducted studies regarding savings from purchasing equipment rather than leasing it, as well as better building utilization during off-peak hours. Reeves added that UCF's energy consumption compared to peers is impressive and has led to cost avoidance. Seay then asked about the possibility of a solar farm to increase cost savings. Shepherd responded that a study on the solar farm is slated to come before FFC on October 14th.

McAlpin brought up the question of UCF's strategic plan and how these strategies would align. UCF President Alexander Cartwright responded that a refresh of the strategic plan is in process and that a roadmap timeline with deliverables will be created in the next few months.

Investment Program Structure (INFO-3)

Danta White, Assistant Vice President and University Controller, introduced Dave West, a senior consultant with &Co, to present UCF's investment program structure and managed pool program. The investment objectives of the University for invested funds are to provide for safety of capital, liquidity of funds, and investment income, in that order. The optimization of investment returns shall be secondary to the requirements for safety and liquidity. In addition to funds invested in the authorized State Treasurer's Special Purpose Investments Account (SPIA) and State Board of Administration's Local Government Investment Pool (SBA), excess funds may be divided in four different pools for the structured portfolio:

- Pool I is designated as cash reserves for operational expenses;
- Pool II is designated to cover the University's medium-term requirements such as debt service for the next year;
- Pool III is considered excess cash reserves that may be invested in longer-term investments (up to seven years); and
- Pool IV is considered excess cash reserves that may be invested in longer-term investments (beyond five years). Safety and optimization of investment returns may be the investment objectives of funds invested in Pool IV only (liquidity is secondary).

After West's presentation, Martins commented that UCF's investment program structure has held up in every instance through several challenging periods.

University Quarterly Investments Report Ended June 30, 2020 (INFO-4)

The University Quarterly Investments Report is provided to trustees quarterly for information purposes only and updated committee members on the university's investment portfolio for the quarter ended June 30, 2020

The committee had no questions regarding the University Quarterly Investments Report.

Contract Prepayment Guidelines (INFO-5)

Due to time constraints, the presentation of the Contract Prepayment Guidelines was moved to the September 10 FFC meeting.

INFO-6 Potential Opportunity for UCF Research Foundation to Establish a Geospace Research Program, with Employees and Site in California

Elizabeth Klonoff, Vice President for Research and Dean of the College of Graduate Studies, informed the committee of an opportunity for the UCF Research Foundation to incorporate between five and twelve scientists into the university's faculty to establish a Geospace research program in California. Approval is being sought through the UCF BOT Educational Programs Committee for the UCF Research Foundation to potentially register to do business in California, pending successful navigation of the threshold issues. No filings for registration will result but the preliminary approval will support the dedication of resources to fully investigate and create detailed proposals for mitigation and management of the threshold issues. Thereafter, the matter will be brought back to FFC and the BOT for more specific consideration and approval to move forward.

SRI International (SRI), a nonprofit California corporation founded by Stanford University in 1946, operates a Center for Geospace Studies, reported as a worldwide leader in several research fields related to the broad subject of space physics. The Geospace group has a diverse pool of scientists who have played a pivotal role in the Space Science academic community, both nationally and internationally. Certain strategic business decisions by SRI are reported to have led to the potential opportunity for transfer of some or all of the Geospace researchers, and their sponsored research, to UCF, via the UCF Research Foundation.

Trustee Gaekwad asked for more clarification on the issue. Klonoff responded that these scientists have about \$30 million in grants and that all of the costs of the scientists would be funded by these grants, which augments the university's scope in terms of the space program. Martins asked whether the funding for the scientists would come from grants. Klonoff responded that it would. There would be no net cost to the university once the site is up and running – any cost would be identified in the future.

Gaekwad asked what would happen if the researchers no longer had funding to support them. Klonoff replied that the researchers' salaries are dependent on their funding.

Walsh asked whether a strategy was being developed regarding research targets and whether this decision should be delayed until one was established. Cartwright responded that this opportunity complements UCF's existing research program. Klonoff added that space has always been a top research area for UCF and this addition would augment the existing research.

Trustee Harrington commented that UCF is at a competitive disadvantage if it does not do business in other jurisdictions.

The committee had no objections to no objection to the UCF Research Foundation seeking to do business in CA for this purpose.

Martins adjourned the Finance and Facilities Committee meeting at 10:47 a.m.

Reviewed by:

Alex Martins
Chair, Finance and Facilities Committee

Date

Respectfully submitted:

Janet Owen
Associate Corporate Secretary

Date

DRAFT