



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
FAIRWINDS Alumni Center
November 15, 2018

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 10:30 a.m. Committee members Joshua Bolona, Robert Garvy, John Lord, David Walsh, and Bill Yeargin were present. Committee member John Sprouls attended by teleconference. Chairman Marcos Marchena was present. Trustees Ken Bradley, Joseph Conte, and Bill Self were present.

MEETING MINUTES

The minutes of the October 5 and October 10, 2018, Finance and Facilities Committee meetings were approved as submitted. The September 27, 2018, Finance and Facilities Committee meeting minutes were revised to add Chairman Marchena to the attendance roster and change the use of the wording “might be futile for future contracts to lower the commission amount to receive lower prices and higher levels of customer service” in item FFC-4 Concessions Award on page three to “should be considered on future contracts to lower the commission amount to receive lower prices and higher levels of customer service.”

Vice Chair Garvy expressed concern about moving forward with the concessions award given the issues he and other trustees have with Spectra’s pricing. He asked if lower commissions could be negotiated for lower prices, which would improve overall customer service and satisfaction. Following a lengthy discussion, Chairman Marchena stated this should be a two-step process. The committee first needs to approve reconsidering their previous September 27 approval to award the concessions contract to Spectra. Then, the committee can request changes to the negotiation process.

Scott Cole, Vice President and General Counsel, recommended that these motions wait until the “New Business” portion of the meeting. He also suggested when making those motions to state the terms more broadly than discussed so far. They might be able to negotiate lower bottled water prices, for example, and keep the current commission.

NEW BUSINESS

UCF Downtown Campus Store Contract (FFC-1)

Greg Robinson, Assistant Vice President for Procurement Services, requested approval of the contract with Barnes and Noble Booksellers, LLC, for the design, build-out, operation, and

management of the UCF Downtown Campus Store. On September 27, 2018, the board approved the award to Barnes and Noble Booksellers, LLC.

This is a new agreement, stemming from a competitive procurement process (Invitation to Negotiate). The store will provide retail space and a full-service café. This contract represents significant capital dollars (provided by Barnes and Noble Booksellers, LLC) to build out and finish the space, revenue sharing through commissions, and flexibility for exploring, adopting, and delivering course materials.

The agreement is for 11 years—the first year for the design, construction, and build-out, and the remaining 10 years for the operation and management of the store, effective on or about July 1, 2019, through June 30, 2029. The university has the option to renew the agreement for two, 10-year mutually agreed renewal periods, not to exceed 20 years in total.

Vice Chair Garvy asked how the formulas are developed for commission and are we using best practices. Tom Bryne, a consultant with Campus Bookstore Consulting who assisted with the ITN process, confirmed this is a strong financial package for the university yet also has very affordable prices for students.

Vice Chair Garvy also asked if a student was on the committee. Robinson confirmed, but Vice Chair Garvy expressed concern that the student was not from the Student Government Association. Trustee Bolona said a priority of their administration has been prioritizing the student voice in university-wide decisions. His goal is for future student body presidents to understand that all agenda items that come before the board have been vetted in some form by fellow students.

Chair Martins asked if the commission-type structure is common for university bookstore contracts, and Bryne confirmed. Trustee Walsh asked if Barnes and Noble receives all of the concessions exclusively for the courses presented at the UCF Downtown campus or for the students coming into the store. Bryne confirmed the commissions through this contract are at the UCF Downtown store or its website only.

Trustee Walsh also asked if over time digital passkeys directly to the publishers can become more widely used to help lower textbook costs, and do we have the ability to move off the contract for that kind of procurement. Bryne confirmed we do and stated it is clear in the contract digital content and other free content are permitted.

Trustee Yeargin asked if the prices are the same at every store. Bryne said contracts control price, and textbook affordability is a priority in the UCF Downtown contract.

Trustee Self suggested the University Bookstore Advisory Committee be involved in future bookstore contract negotiations. Chair Martins asked for confirmation that if the university is not pleased with customer service or the level of technology, we can require the changes necessary. Robinson confirmed.

The committee unanimously approved the UCF Downtown Campus Store Contract with Barnes and Noble Booksellers, LLC.

