



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON FINANCE AND FACILITIES
COMMITTEE MINUTES
June 5, 2014
Emerson Alumni Hall, Gainesville, Florida
Time Convened: 12:35 p.m. EDT
Time Adjourned: 1:55 p.m. EDT**

1.0 Call to Order and Welcome

Committee Chair, Susan M. Cameron called the meeting to order at 12:35 p.m. EDT and introduced the newest member, Charles E. Lane, Senior Vice President and Chief Operating Officer.

Members present were:

Susan M. Cameron (Chair), James W. Heavener, Carolyn K. Roberts, Steven M. Scott, David M. Thomas

Others present were:

J. Bernard Machen, President; Charles E. Lane, Senior Vice President and Chief Operating Officer; Jamie Lewis Keith, Vice President and General Counsel; Curtis Reynolds, Vice President for Business Affairs; Matthew Fajack, Vice President and Chief Financial Officer; David Kratzer, Vice President for Student Affairs; Thomas Mitchell, Vice President for Development and Alumni Affairs; Carol Walker, Assistant Vice President, UF Planning, Design and Construction; Janine Sikes, Assistant Vice President for Media Relations and Public Affairs; Ed Kelly, Interim President, UFICO; Joseph Glover, Provost; Joseph Joyce, Executive Associate Vice President, IFAS; Norb Dunkel, Associate Vice President and Director Student Housing; Michael McKee, Assistant Vice President and University Controller; other members of the President's Cabinet, members of the University of Florida Community, and other members of the public and the media.

2.0 Verification of Quorum

After a roll call, a quorum was confirmed, with all members present except Trustee Brown.

3.0 Review and Approval of Minutes

The Committee Chair asked for a motion to approve the minutes of the March 27, 2014 committee meeting, which was made by Trustee Thomas and Seconded by Trustee Scott. The Chair asked for further discussion, after which he asked for all in favor of the motion and any opposed and the motion was approved unanimously.

The Committee considered the following Action Items:

4.0 Action Items

FF1. Final Operating Budget of Revenues and Expenses for Fiscal Year Ended 2013-14 and Preliminary Operating Budget of Revenues and Expenses for Fiscal Year Ended 2014-15

Vice President Fajack explained that the preliminary budget is a very early look at the new fiscal year budget. A clearer picture of the operating budget will be available at the September meeting, and may show some deficits due to the fact colleges may not be reflecting all funds from grants and revenues. The most complete picture for FY 14-15 will be available at the December meeting.

The Committee Chair asked for a motion to approve Action Item FFI as to the Preliminary Budget of Revenues and Expenses for the Fiscal Year Ended 2014-15 for recommendation to the Board of Trustees for approval on the Consent Agenda, which was made by Trustee Roberts and Seconded by Trustee Scott. The Chair asked for further discussion, after which she asked for all in favor of the motion and any opposed and the motion was approved.

The Committee Chair asked for a motion to approve Action Item FFI as to the Final Operating Budget of Revenues and Expenses for Fiscal Year Ended 2013-14 for recommendation to the Board of Trustees for approval on the Consent Agenda, which was made by Trustee Thomas and Seconded by Trustee Scott. The Chair then asked for all in favor of the motion and any opposed and the motion was approved.

FF2. Fixed Capital Outlay Legislative Budget Request for Fiscal Year 2015-16

The Florida Board of Governors requires an annual submission from each university of its Fixed Capital Outlay Legislative Budget Request. This update is used by the Florida Board of Governors to develop the annual Fixed Capital Outlay Legislative Budget Request. Several items are included in this submission as follows:

- Five year Capital Improvement Plan (“PECO List”)
- Requests from Other State Sources
- Fixed Capital Outlay Authorization for projects requiring General Revenue for operation

Vice President Reynolds told the committee that UF is prioritizing 20 projects in its request, with the top three being utility infrastructure improvements, the Nuclear Science Building and the remodel of Norman Hall.

There are no CITF projects requested and the request for the new UF Online building is included but with funding planned to come from other sources.

The Committee Chair asked for a motion to approve Action Item FF2 which was made by Trustee Thomas and seconded by Trustee Scott for recommendation to the Board for its approval on the Consent Agenda. The Chair then asked for all in favor of the motion and any opposed and the motion was approved unanimously.

FF3. Facilities Spending Plan for FY 14 PECO/CITF/Other Appropriated Funds

During the 2014 Florida Legislative session, the University of Florida received funding appropriations as follows;

- Chemistry/Chemical Biology Building - \$20,000,000
- Maintenance/ Repair/Renovations/Remodeling - \$13,600,000
- Critical Deferred Maintenance Funding - \$3,000,000
- Renovation of Historic Newell Hall - \$10,000,000
- J. Wayne Reitz Union Remodeling/Addition - \$6,800,000

The Committee Chair asked for a motion to approve Action Item FF3 which was made by Trustee Thomas and Seconded by Trustee Roberts for recommendation to the Board for its approval on the Consent Agenda. The Chair then asked for all in favor of the motion and any opposed and the motion was approved unanimously.

