



**COMMITTEE ON FINANCE, STRATEGIC PLANNING  
AND PERFORMANCE METRICS**

**Meeting Minutes**

**Telephone Conference Call**

**March 11, 2019**

**123 Tigert Hall, University of Florida, Gainesville, FL**

**Time Convened: 2:02 p.m.**

**Time Adjourned: 3:04 p.m.**

**Committee and Board members present:**

Thomas G. Kuntz (Committee Chair), James W. Heavener, Leonard H. Johnson, Daniel T. O’Keefe, Rahul Patel, Jason J. Rosenberg, Robert G. Stern, Katie Vogel Anderson, and Anita G. Zucker

**Others present:**

Winfred Phillips, Executive Chief of Staff; Joseph Glover, Provost and Senior Vice President for Academic Affairs; Amy Hass Vice President and General Counsel; Jodi Gentry, Vice President for Human Resources; Mark Kaplan, Vice President for Government and Community Relations; Michael McKee, Vice President and Chief Financial Officer; Alan West, Assistant Vice President and University Controller; George Kolb, Assistant Vice President, Financial Analysis and Budget; William Reeser, Chief Investment Officer of UFICO; Brian Mawdsley, Managing Director of UFICO, and other members of the University community.

**1.0 Verification of Quorum**

Assistant University Secretary Orth called the roll and noted those Trustees that were in attendance.

**2.0 Call to Order and Welcome**

Committee Chair Kuntz called the meeting to order and welcomed everyone. Chair Kuntz encouraged all committee and board members to ask questions about any items that are being discussed.

**3.0 Review and Approval of Minutes**

Committee Chair Kuntz indicated the minutes would be approved at the March 29, 2019 regular committee meeting.

**4.0 Action Item**

**4.1 Revision to University Investment Policy and 5.1 UF Investment Program**

Vice President McKee indicated he would start with Discussion Item 5.1-UF Investment Program as it ties in with Action Item 4.1. After Vice President McKee went through the UF Investment Program presentation, Committee Chair Kuntz asked what money was being invested. Vice President McKee indicated the money that was being invested was central operating cash that

was not being used to pay expenses, such as: auxiliary, research and state appropriations. The interest from the cash goes into the Strategic Fund. Some direct support organizations put money in the bank but everyone does not participate. The money that has been dispensed from the Strategic Fund has been to fund various strategic projects. Provost Glover indicated that the majority of the projects date back to President Machen and it has only been in the last few years that the Strategic Fund has been able to work its way out of those commitments funds.

Committee Chair Kuntz asked the following:

Are other universities were doing similar things? Vice President McKee indicated he was not sure what other universities were doing.

Do we ask anyone's blessing to invest? Vice President McKee indicated there was no authorization required to obtain anyone's approval.

What are we doing with the \$35M that is leftover? Vice President McKee indicated that the money sits in a holding account as hedge for market downturn.

Trustee Heavener asked: How do you determine who gets the money? Provost Glover indicated that since some of the money belongs to research that it has to be used towards research such as startup needs for faculty in the amount of \$10M in previous years.

Provost Glover indicated that internal building projects that will use Strategic Funds are:

- Police
- Infirmery
- Alcohol Facility
- Biology Teaching Laboratory

Vice President McKee then turned the presentation over to William Reeser, Chief Investment Officer of UFICO and Brian Mawdsley, Managing Director of UFICO, who then went through slides 12-23.

Committee Chair Kuntz indicated that a change in the Investment Policy Guidelines would result in a more conservative risk portfolio with similar return. Managing Director of UFICO Mawdsley indicated that by removing short-term risk, overall risk is greater. Current allocation mitigates risk.

Trustee Heavener questioned the \$105M to \$86M difference between historical and forward allocations. It was explained that shifts in allocation actually reduce risk in long-run, resulting in smaller drawdown and still essentially meeting return. Trustee O'Keefe questioned that equal allocation to SPIA and 0-1 year U.S. Treasury, assuming SPIA has more risk. It was noted that SPIA doesn't necessarily have more risk and that 0-1 year has a bit more liquidity; which improves portfolio diversity.

