



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees  
Finance and Facilities Committee Meeting  
September 10, 2020  
Virtual Meeting

**MINUTES**

**CALL TO ORDER**

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 2:30 p.m. Committee members Danny Gaekwad, Caryl McAlpin, Harold Mills, and William Yeargin attended virtually. Committee member David Walsh attended in person. Board of Trustees Chair Beverly Seay attended virtually. Trustees Kenneth Bradley, Joseph Conte, Joseph Harrington, Sabrina La Rosa, Michael Okaty, and John Sprouls attended virtually.

**MEETING MINUTES**

Mills made a motion to approve the minutes of the August 12, 2020 Finance and Facilities Committee meeting. Walsh seconded the motion.

The committee unanimously approved the minutes of the August 12, 2020 Finance and Facilities Committee Meeting.

**REPORTS**

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

Tuition revenue was up over \$7.1 million in the summer and up over \$5.3 million for the fall semester.

Disbursement of CARES Act funding has continued, including \$25.5 million awarded to 24,521 students. The University has \$3.8 million in funds remaining and has until June 2021 to spend the balance. CARES funding has gone to various initiatives throughout the University, including housing refunds, meal plan refunds, direct student grants, and remote instruction support. The university has allocated \$6.1 million of CARES funding to support remote instruction and \$4.1 million to COVID-19 response and campus preparedness, including increased campus signage, COVID rapid testing, and updated light bulbs within University housing have been utilized for University safety.

UCF is currently at 78 percent occupancy within University housing. Housing occupancy throughout the SUS ranges between 53 percent and 82 percent. Summer rental revenues began the year down \$1.5 million due to campus closures during summer 2020. Fall rental revenues are projected to be \$2.8 million lower than originally projected due to 452 double to single room conversions, 82 isolation spaces, and projected occupancy shortfalls. Spring rental revenues are projected to be \$1.5 million lower than originally projected due to 452 double to single room conversions, 82 isolation spaces, and improved occupancy.

Revenues for cancellations, late fees, conferences, and events are projected to be \$1.3 million less than originally projected, primarily due to reduced conference and event revenues and reduced management fees on managed housing properties.

Cost-cutting measures are being implemented to offset decreased occupancy. The University has not filled 25 vacant positions within housing and has eliminated the Residence Hall Auxiliary Patrol services for a projected savings of \$1.8 million.

Operating services and supplies are projected to decrease by \$1.1 million in FY 2020, primarily due to the elimination of cable TV service, reductions in travel and training, the elimination of budgeted vehicle purchases, and a reduction of all other operating expenses by 10 percent.

The original budgeted transfer of \$1.3 million to improve the University's ResNet on-campus Housing internet service is being deferred to future years.

Housing has begun working with Brailsford and Dunlavy to review opportunities for efficiencies and management optimization for additional cost savings.

The University also began the fiscal year with the following areas to address:

1. A non-recurring base reduction of \$7.2 million for excess carryforward;
2. Performance Base funding reduction of \$1.6 million; and
3. An assessment of \$2.1 million to support the Complete Florida statewide virtual learning management system that was vetoed by the governor.

The governor is also temporarily holding back six percent of the University's legislative appropriations, effective July 1<sup>st</sup>.

This summer, President Cartwright set forward a vision to elevate the academic status of UCF. Every division was asked to plan for a three percent E&G budget cut for reallocation into a Strategic Investment Fund. The fund is currently at \$68 million, which will allow the University to move forward with President Cartwright's vision unless the governor's temporary holdback becomes permanent.

Misty Shepherd, Interim Vice President for Administrative Affairs and Chief Operating Officer, then provided the committee with the COO update.

Shepherd informed the committee that Parking revenues are down for FY 2020; however, actions taken to reduce expenses not only mitigated the lost revenue but resulted in a better than expected net income for the year. The biggest impact came from swift action to reduce shuttle

services as declines in ridership occurred. Shepherd is confident about the University's ability to meet debt covenants and anticipates that Parking will end the year with a surplus. While Parking's permit and citation revenues are down, they have been slightly offset by an increase in transportation fees collected due to increased enrollment. The new shuttle service agreement is expected to save more than \$2 million annually over prior years with full operation. Shepherd stated that Parking is continuing to implement a decreased shuttle schedule based on monitoring of the rideshare program.

