

Board of Trustees Special Meeting

Dec 17, 2020 2:00 PM - 3:00 PM EST

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UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees Special Meeting
December 17, 2020
Virtual Meeting
2:00-3:00 p.m.**

Livestream:

<https://ucf.webex.com/ucf/onstage/g.php?MTID=e3cfbdc18e802be1c40a88112747df81b>

Conference call number: 1-408-418-9388, access code: 132 969 9396

AGENDA

- | | | |
|------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Welcome and call to order | | Beverly Seay, Chair |
| 2. Roll Call | | Karen Monteleone, Assistant Vice President, Board Relations |
| 3. Public Comment | | Karen Monteleone |
| 4. New Business | | Chair Seay |
| | FF – 1 | Motion UCFAA Request to Defer 2020-21 and 2021-22 Loan Payments to UCF (<i>Martins</i>) |
| | FF – 2 | Motion Temporary Support for UCF Athletics (<i>Martins</i>) |
| | INFO – 1 | Information Advanced Manufacturing Partnership in Osceola County
<i>Alexander Cartwright, President</i>
<i>Ronald Piccolo, Chair of the Department of Management and Galloway Professor, College of Business Administration</i> |
| 5. Other Business | | Chair Seay |
| 6. Adjournment | | Chair Seay |

UCF BOARD OF TRUSTEES
Agenda Item Summary
 December 17, 2020

Title: UCFAA Request to Defer 2020-21 and 2021-22 Loan Payments to UCF

Information Information for upcoming action Action

Meeting Date for Upcoming Action: Not Applicable

Purpose and Issues to be Considered:

UCFAA is currently in year seven of a eleven-year payback plan of loans received from the University between 2004-2008. The total amount of loans taken by the Association to fund operating expenses during that time was \$10,873,000 with \$1,400,000 having been repaid in 2007. Unpaid interest accrued over that period was \$1,943,632 for a total amount owed back to the University in the amount of \$12,816,632. Total principal payments in the amount of \$7,617,743 have been made since 2007 and the current amount of \$5,198,889 is due by June 30, 2025. The interest rate is determined on an annual basis and equals the average SPIA rate of return as of the preceding fiscal year. For the 2020-21 fiscal year, the interest rate will be 3.1631%.

For the 2020-21 budget, UCFAA budgeted a \$1 million debt service (principal and interest). Although UCFAA budgeted a contingency of \$5.1 million to account for lost revenue or additional expenses due to COVID-19, the loss of three home football games, reduced capacity in the stadium of 25% and protocols such as testing, additional cleaning, and quarantine expenses for our student-athletes created an initial shortfall of \$13.5 million. With the \$5.1 million contingency and an additional \$4.3 million in budget cuts made in September, the shortfall now stands at \$4.1 million. Deferring the loan payments for two years will allow UCFAA the ability to partially mitigate the shortfall over a two-year period.

Background Information:

In February 2008, the State's Auditor General's operational audit for UCF noted UCF made these loans without specific legal authority. In response, the University ceased any further loans to UCFAA. In March 2010, the State's Auditor General's operational audit for UCF noted that none of the loans had been repaid. A repayment was created in August 2009 and amended in June 2015.

Recommended Action:

Approve UCFAA's request to defer its loan payments to the University for a period of two years. The repayment schedule would be extended by two years per the attached schedule (Attachment B).

Alternatives to Decision:

Deny the request or approve a one-year deferral of loan payments.

Fiscal Impact and Source of Funding:

If a two year deferment is approved, accrued interest will be approximately \$360,000 that will have to be paid in addition to the deferred principal payments.