Chilled Water Services Agreement for Sanford Burnham Prebys Building (FFC-2)

Misty Shepherd, Interim Vice President for Administration and Finance, requested approval of the Assignment and Assumption of the Chilled Water Service Agreement between Orlando Utilities Commission (OUC) and the Sanford Burnham Institute for Medical Research. UCF is set to take over the Sanford Burnham Prebys building on December 1, 2018. The existing agreement between OUC and Sanford Burnham commenced December 4, 2008, and has a 30-year term, of which 20 years are remaining. The annual average chilled water costs for the past three years under the agreement have been \$1,328,000. UCF can expect to incur an additional \$26,600,000 over the next 20 years for chilled water service to the building.

Article I (Exhibit B) in the OUC Chilled Water Service Agreement permits UCF a one-time reduction of contact capacity and opportunity to negotiate a better rate. Article 15 in the agreement gives UCF the option to buy out the contract after 10 years, or cancel the agreement and pay a penalty. The agreement for chilled water must be in place on or before December 1, 2018.

Trustee Walsh asked if the issue before them was for the necessary approval of the assumption of the agreement, and losing no right to exercise the renegotiations, or potentially do something else. Shepherd confirmed the current service will be in place for the immediate future so the university can take occupancy without a loss of service.

Chair Martins asked when does the period of time for renegotiation lapse. Shepherd confirmed there is no timing on the renegotiation period, but we do need to give a 120-day notice that we are requesting changes. Lee Kernek, Associate Vice President for Administration and Finance, stated they are starting meetings with OUC to negotiate a better rate. Chair Martins also asked if the \$1.328 million annual cost is included in the budget, and Kernek confirmed.

Trustee Walsh asked if the capacity utilization is at 100 percent. Kernek said no, additional capacity is available, and they are investigating options on how to proceed. He also asked for the percentage of capacity that is being used. Nate Boyd, Associate Director of Utilities and Energy Services, said with regards to the current build-out, approximately 3,950 tons is being used between the existing UCF contract and the Sanford Burnham contract. The install capacity is 5,300 tons. Thus, it is at 75 to 80 percent capacity. Trustee Walsh added another load user could be beneficial.

Shepherd added the agreement allows for only a one-time reduction in capacity, so we are being thoughtful about it and evaluating the capacity needs now and in the future.

The committee unanimously approved the Assignment and Assumption of the Chilled Water Service Agreement between OUC and the Sanford Burnham Institute for Medical Research, with Chairman Marchena recusing himself because of potential conflict of interest.

Temporary License and Construction Agreement for Rosen Campus (FFC-3)

Shepherd and Jennifer Cerasa, Associate General Counsel, presented for approval the Temporary License and Construction Agreement for a portion of the land located at 9907 Universal Boulevard, Orlando, in Orange County, Florida, which also is the location of the Rosen College of Hospitality Management, necessary to facilitate expansion of the college. The UCF Real Estate Foundation holds the land, and the university owns the building.

Due to enrollment growth within the college, the existing building is insufficient to fill the college's need for space. Thus, a capital improvement project has been proposed to expand the existing structure by up to 50,000 square feet. The UCF Foundation would give a temporary license to allow the Rosen Foundation to construct and build the expansion. UCF Facilities will be involved in the process.

Because of his significant experience with the construction industry in Central Florida and subsequent ability to control costs, Harris Rosen (or a related entity), who is a significant donor both with respect to the college, the original building, and the proposed expansion, has offered to oversee the construction of the expansion. Mr. Rosen is solely responsible for managing the construction and construction budget, including any budget overages.

The construction costs for the project are intended to be funded solely through philanthropy: \$5 million from unrestricted funds from the UCF Foundation and \$4 million from documented pledge agreements.

Cerasa requested that paragraph four of the agreement, which stated the university had agreed to commit \$2 million dollars toward the furniture, fixtures, and equipment to furnish the building expansion, be removed because of the current presidential moratorium on construction. This change also needs to be reflected on the Certification of Funds form. If and when it is needed, Cerasa will bring those funds back to the board for approval.

Cerasa explained the process by saying Mr. Rosen has committed additional in-kind money and has agreed to fund any overages in the budget, oversee the construction, and direct the construction company. This limits the risk to the university and is a win-win all around. The foundation will pay the contractor invoices directly, starting with the pledge money first, with Mr. Rosen filling in and paying when there are gaps. Mr. Rosen is assuming the contracts (not the university or foundation), which is also how he is assuming the budget overrun. The foundation has asked that he include risk mitigation procedures.