Shepherd then provided the committee with an update on dining services. The University generates revenues from meal plan sales, total food sales, and rental of retail space. The University has two dining halls, as well as 27 branded food service locations. Currently the University is 34 percent behind in meal plan sales and 71 percent behind in overall food sales. Shepherd stated that she is not overly concerned with the fiscal impact from the loss but is concerned about the campus environment. Shepherd stressed the importance of looking into providing support for the small businesses located in University space. Shepherd assured the committee that they will closely monitor the situation and focus on how to best partner with University retailers.

Bookstore sales started out strong at the beginning of the fall semester and only decreased 15 percent from the prior year. Shepherd stated that recent sales have taken a sharper decline due to minimal activity in apparel and café sales, which are attributable to the decreased on-campus population. Shepherd noted that the debt for the bookstore has been paid off, but the University does rely on bookstore funds as the primary support for Business Services and have made corresponding reductions to these expenses.

Shepherd provided the committee with background related to the Coke agreement. The University receives \$1.5 million and a \$300,000 vending guarantee from the agreement. The primary beneficiary for these funds is Athletics. Coke has indicated that they are evaluating the potential for a decreased payment this year.

Shepherd stated that she will continue to closely monitor operations and make adjustments to mitigate lost revenue. She will share a more comprehensive report after the close of the first quarter.

#### 2019-20 Fixed Capital Outlay Budget Update (INFO-1)

Shepherd gave the committee background on the 2019-20 Fixed Capital Outlay Budget, stating that it was approved originally by the Board of Trustees (BOT) on Sept. 19, 2019. Board of Governors (BOG) regulations instructed that any project over \$1 million must be separately identified, so the budget included 47 specifically identified projects.

An amended budget was presented to the BOT on October 16, 2019, after receiving further guidance from BOG staff. The amendment provided for the addition of the Howard Phillips Hall renovation and Biological Sciences renovation, two projects that were previously approved as part of the university's request for state Public Education Capital Outlay (PECO) funding. BOG staff indicated that UCF had not shown a significant need for new state funding to complete these two projects due to UCF's significant carryforward balance. UCF was instructed to remove them from the State request and instead fund them from existing carryforward funds. These projects totaled

\$12.4 million and \$21.7 million, respectively. The University made the decision to postpone the Howard Phillips Hall project.

Shepherd also noted that the newly adopted BOG Reg. 14.003 *Fixed Capital Outlay Budgets* established maximum thresholds for projects that could be funded from carryforward, including \$5 million for renovation projects and \$10 million for remodeling projects. BOG Reg 14.001 *Construction Program Definitions* spelled out the definitions for a renovation and a remodel. These BOG regulation changes caused the University to reassess the overall scope of the Biology renovation. The most critical component of the renovation is the HVAC system, which has reached the end of its useful life and needs a full system replacement, at an estimated cost of \$9 million. Shepherd indicated that the adjustment was noted on the Fixed Capital Outlay budget.

Shepherd stressed that UCF has raised the concern that the threshold is unrealistic with BOG staff, but they have been unwilling to reconsider because the regulation is driven by statute. UCF is continuing to evaluate next steps to address this issue.

Shepherd explained that the BOT had approved \$2 million for the creation of a chemical warehouse to store and distribute controlled chemicals using carryforward funds. This project did not meet the new BOG regulation requirements, so the University is exploring alternatives to support the project.

The Student Union expansion project was completed in time for the beginning of classes. With construction now complete, the project is being closed out and a final accounting will be brought before the committee soon.