Authority for Board of Trustees Action:

University of Central Florida Board of Trustee Policy - Delegation of Authority to President (any changes to the terms of existing indebtedness)

Contract Reviewed/Approved by General Counsel N/A

Committee Chair or Chair of the Board has approved adding this item to the agenda

Submitted by:

Dr. Daniel J. White, Vice President and Director of Athletics
Brad Stricklin, Executive Associate Athletics Director and CFO – UCFAA

Supporting Documentation:

Attachment A: Minutes from June 15, 2015 Finance and Facilities Committee meeting with current repayment schedule

Attachment B: Schedule of loan payment history and proposed restructured payment schedule

Facilitators/Presenters:

Brad Stricklin, Executive Associate Athletics Director and CFO - UCFAA

ITEM: FFC-2

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: Amend Payment Schedule for UCFAA Loan to the University

DATE: June 15, 2015

PROPOSED COMMITTEE ACTION

Approval of an amended payment schedule for the UCF Athletics Association loan to the university.

BACKGROUND INFORMATION

The UCF Athletics Association received several loans from the university between 2004 and 2007. In 2009, those loans were consolidated into one loan. The current payment schedule, approved by the board in June 2012, took into consideration UCF's move to the Big East Conference planned for 2013-14. The Big East Conference became the American Athletic Conference with significantly lower conference distribution revenue than expected. The amended payment schedule reduces the payments for the 2015 through 2020 fiscal years with accelerated payments thereafter. The term also has been extended from the 2022 to the 2025 fiscal year.

Supporting documentation: Revised UCFAA Loan Payment Schedule

Prepared by: Brad Stricklin, Senior Associate Athletics Director and CFO for the UCF Athletics Association

Submitted by: William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer

**UCF Athletics Association, Inc.
Revised UCFAA Loan Payment Schedule
as of June 15, 2015**

Loan Balance as of July 1, 2014 \$ 10,275,795

Fiscal Year Ending	Current Schedule Minimum Payment ¹	Proposed Schedule			
		Cash Payment	Principal ²	Interest ³	Balance
2015	\$ 750,000	\$ 400,000	\$ 329,238	\$ 70,762	\$ 9,946,557
2016	1,000,000	3,031,485	3,031,485	-	6,915,072
2017	1,000,000	500,000	285,533	214,467	6,629,539
2018	1,100,000	500,000	397,335	102,665	6,232,204
2019	1,100,000	500,000	403,488	96,512	5,828,716
2020	1,100,000	750,000	659,489	90,511	5,169,227
2021	1,100,000	1,000,000	919,949	80,051	4,249,278
2022	1,100,000	1,000,000	934,196	65,804	3,315,082
2023		1,100,000	1,048,663	51,337	2,266,419
2024		1,100,000	1,064,806	35,194	1,201,613
2025		1,220,221	1,201,613	18,608	-

¹ - Current schedule minimum cash payments excludes \$3,031,485 of funds held in the UCF Stadium Corporation restricted surplus account for the 2006A tax-exempt debt. In accordance with the loan agreement and previous communications to the board, these funds were credited against UCFAA's loan balance but not available to be transferred to UCF until repayment of the bonds.

² - The 2016 early release of the restricted surplus funds makes \$3,031,485 available to UCFAA significantly earlier than planned. UCFAA will use these funds in 2016 as a reduction of principal on the outstanding loan to the university, consistent with previous communications to the board.

³ - The 2015 interest rate is the average SPIA rate of return as of the preceding fiscal year as required under the loan agreement. Interest rates for 2016 and future years are projected based on the current average SPIA rate of return as of April 2015. Interest for 2016 will continue to accrue and will be included in the 2017 payment.