Cerasa added the university can step in if construction is not finished in 24 months and complete it even if there is litigation involved. However, no problems are anticipated with the project, and this was added only as an out clause if needed.

Upon completion of the construction, the license will terminate, and the University of Central Florida Board of Trustees will own the expanded building.

Chair Martins asked if provisions to meet quality standards are in place. Cerasa said the life cycle of materials must be considered and Plant Operating and Maintenance must be met. Chair Martins also asked if Mr. Rosen will receive interest if he does have to provide funds if pledge dollars are not available. Cerasa confirmed Mr. Rosen will be paid when the pledges are received and will not receive interest. He did not give a deadline or set a time period.

Chair Martins asked how will the contractor be paid if the pledges are not received and the university has stepped in to take over the construction. Cerasa said that has not been determined at the moment, but the ability of the university to step in was a worst-case scenario provision. Chair Martins asked if the foundation would be responsible for those shortages, or is that being left open-ended. Shepherd said should an event as drastic as that occur, the foundation and the university would meet and discuss. The building costs are estimated between \$16 and \$18

million to complete the construction, and they currently have \$14 million, leaving roughly a \$2 million to \$4 million shortfall. It would come back to the board for a discussion on how to move forward.

Chairman Marchena said he sees on the agreement the \$5 million from unrestricted funds from the UCF Foundation and \$4 million from documented pledge agreements and asked for the source of the additional funds. Shepherd said they have an additional \$5 million from Mr. Rosen. Cerasa said this is a gift in-kind, and he will be paying for the construction services. This is not mentioned in the agreement but is documented at the foundation.

Trustee Walsh asked who will own the building. Cerasa said the foundation will own the underlying land and the university will own the building. When the license terminates, everything reverts back to the foundation, who will turn over ownership.

Chair Martins also asked if the \$2 million for furniture, fixtures, and equipment from the university will be brought back to the committee if it is decided to use those funds. Cerasa confirmed.

President Whittaker added the \$2 million was from student equipment fees from Rosen students. Because those could be considered university funds, and with the moratorium on new capital projects, it was deemed best to not use that money at this time.

Trustee Bolona asked about the vision of the building. Cerasa said it will have additional office and kitchen space, and both students and faculty will benefit from the expansion. He also asked if it would be possible to receive a presentation on the project. President Whittaker reminded the group the January board meeting is being held at the Rosen campus.

Trustee Walsh added with the rise in distance learning, the need to thoroughly vet space utilization, including the use of offices for those who might not need them, is important. We need to take a hard look at how we use the spaces we build. Chairman Marchena said at the last Board of Governor's meeting, part of the discussion was on universities looking at their physical plant, their availability for building, and making sure they are maximizing the utilization of the building before undertaking additional construction. He expects staff to be doing as Trustee Walsh suggested.

The committee unanimously approved the temporary license and construction agreement for Rosen Campus with the removal of paragraph four in the agreement and the removal of the \$2 million from the university on the Certification of Funds form.

L3 Building Purchase Loan (FFC-10)

Shepherd and Cerasa requested approval of a resolution approving the issuance of fixed rate, tax-exempt debt by the UCF Foundation of \$6 million to finance the purchase of a building located at 12351 Research Parkway, Orlando, Florida, commonly referred to as the L3 Building. The property consists of approximately five acres and a 46,185 square feet building. The UCF Foundation intends to lease a majority of the building to the university to provide space to the UCF Division of Digital Learning.

The purchase was approved at the August 21, 2018, Board of Trustees meeting. As part of that discussion the board was informed that the foundation would be seeking a bank loan to finance the purchase.

At this time in accordance with the Board of Trustees' Delegation of Authority, the foundation is seeking approval to enter into a financing arrangement with Branch Bank and Trust Company. The tax-exempt promissory note will be for a 20-year term and carry a fixed rate of 3.92 percent and be secured solely by a 1st lien position on the property. Annual principal payments will be due each October 1, and semi-annual interest payments will be due each April and October with the source of repayment provided through annual lease revenue. The foundation anticipates closing on the purchase and financing on or around December 3, 2018.

Chair Martins asked if the loan is between BB&T and the foundation, and Shepherd confirmed. Chairman Marchena asked if the 3.92 percent interest rate will reset. Shepherd said the 3.92 percent rate will be locked in when they sign the commitment letter.