Following the vote, Trustee Scott thanked President Machen for obtaining funding for the Chemistry Building, noting that Dr. Machen had said he would get funding before he retired and while he was “cutting it close” he managed to do it.

FF4. 2015-2020 Educational Plant Survey

An Educational Plant Survey is a systematic study of current educational and ancillary plants and the determination of future needs. The survey aids in formulating plans for housing educational programs and students, faculty, administrators, staff, and auxiliary and ancillary services of the district or campus, including consideration of the local comprehensive plan. Each state university's survey must reflect the capacity of existing facilities as specified in the inventory maintained and validated by the Chancellor of the State University System.

The Committee Chair asked for a motion to approve Action Item FF4 which was made by Trustee Roberts and Seconded by Trustee Heavener for recommendation to the Board for its approval on the Consent Agenda. The Chair then asked for all in favor of the motion and any opposed and the motion was approved unanimously.

FF5. Dental Science Building (DSB) Energy Efficiency Contract- UF Building 0205

Vice President Reynolds told the committee that this is the third energy use contract undertaken, and will help the University improve energy efficiencies at the Dental Science Building, a 40 year old facility. The contract will help meet deferred demand for maintenance at a time when funding for projects of this type are scarce. The agreement with Johnson Controls would cover a scope of replacement/renovation work to complete approximately \$7.25 Million in facilities improvements. The University is seeking approval to enter into a lease purchase agreement(s) to finance the entire amount of the facility improvements recommended by the IGA.

The committee was asked to approve the DSB Energy Efficiency Performance Contract for Building 0205 Dental Science Bldg. on terms within and consistent with the following parameters:

- (1) The amount financed shall not exceed \$7.25 Million.
- (2) The term of the financing should not exceed the expected useful life of the energy efficient equipment and improvements.
- (3) The monthly/yearly principal and interest payments should be less than the reasonably expected savings as a result of such equipment improvements; JCI or any other energy service company involved in the project shall also guarantee savings at least equal to such principal and interest.
- (4) Payments on the loan should not commence until construction is complete.
- (5) Closing and prepaid costs of financing shall be at commercially reasonable, market rates and terms.

The University has undertaken two other Energy Efficiency contracts, at IFAS and the Reitz Union. Executive Associate Vice President for IFAS Joseph Joyce, told the committee that its \$7.2 million dollar project should realize significant utility savings. Right now the facility under renovation represents 3 percent of the IFAS space but represents 10 percent of the energy use. The project is 55 percent complete.

Associate Vice President and Director Student Housing Norb Dunkel told the committee that the \$6.5 million renovation financed by the energy contract is 40 percent complete and has been a clear success in that it has allowed significant renovations and upgrades with money the university never expected to get. The major challenge has been doing the work while keeping the facility open for business.

The Committee Chair asked for a motion to approve Action Item FF5 which was made by Trustee Heavener and Seconded by Trustee Thomas for recommendation to the Board for its approval on the Consent. The Chair then asked for all in favor of the motion and any opposed and the motion was unanimously approved.

The following Discussion/Informational Items were then addressed by the Committee:

Discussion/Informational Items

5.1 Construction and Maintenance Update.

Assistant Vice President for Facilities Planning and Construction Carol Walker presented an overview of major projects underway. The committee was shown renderings of the Dasburg President's House, which is expected to be completed by December 21, 2014.

5.9 Employee recognition

This item was moved up the agenda in order to accommodate the schedules of parties participating in the employee recognition. Chief of University Police Linda Stump officially recognized Evelynn Wilson, a senior communications operator with the University of Florida Police Department for her actions on March 3, 2014, when she encountered a University employee being attacked in a parking lot on campus. Witnessing the stabbing, she followed the attacker while providing information to police, then returned to help the wife of the victim. Chief Stump said that Ms. Wilson's actions not only helped police find the assailant quickly, but probably prevented other incidents from happening and may have saved other lives.

Cliff Preston, the stabbing victim, gave an emotional thank you to Ms. Wilson for potentially saving others through her actions, and for going back to help his wife.

Chair Cameron presented Ms. Wilson with a plaque acknowledging her actions and expressed the gratitude of everyone for her service to Mr. Preston and the University.

5.2 Campus Master Plan Amendment

Vice President for Business Affairs Curtis Reynolds, reiterated plans for one minor campus plan amendment and the beginning of the process of the major undertaking of looking at the update of the master plan.