#### 2020-21 Fixed Capital Outlay Budget (FFC-1)

Shepherd presented the committee with the 2020-21 Fixed Capital Outlay Budget. Projects have been categorized into sections based on their funding source, in accordance with new BOG guidelines. The three project categories are E&G, state-appropriated projects, and non-appropriated projects. Shepherd explained that the most critical projects are the Biology building, the Chemistry building, and the Communications Media building on the downtown campus. The Chemistry building faces challenges similar to the Biology building, including the need for a new HVAC system.

The category for state-appropriated projects, which are funded from PECO or Capital Improvement Fee Trust Fund (CITF), created a challenge for several SUS institutions because many projects funded by state appropriation also include supplemental funding from other sources. Most of UCF's projects fell within this category.

The final category is non-appropriated projects, which includes capital projects planned using auxiliary, athletic, philanthropy, or other funds not provided by the state. All projects listed in this category were approved last year as part of UCF's budget, and all but one will be closed out before the end of the year.

Shepherd summarized that this year's budget has a total of 28 projects with a total cost of \$332 million.

Trustees then discussed whether all projects, such as the chemical warehouse, should be listed on the Fixed Capital Outlay Budget. Martins made a motion to amend the Fixed Capital Outlay Budget to include all projects, even those without funding sources. After an explanation was provided to trustees regarding the BOG's requirements for the format of the Fixed Capital Outlay Budget, the motion was withdrawn with the understanding that trustees will be provided with a management report on all capital projects, including those without a current plan for funding.

The committee unanimously approved the 2020-21 Fixed Capital Outlay Budget.

#### 2019-20 University Carryforward Year-End Update (INFO-2)

Trubacz provided the committee with brief highlights of the FY 2020 Carryforward Spending Plan.

UCF's total budgeted expenditures for FY 2020 were approximately \$155 million. However, UCF's total actual expenditures were \$117 million, about 75 percent of what was budgeted. Trubacz explained this was due in part to the purchasing, travel, and hiring freezes that were implemented on April 1<sup>st</sup> because of the pandemic.

#### 2020-21 University Carryforward Spending Plan (FFC-2)

Trubacz informed the committee that the University is required to submit an annual carryforward plan to the BOG, which must be approved by the BOT by October 1<sup>st</sup>. Trubacz explained the challenges associated with this year, such as holding back the remaining 50 percent of units' carryforward until after the elections, when UCF will have a more accurate fiscal picture.

Derek Horton, Assistant Vice President of Budget Planning and Analysis, walked the committee through the 2020-21 University E&G Carryforward Spending Plan. Horton explained that the first two sections of the plan lay out the composition of UCF's carryforward balances across its three appropriation entities. The total balance available is \$258.7 million, compared to \$302 million last year. The University has a spendable balance of \$210 million E&G carryforward funds after the required seven percent statutory reserve of \$48.3 million.

Another section of the plan summarizes the University's encumbrances as of July 1<sup>st</sup>. Horton stated that the University has a total \$16.7 million in carryforward encumbrances, including \$54,000 restricted by appropriation specifically for the Florida Center for Students with Unique Abilities.

The next section of the plan lists contractual obligations. Horton stated that the university has a total of \$60 million in contractual obligations from carryforward, including \$1 million for UCF Main that includes the Florida High Tech Corridor and the BOG Team Grant, which is a targeted educational attainment grant given to UCF to address educational gaps in IT and accounting.

The final section of the plan addresses commitments. Horton stated that the university has a total of \$133.7 million in commitments from carryforward funds, including \$1.5 million for BRIDG/IMEC investment in research and \$12.8 million in deferred maintenance. The deferred maintenance includes projects that do not meet the requirements for fixed capital outlay per BOG Reg 14.003, which is \$100,000 and a useful life of 20 years.

Yeargin made a motion to approve the 2020-21 University Carryforward Spending Plan. Mills seconded the motion.

The motion passed with an opposition from Walsh.

**ADJOURNMENT**

Martins adjourned the Finance and Facilities Committee meeting at 4:21 p.m.



10/14/2020

Reviewed by:

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Alex Martins  
Chair, Finance and Facilities Committee

Date

Respectfully submitted:



10/22/2020

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Janet Owen  
Associate Corporate Secretary

Date