The committee unanimously approved the issuance of fixed rate, tax-exempt debt by the UCF Foundation of \$6 million from the Branch Bank and Trust Company to finance the purchase of the L3 Building.

L3 Building Lease (FFC-4)

Shepherd and Cerasa requested approval of the lease between the University of Central Florida Foundation and the University of Central Florida Board of Trustees for the space commonly known as the L3 Building, located at 12351 Research Parkway, Orlando, Florida 32826.

On August 21, 2018, the Board of Trustees approved the Purchase and Sale Agreement to allow the UCF Foundation or a related entity to purchase the property located at 12351 Research Parkway, also known as L3, for \$6 million. Funds for the purchase of the building come from a loan secured by the UCF Foundation. The purchase is to satisfy the growing need of the UCF Division of Digital Learning.

The proposed lease is for the approximately 30,000 square feet of space for a term of 66 months commencing on or around December 3, 2018. The lease may be renewed for two additional five-year terms. Base rent is set at \$15.84 per square foot for the first 66 months and will be adjusted to fair market rent for any subsequent term. Additional rent is set at \$8.75 per square foot for operating and maintenance costs, for a total per square foot cost of \$24.59. There is no requirement to pre-pay base rent, which had been discussed as a possibility at the August 15 Finance and Facilities Committee meeting and August 21 Board of Trustees meeting.

Chairman Marchena asked for the source of funding for the lease payments. Kathy Mitchell, Interim Chief Financial Officer, said it is from Distance Learning fees held by the university. Chairman Marchena also asked for these types of leases where the university is leasing space from the foundation or others if payments are identified from a specific source; for example, could E&G funds be used. Mitchell said yes, because it is an academic purpose, but this lease is being funded with Distance Learning fees.

Trustee Walsh asked who is paying to update the building and make it ready for occupancy. Cerasa said the foundation. Trustee Walsh added he appreciated that the pre-payment of rent had been removed. He noted the space will be used by 60 to 80 people under Tom Cavanagh

(director of Distance Learning) preparing distant learning content, giving them a centralized headquarters, compared to their current multiple locations across campus. Trustee Walsh has talked with Cavanagh and Provost Dooley about the large body of materials that already exist in the academic industry for level-one and two courses. We should take a look at buying that material rather than creating it, which could possibly lower costs.

Trustee Bolona asked if this was a new Distance Learning fee. Mitchell said no, this has been budgeted, and they have been holding and saving those funds with this in mind.

The committee unanimously approved the lease between University of Central Florida Foundation and the University of Central Florida Board of Trustees for the space commonly known as the L3 Building.

Sanford Burnham Prebys Building Name Designation (FFC-5)

Deborah German, Vice President for Health Affairs and Dean of the UCF College of Medicine, requested approval of the name “UCF Lake Nona Cancer Center” for the former Sanford Burnham Prebys building. The UCF Real Estate Foundation assumed ownership of the former Sanford Burnham Prebys building and premises at Lake Nona on August 27, 2018, and immediately leased the entire building and premises to Sanford Burnham Prebys. The UCF College of Medicine will take full possession on December 1, 2018 and will oversee development of a comprehensive cancer research and treatment center.

The committee unanimously approved the name “UCF Lake Nona Cancer Center” for the former Sanford Burnham Prebys building.

John C. Hitt Library Renovation and Expansion (FFC-6)

Mitchell requested approval of the use of \$85.8 million in Capital Improvement Trust Funds (CITF), \$1.6 million in Plant Operations and Maintenance (PO&M) funds, \$0.3 million in Auxiliary funds, and \$0.3 million in Critical Deferred Maintenance funds for expansion and renovation of the John C. Hitt library.

This project is in progress and had been previously brought to the committee as an information item, but now approval is requested for the funding sources. Out of an abundance of transparency, the university is requesting individual approval for capital projects exceeding \$2 million that began prior to October 26, 2017. In addition, written certification of the source and appropriateness of funds is being provided for each project.

Prior to October 26, 2017, capital improvement projects were submitted to the Board of Trustees annually through the Five-year Capital Improvement Plan and the Capital Outlay Budget. The then-Vice Provost for Information Technologies & Resources presented a report on the Library expansion to the board at the March 31, 2005, meeting.