Chair Cameron reminded the committee that Trustee Brown, on the pre-BOT conference call, had expressed interest in taking a holistic view of the update, noting that it is more than just a plan about buildings and transportation, and needs to fit into UF's plans for pre-eminence. Chair Cameron suggested that there might be some engagement with the Strategic Initiatives committee on this effort. The committee agreed that this idea had merit and recommended that she talk to Trustee Corr, chair of the Strategic Initiatives committee, to see how the board could be involved in the long term planning effort.

Vice President Reynolds says a plan will be brought to the Board at its December meeting. Trustee Scott asked if information could be gathered on how other college communities of a similar size have accomplished their updates in collaboration with their communities, what worked and what did not.

5.3 Quarterly Financial Report

Having reviewed the report at the pre-BOT call there were no further questions.

5.4 Legislative update

Vice President Fajack ran through some of the highlights of the last legislative session including:

- 25.9 million in performance funding
- \$20 million for a new Chemistry Building.
- \$16 million to \$18 million for the UF Health Cancer Center to obtain National Cancer Institute (NCI) designation. The partnership with UF Health Orlando Cancer Center and the UF Proton Institute, will make the UF Cancer Center the largest in Florida.
- \$13.5 million for facilities maintenance and repairs.
- \$3 million to \$4 million in additional funding for critical deferred maintenance.
- \$10 million to renovate the historic Newell Hall into a student study center.
- \$1.5 million to IFAS for a Bok Tower Educational Partnership.
- \$1.25 million for UF Health's Center for Neurodegenerative Disease.
- \$712,000 for the Whitney Laboratory for Marine Biosciences
- \$500,000 for the College of Education's High Risk Delinquent Youth Research program.
- \$400,000 to IFAS for Cervidae Disease Research in support of research on two specific types of diseases affecting the state's deer population.
- \$275,000 to IFAS for Cattle Research.
- \$100,000 to IFAS for Caladium Research.
- \$5 million in additional preeminence funding.
- \$3 million for the renovation of UF's historic properties in St. Augustine.
- \$2.5 million for the College of Education's Lastinger Center Algebra Nation.
- \$2 million to IFAS for research and extension activities.
- \$2 million to IFAS for the SW Florida Immokalee Research Center

Trustee Scott noted that the National Cancer Institute funding is a very significant accomplishment and there is only one other Florida institute with this designation

5.5 Parking Monetization project update

Vice President Fajack told the committee that the University has engaged Morgan Stanley as financial advisors and Walker Parking as technical advisors for the initiative to explore possible privatization of UF parking facilities. He noted that the University has made a significant investment in its facilities and monetization may be the only way to get a return on that investment. Morgan Stanley will spend the summer "asking the tough questions" about what can/should be part of a RFP if the project goes forward. A valuation and recommendations will be brought to the September board meeting for a go/no go decision.

Stacie Selinger from Morgan Stanley walked the committee through some of the strengths, weaknesses, opportunities and challenges involved in the project. Trustee Thomas asked why there was no discussion about safety and Mr. Fajack said that is one of the issues that will have to be addressed.

The big question that he says the University needs to address is how the University would use funds generated from privatization. Ideas might be addressing deferred maintenance, scholarships, stipends and endowments. The legal procedure for privatizing parking is still being explored but there is a feeling that it could probably be accomplished with approval by the Board of Trustees, much like privatization of the bookstore and dining services was done.

Trustee Scott noted that this plan might be an opportunity to involve the City of Gainesville on a discussion of parking needs.

5.6 Banking ITN

Vice President Fajack told the committee that the idea of allowing one vendor to have exclusive rights to provide all the University banking services (except debt service and investments) is being explored. The University could receive very competitive fees plus a royalty fee for allowing exclusivity.

5.8 Service Innovation

University Controller Mike McKee (and soon to be interim CFO), gave the committee a brief overview of efforts to identify and implement innovate, easy to use improvements for administrative services to better serve the University of Florida staff and faculty. A number of projects under this initiative were identified. Next steps include a branding and communication plan, and continued efforts to find opportunities for strategic collaborations.

5.7 UFICO Update

Interim President of UFICO Ed Kelly gave a quick overview of UFIOC performance. Highlights include performance of the endowment portfolio, which is up 1.9% this quarter. The fiscal year to date results are up 10.4%, although this trails the benchmark group level. Efforts to restructure the hedge fund portfolio have resulted in another strong performance with investments up 10%. Private equity returns have been good overall but with the installation of a new benchmark standard, he says there is “opportunity for improvement.”

Trustee Thomas asked how the first two months of this quarter have been. Mr. Kelly said that April was challenging primarily due to the fact that one hedge fund manager retired and sold the fund assets at a time that was “not an opportune selling time.” Otherwise, he says things are going well.

Adjourn

After asking for any further discussion and hearing none, Chair Cameron asked for a motion to adjourn, which was made by Trustee Heavener and Seconded which was made by Trustee Thomas. The motion was passed unanimously and the University of Florida Committee on Finance and Facilities meeting was adjourned at 1:55 p.m. EDT.