UCF Athletics Association, Inc.
Loan History and Proposed Restructured Payment Schedule
as of November 19, 2020

Activity History

	Principal	Accrued Interest	Principal Payment	Balance
2004	\$1,500,000			\$1,500,000
2005	\$1,000,000			\$2,500,000
2006	\$2,373,000	\$31,262		\$4,904,262
2007	\$4,000,000	\$444,974	(\$1,400,000)	\$7,949,236
2008	\$2,000,000	\$396,616		\$10,345,852
2009		\$402,290		\$10,748,142
2010		\$214,505	(\$300,000)	\$10,662,647
2011			(\$309,489)	\$10,353,158
2012		\$179,890		\$10,533,048
2013		\$172,519		\$10,705,567
2014			(\$416,702)	\$10,288,865
2015			(\$342,309)	\$9,946,556
2016		\$101,576	(\$3,031,485)	\$7,016,647
2017			(\$401,999)	\$6,614,648
2018			(\$404,147)	\$6,210,501
2019			(\$397,018)	\$5,813,483
2020			(\$614,594)	\$5,198,889
Totals	\$10,873,000	\$1,943,632	(\$7,617,743)	

Remaining payments owed (assumes 3.5% interest)

	Principal	Accrued Interest	Principal Payment	Balance
2021		\$181,961	\$0	\$5,380,850
2022		\$188,330	\$0	\$5,569,180
2023			(\$905,079)	\$4,664,101
2024			(\$936,756)	\$3,727,345
2025			(\$1,225,000)	\$2,502,345
2026			(\$1,250,000)	\$1,252,345
2027			(\$1,252,345)	\$0

UCF BOARD OF TRUSTEES

Agenda Item Summary

December 17, 2020

Revised**Title:** Temporary Support for UCF Athletics

 Information **Information for upcoming action** **Action****Meeting Date for Upcoming Action:** N/A**Purpose and Issues to be Considered:**

Consideration to approve a line of credit from the UCF Foundation (UCFF) DSO to the UCF Athletics Association (UCFAA) DSO in the amount of \$4M.

Background Information:

A request was made to the UCFF by the UCFAA and the University for assistance in resolving the UCFAA's cashflow issue. As previously presented to the Board of Trustees' Finance and Facilities Committee, the UCFAA is currently facing a cashflow deficit over the next 12 – 24 months due to the impact on operations from COVID-19. The cash shortfall over the next year has put the UCFAA at risk of receiving a "going concern" opinion from their outside audit firm for the fiscal year ending June 30, 2020. Although no legal, statutory, or debt related events have been identified that the "going concern" opinion would trigger, there are a variety of operational, financial, and reputational risks that should be considered.

The UCFF maintains financial reserves for both facilities and operations, and historically has excess reserves that can be utilized for short-term emergency needs. The UCFF's finance staff previously performed an analysis of the reserve status and determined that the excess reserve balance available was approximately \$3M. At the November 19, 2020 Finance and Facilities Committee meeting, a line of credit from the UCFF to the UCFAA was considered and unanimously approved in the amount of \$3M.

Since the November 19, 2020 Finance and Facilities Committee meeting, a request for a second review of the UCFF's reserves was submitted as part of an overall review related to alleviating UCFAA's cash shortfall. The UCFF's finance staff completed this review and determined that an additional \$1M can be committed. This would result in the UCFF providing the UCFAA with an 18-month revolving line of credit not to exceed \$4M with an annual interest rate of 3%, which may be renewed for up to (2) additional 12-month periods at the end of the current period maturity date. The attached MOU has been amended since the Finance and Facilities Committee's last review. The amendments include the increase to \$4M and the removal of language related to available collateral.

Recommended Action:

Approve the issuance of a line of credit from the UCFF to the UCFAA with terms as described in the attached Memorandum of Understanding (FF-2, Attachment A).

Alternatives to Decision:

Decline to approve the proposed issuance of a line of credit from UCFF to UCFAA.
Request revisions to terms set forth within the MOU.

Fiscal Impact and Source of Funding:

UCFF will utilize cash reserves to support the line of credit. The financial impact will be limited to the loss of investment earnings on the loan balance. Fiscal impact will be confined to the UCFF's financials.