According to the Delegation of Authority to the President, which was passed by the board on October 26, 2017, use of university funds for capital improvement projects exceeding two million dollars in construction costs and all changes to such projects that increase project costs by more than 10 percent of the original estimate require specific approval of the board.

Phase I (\$21.7 million), which has been completed, is the expansion toward the Student Union with construction of a three-story automated-retrieval-center (ARC), renovations to restrooms,

elevators and fire sprinklers on the top four floors, a redesign of the fifth-floor quiet reading room, and an increase in the number of power outlets for students to recharge phones and computers.

Phase IA (\$21.2 million), currently under construction, will add a connector building between the existing library and ARC. This phase is planned for completion in December 2019. Phase II (\$7.7 million per floor) will include a comprehensive renovation of one floor per year of the current library. Design will begin in Spring 2019, with construction starting in 2019-20 as the CITF funds are received.

Chairman Marchena asked if the hardscape costs would come back to the committee. Mitchell said those costs are part of the \$88 million.

Trustee Walsh expressed concern about saying “Prior to October 26, 2017, capital improvement projects were submitted to the Board of Trustees annually through the Five-year Capital Improvement Plan and the Capital Outlay Budget.” He asked for the sentence to be struck. Mitchell stated that “for approval” had previously been used after that statement but had been removed. Trustee Walsh said with that clarification he was now okay with the sentence.

Trustee Walsh also asked if this project needs to be added to the Five-year Capital Improvement Plan, but Mitchell confirmed it is already on it.

The committee unanimously approved the use of \$85.8 million in Capital Improvement Trust Funds (CITF), \$1.6 million in Plant Operations and Maintenance (PO&M) funds, \$0.3 million in Auxiliary funds, and \$0.3 million in Critical Deferred Maintenance funds for expansion and renovation of the John C. Hitt library. The Certification of Funds form was attached to the item.

Student Union Renovation and Expansion (FFC-7)

Mitchell requested approval for the funding sources for Phases II, III, and IV of the renovation and expansion of the Student Union at total project cost of \$17.98 million. Funding sources include \$14.35 million from Aramark (less \$3.9 million for equipment Aramark will purchase directly at a lower cost than is available to UCF), \$3 million in Auxiliary funds from Business Services, and \$4.5 million from Student Government Association and Student Development and Enrollment Services.

Out of an abundance of transparency, the university is requesting individual approval for capital projects exceeding \$2 million that began prior to October 26, 2017. In addition, written certification of the source and appropriateness of funds is being provided for each project.

Prior to October 26, 2017, capital improvement projects were submitted to the Board of Trustees annually through the Five-year Capital Improvement Plan and the Capital Outlay Budget.

According to the Delegation of Authority to the President, which was passed by the board on October 26, 2017, use of university funds for capital improvement projects exceeding two million dollars in construction costs and all changes to such projects that increase project costs by more than 10 percent of the original estimate require specific approval of the board.

The Board of Trustees approved a 10-year negotiated agreement with Aramark, the university’s food service provider, on November 19, 2015. Phase II of the project, the renovation of the

existing food court areas, is in progress. Phase III, the expansion of floors 1 and 2 in the food court, will begin in January 2019. Phase IV will be the expansion of the third floor for the Student Government Association meeting chambers and suite.

Trustee Bradley asked for the basis of the Aramark contribution and if that was part of their normal contract with the university. Mitchell confirmed this is what we negotiated with them for their 10-year lease extension.

The committee unanimously approved the funding sources of \$14.35 million from Aramark (less \$3.9 million for equipment Aramark will purchase directly at a lower cost than is available to UCF), \$3 million in Auxiliary funds from Business Services, and \$4.5 million from Student Government Association and Student Development and Enrollment Services, for the Student Union Renovation and Expansion. The Certification of Funds form was attached to the item.

CREOL Expansion (FFC-8)

Mitchell requested approval for the funding sources for the renovation and expansion of the Center for Research and Education in Optics and Lasers (CREOL) building. Funding sources include \$5.8 million in auxiliary funds, \$1 million in research overhead funds, \$.2 million in Utilities Infrastructure and Minor Projects (UIMP) funds, and \$17,000 in E&G funds, for a total project cost of \$7 million.

Out of an abundance of transparency, the university is requesting individual approval for capital projects exceeding \$2 million that began prior to October 26, 2017. In addition, written certification of the source and appropriateness of funds is being provided for each project.

Prior to October 26, 2017, capital improvement projects were submitted to the Board of Trustees annually through the Five-year Capital Improvement Plan and the Capital Outlay Budget.

According to the Delegation of Authority to the President, which was passed by the board on October 26, 2017, use of university funds for capital improvement projects exceeding two million dollars in construction costs and all changes to such projects that increase project costs by more than 10 percent of the original estimate require specific approval of the board.

CREOL is undergoing a three-story expansion on the east side of the existing building. The expansion involves building a first-floor auditorium and mechanical space; the upper two floors will have laboratories and offices for laser research and education.

Chairman Marchena stated although the project is more than \$2 million, based on Mitchell's discussion with the Board of Governors, the use of E&G funds is appropriate. Mitchell confirmed it was.

The committee unanimously approved the funding sources of \$5.8 million in auxiliary funds, \$1 million in research overhead funds, \$.2 million in Utilities Infrastructure and Minor Projects (UIMP) funds, and \$17,000 in E&G funds, for a total project cost of \$7 million. The Certification of Funds form was attached to the item.

Roth Athletics Center Shell Building Construction Costs (Phase I) (FFC-9)

Danny White, Vice President and Director of Athletics, and David Hansen, Executive Associate Athletics Director and Chief Operating Officer, requested approval for the construction costs for

the Roth Athletics Center shell building (phase I) to exceed the \$2 million minor projects threshold.

The Roth Athletics Center is being built in two phases to expedite its completion. Funds were not immediately available for the entire project, so the pre-engineered metal building was designed and purchased using available funds held in the UCF Foundation. During design of the interior build-out, it was determined that several modifications would be necessary to provide the most efficient layout of the two-story building. For example, some of the vertical support columns would need to be relocated to avoid being in the middle of rooms. Also, it was determined the exterior façade should be upgraded. Other changes were made, including the addition of exterior glass, additional required insulation, installation of a roof hatch, and increased foundations and steel to support load requirements of the second-floor. The project is being privately funded.

Hansen noted the new change order amount is \$218,146, which makes the total project cost \$2,174,497. The meeting materials contained the previous figures of \$262,868 for the change order and \$2,219,219.46 for the total projected construction costs of the building.

Phase I of this project is underway, and additional change orders are not anticipated.

Trustee Bradley asked if “privately funded” means philanthropy, and White confirmed. Trustee Bradley asked why the board is being asked to approve the change order, and Chairman Marchena said it is because the project is now over the \$2 million minor projects threshold. Mitchell added it also needs board approval because it is now more than 10 percent above the original approved amount.

Trustee Walsh asked if this project falls under the moratorium on capital projects. Chairman Marchena said no because it is being funded with private donations.

The committee unanimously approved the construction costs for the Roth Athletics Center shell building (phase I) to exceed the \$2 million minor projects threshold.

OTHER BUSINESS

Reconsideration of FFC-4 Concessions Award from September 27, 2018 Finance and Facilities Committee Meeting

At the request of Vice Chair Garvy, the motion from the September 27, 2018 Finance and Facilities Committee meeting to allow the award of the concessions food service contract to Spectra was asked to be reconsidered. He expressed concern about the high prices of menu items, in particular the \$4 bottled water charge that Trustee Gaekwad mentioned at that meeting, and wondered if a lower commission could be negotiated in exchange for lower prices. Chair Martins agreed.

The committee unanimously agreed to reconsider the motion, with Trustee Sprouls recusing himself because of potential conflict of interest.

Concessions Contract Changes

Chairman Marchena requested that staff go back and discuss the contract and ensure the level of customer service is considered. Customer service needs to be as much a consideration as the percentage return amount.

Vice Chair Garvy said it is not just a matter of maximizing the percentage of what we can get, but also considering the impact on the customers and the service being provided.

President Whittaker said he would recommend adding that the contract should appropriately advance the UCF brand identity.

Chair Martins said in addition to the emphasis on customer service, pricing levels do need to be included. Trustee Lord said he is uncomfortable with specific item pricing. While we should be price sensitive for our customers, he does not think specific pricing is the board's role.

Vice Chair Garvy made a motion to continue discussions and negotiations with a view toward pricing that takes into consideration customer experience and satisfaction.