Authority for Board of Trustees Action:

Florida BOG Policy 1.001, Section 6

UCF Board of Trustees – Resolution on Presidential Authority, Section 4

UCF Board of Trustees Bylaws – Article II, Section 2.3

Contract Reviewed/Approved by General Counsel N/A

Committee Chair or Chair of the Board has approved adding this item to the agenda

Submitted by:

Glen Dawes, Associate Vice President & Chief Financial Officer, UCF Advancement

Supporting Documentation:

Attachment A: Memorandum of Understanding

Facilitators/Presenters:

Glen Dawes, Associate Vice President & Chief Financial Officer, UCF Advancement

Brad Stricklin, Executive Associate AD and Chief Financial Officer, UCF Athletics

**Memorandum of Understanding
Use of Funds**

This Memorandum of Understanding Use of Funds (“MOU”) is made and entered into this ____ day of December 2020 (the “Effective Date”) by and among the University of Central Florida Board of Trustees (“University”), UCF Athletics Association, Inc. (“UCFAA”), the University of Central Florida Foundation, Incorporated (“UCFF”) both direct support organizations of the University

WHEREAS, UCFAA has been uniquely impacted by the COVID-19 pandemic due to decreased ticket sales and increased operating costs which creates cash flow concerns from time to time; and

WHEREAS, UCFF has sufficient operating reserves to help alleviate operating cost concerns for UCFAA for a short term; and

WHEREAS, UCF, UCFAA, and UCFF, by and through their respective boards, have consented to the form and terms of this MOU.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Loan:** UCFF hereby establishes for a period of eighteen (18) months from the Effective Date (the “Maturity Date”) a revolving line of credit for UCFAA in the principal amount of Four Million and 00/100 Dollars (\$4,000,000.00) (the “Credit Limit”) which shall be evidenced by and repaid in accordance with the terms of this MOU. All funds advanced pursuant to the terms of this MOU shall become part of the principal. Upon agreement by all parties, this Credit Limit may be renewed for up to two (2) additional 12-month periods at the end of the current maturity date.
2. **Draws:** UCFAA may request funds from time to time and in such amounts as UCFAA may choose, provided however, any requested draw will not, when added to the outstanding principal balance of all previous draw, exceed the Credit Limit. Requests for draws must be made in writing in substantially the same form as provided on the attached **Exhibit “A”** from UCFAA’s Chief Financial Officer to UCFF’s Chief Financial Officer. Requested draws will be deposited in UCFAA’s account within ten (10) business days from receipt of the written request. UCFF will be responsible for maintaining records of the requested draws, balances, and accrued interest, which will be made available to UCFAA upon request.
3. **Interest:** All funds advanced pursuant to this MOU shall bear interest from the date each draw is deposited until paid in full at an interest rate of three percent (3%) simple interest per annum (the “Interest Rate”). Interest payments are due semi-annually on June 15th and December 15th, beginning on June 15th, 2021.
4. **Repayment:** This MOU anticipates all outstanding principal and accrued, but unpaid interest to be due and payable in full on or before the Maturity Date. UCFAA may elect to make additional payments during the term of this MOU. All payments received will be applied as follows: first to any accrued interest, second to principal. If default be made in the payment of any of the principal sums or interest mentioned herein within thirty (30) days after the same

becomes due, then the entire principal sum and accrued interest shall at the option of the UCFF may become at once due and collectible without notice, time being of the essence; and said principal sum and accrued interest shall both bear interest from such time until paid. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. Notice of any defaults hereunder shall be presented as an informational item at the next upcoming board meeting for the University, UCFAA, and UCFF. Any modification or amendment of the terms of this MOU must be agreed upon by the parties in writing and approved by governing boards of the University, UCFAA, and UCFF.

5. **Purpose:** The use of funds is to provide temporary monetary relief to the UCFAA, allowing the UCAA to continue its operations due to the COVID-19 pandemic.

6. **Applicable Law:** This MOU will be construed in accordance with, and the administration of the contribution received herein shall be pursuant to the laws of the State of Florida.

7. **Counterparts:** This MOU may be executed in any number of counterparts, each of which when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Agreement.