Trustee Lord asked for and received confirmation that this will not require the contract be rebid. Trustee Yeargin asked for confirmation that this does not mean Spectra is being withdrawn, but rather the team is just continuing discussions. Chair Martins confirmed and clarified that new contract terms with Spectra are being requested.

Ronnie Lamkin, General Manager of the UCF Convocation Corporation, is on the negotiation team and said pricing was discussed at the last meeting as well as operation procedures for the Mercedes Benz Stadium in Atlanta (which hosted the Peach Bowl last year), but they operate under a management agreement. For the last 10 years, the CFE Arena and Venue have had commission-based agreements. The value to this type of agreement is the concessioner assumes all risk and expenses related to the operations of concessions, as well as hiring, payroll, and taxes. For the Mercedes Benz Stadium, the stadium itself takes all the risk in those areas and pays a management fee to a concessioner to run the operation.

Lamkin added in their economic consideration, concessions is a significant source of support for the UCF Convocation Corporation, providing between \$350,000 and \$400,000 annually. The UCFCC has a \$15 million mortgage. He wants the board to understand they can change commissions, but they need to be mindful that the UCFCC needs commission revenues to fund its budget.

He said it could be a matter of exploring another type of agreement to receive the same kind of revenue that they need. Chairman Marchena said we are not looking to change to a management agreement.

Vice Chair Garvy asked if the \$300,000 figure Lamkin mentioned was just for the arena, and Lamkin confirmed. He said last year commission was about \$363,000 for concessions.

Chair Martins added for the commission agreements at Amway Center, they sometimes have one-offs where they talk with the concessions provider to discuss specific pricing and special cases, and this has not affected their commission structure. The university is in a place now in the negotiations with Spectra where they can talk about pricing and should do so.

Lamkin said all of that is included in the agreement, and he cited student discounts on food purchases as an example of this.

Trustee Yeargin asked how integral the commission dollars are to the UCFCC budget, and Lamkin said it is very integral, and every penny helps.

Trustee Walsh said we are allowing the flexibility to reallocate pricing. We pointed out one thing, but that does not mean do only that one thing. Rather, it is to look at the whole.

The committee unanimously agreed to continue negotiations with Spectra but with a view toward pricing that takes into consideration customer experience and satisfaction, with Trustee Sprouts recusing himself because of potential conflict of interest.

Five-year Capital Improvement Plan

Trustee Walsh asked if the UCF Downtown items from the October 5 Finance and Facilities Committee meeting are on the Five-year Capital Improvement Plan, and do we have an okay from the Board of Governors to move ahead. Mitchell said the individual projects are on the Five-year Capital Improvement Plan, but the infrastructure item is not. However, the Board of Governors said infrastructure is included as part of the building and does not need to be a separate item. Trustee Bolona asked if the trustees approved the agenda item as a whole at the October 5 meeting, and Chair Martins confirmed.

Project Review

Shepherd said they have completed their project overview and determined four projects were completed in the last 12 months: Trevor Colbourn Hall, the District Energy Plant, the Research I building, and the UCF Global Building.

She will present a detailed overview at the February Finance and Facilities Committee meeting and provide information on approved versus actual costs, projected time line versus actual completion timeline, the final square footage at completion, and any programmatic changes after the board approval.

The committee also had requested a real-time audit process for projects that involves University Audit in the process of reviewing the bidding and contract selection process, the activities performed during the design and funding phase, the activities performed during the construction and management phase, and a post-project overview from Facilities that would follow the same form and function. Instituting this is a new way of communicating with the committee.

Mitchell added University Audit will be starting with the Roth Athletics Center.

10-Year Lookback Update

Mitchell said the certification of funds for capital projects for the last 10 years was sent to the Board of Governors on Friday. According to the rules agreed to by the State University System General Counsels and Chief Financial Officers, Trevor Colbourn Hall was the only capital project where inappropriate E&G funds were used. Chairman Marchena added it is possible only a portion of that was inappropriate. Mitchell agreed.

Chair Martins adjourned the Finance and Facilities Committee meeting at 12:11 p.m.

Reviewed by:



Alex Martins

Chair, Finance and Facilities Committee

1·3·19

Date

Respectfully submitted :



Grant Heston

Associate Corporate Secretary

1/4/19

Date