[signatures on the following page]

IN WITNESS WHEREOF, each of the undersigned as duly authorized and validly existing representatives of the University of Central Florida have executed this MOU on the date as indicated below.

**UNIVERSITY OF CENTRAL FLORIDA
BOARD OF TRUSTEES**

By: _____
Name: Alexander N. Cartwright, Ph.D.
Title: University President
Date: _____

UCF ATHLETICS ASSOCIATION, INC.

By: _____
Name: Dr. Daniel J. White
Title: President
Date: _____

**UNIVERSITY OF CENTRAL
FLORIDA FOUNDATION, INC.**

By: _____
Name: Michael J. Morsberger
Title: Chief Executive Officer
Date: _____

EXHIBIT "A"

FORM OF DRAW

Amount Requested: \$ _____

Total Disbursements to Date: \$ _____

1. The UCF Athletics Association ("UCFAA") hereby certifies that proceeds from this draw have been or will be used for Purpose as defined in the Memorandum of Understanding Use of Funds between UCFAA and University of Central Florida Foundation, Inc. dated _____ (the "MOU").

2. UCFAA hereby certifies that no event of default, or event that with the giving of notice or the passage of time would constitute an event of default, exists.

3. UCFAA hereby designates this draw to be used for:

4. The amount to be drawn does not, together with previous draws, exceed the Credit Limit available.

Unless otherwise noted, all capitalized terms herein shall have the meanings assigned to them in the MOU.

This _____ day of _____, 20__.

(SEAL)

**UCF
ATHLETICS ASSOCIATION, INC**

By: _____
Name: _____
Title: _____

APPROVED BY:

**UNIVERSITY OF CENTRAL FLORIDA
FOUNDATION, INC.**

By: _____
Name:

Title: _____

UCF BOARD OF TRUSTEES
Agenda Item Summary
 December 17, 2020

Title: Advanced Manufacturing Partnership in Osceola County

Information Information for upcoming action Action

Meeting Date for Upcoming Action: January 2021

Purpose and Issues to be Considered:

Discuss transition of Advanced Manufacturing Partnership in Osceola County to Skywater Technology.

Background Information:

In 2014, UCF and Osceola County agreed to pursue a project that would offer industry partners and others the opportunity to share equipment and conduct research needed to profitably access the next-generation sensor economy. Originally envisioned as a consortium with corporate and other external memberships and \$125 million in long-term state support, the project included a research and advanced manufacturing facility to be constructed and financed by Osceola County. Construction of the facility was completed in 2017, and the County leased the facility to UCF for a 40-year term. At the end of the term, title to the facility transfers to UCF. In lieu of cash rent, UCF initially agreed to be responsible for payment of all operating expenses of the facility.

The project's business plan subsequently changed. The original plan was a model where companies or other external parties would pay membership fees to use the facility to create new intellectual property. That plan evolved into a manufacturing center focused on obtaining grants and contracts to test and package semiconductor chips for federal agencies.

Following the veto of recurring state support (\$5 million) and the facility's focus on manufacturing, UCF has worked with Osceola County to attract a new partner, Skywater Technology, to assume UCF's rights and operating obligations of the leased facility. Skywater Technology is a U.S.-based and U.S.-owned pure play Technology Foundry, specializing in advanced innovation engineering services and volume manufacturing of a wide variety of differentiated integrated circuits.

UCF's future partnership in Osceola County and with Skywater will now be focused primarily on research.

Recommended Action:

This item is for information only.

Alternatives to Decision:

This item is for information only.

Fiscal Impact and Source of Funding:

This item is for information only.

Authority for Board of Trustees Action:

This item is for information only.

Contract Reviewed/Approved by General Counsel N/A

Committee Chair or Chair of the Board has approved adding this item to the agenda

Submitted by:

Alexander Cartwright, President

Supporting Documentation: N/A

Facilitators/Presenters:

Alexander Cartwright

Ronald Piccolo, Chair of the Department of Management and Galloway Professor, College of Business Administration