Committee Chair Kuntz indicated there is currently \$2B that is being managed by a committee that none of the Trustees knew existed. He indicated he wanted to ask Trustee Patel in his role on the Governance committee to look into this subcommittee to find out the following:

1. What kind of governance oversight it should have. Some Trustee oversight?

2. Central bank money loan pool review or oversight by some form of our Trustee group?

Trustee Patel agreed 100% and stated he has been tracking this with Vice President Hass. He indicated it should have some type of Trustee oversight. Preliminary discussions have been to have the President appoint a committee, have the Chair of the Finance Committee sit on the committee or have the Board Chair appoint an Investment Committee.

Trustee Zucker indicated that the Advancement Committee should look at the restricted donor funds, accountability and how it is being managed.

#### **Discussion Item 5.2-UF Enterprise Balance Sheet and Receipts and Disbursements**

University Controller West stated that high level UF Enterprise-wide notes has been added to the Receipts and Disbursements spreadsheet. He also indicated that 2 numbers will change in the column labeled Total UF Enterprise 12-31-17.

Trustee O’Keefe stated that the endowment dropped from December 2017 to December 2018 which he expected it to increase. University Controller West indicated there was a loss on investments in the last quarter calendar year 2018. Chair Kuntz stated that at this rate the endowment will eventually go to \$0. Trustee Zucker stated we needed to reduce the spending out of the endowment and look at the rules and regulations. She indicated the market was very volatile and the funds are very restrictive. The money comes in pledges and it takes time before the gifts are paid out.

Committee Chair Kuntz asked that we look at what other universities are doing to see if they are doing it the same way. Wanted to know if we were on the right track. Trustee Heavener said the reports were a great improvement.

#### **Discussion Item 5.3-UF Enterprise Cash Analysis (Cash Flow)**

University Controller West indicated that the cash flow spreadsheet had been updated to separate out the component units to show where the money was. Committee Chair Kuntz indicated it was very helpful to see who has what money. Provost Glover inquired as to what the “Not Available” column comprised of. University Controller West indicated it is comprised of construction, research and UF endowment-restricted monies. There is also some in there belonging to Athletics and \$32M to cover debt.

Trustee Rosenberg stated that the goal is to get the endowment to \$3B. He stated we took in \$400M but that it did not go to endowment. Committee Chair Kuntz wanted to know how the endowment was going to grow and why it hasn’t. Trustee Zucker stated that the campaign is not going to hit the \$3B in endowment within the time frame of the campaign. A lot has to do with what happens in the market and the spending out of portions of the endowment. The campaign may make the goal of \$2.5B. Committee Chair Kuntz indicated that this is a good discussion to have with the full board and requested a flowchart of where the endowment is, what goes in and what goes out. He does not have a good understanding of the current campaign.

Provost Glover noted that many figures are pledges rather than cash. Cash would drive the endowment up in the short-run while pledges drive it up over time. Trustee O'Keefe indicated that page 6 of the Balance Sheet gives some breakdown. Committee Chair Kuntz agreed that this would be added to the Advancement Committee agenda.

#### **Discussion Item 5.4-UF Enterprise Budget to Actual Comparison**

Vice President McKee stated that this was the first time that a spreadsheet had been created to show budget vs. actual based on spending authority. This spreadsheet shows where the money actually sits. Trustee Patel asked if it showed the entire fiscal year. Vice President McKee indicated that it was for period July 1, 2018-December 31, 2018. It will be made clear on final reports presented at the meeting.

#### **Discussion Item 5.5-Major Construction Projects Expenditures**

Committee Chair Kuntz indicated that this spreadsheet was for information only of major construction projects currently underway. Trustee O'Keefe stated that when someone donates money and indicates that they want it spent a certain way that is how the money is used and the priority list could change when someone donates money.

#### **Discussion Item 5.7-Carryforward Update**

Committee Chair Kuntz asked whether anyone had walked through the carryforward spreadsheet with the Board of Governors to make sure they were on board with what was being reported. Vice President Kaplan indicated that he had had an in-depth conversation with the Board of Governors staff in the beginning but that he would go back and talk with them to make sure they were still good with the numbers. He will also review start-up package funding with BOG staff. Committee Chair Kuntz indicated he would like to be able to say to legislators that it was reviewed with the Board of Governors staff.

#### **Discussion Item 5.8-PCard Use and Controls Update**

Committee Chair Kuntz indicated that the University was clamping down on the number of purchasing cards being issued and the spending limits on those cards. Based on the use of the cards, some cards are being removed and some will have their limits lowered. Vice President McKee indicated that UF is taking appropriate steps to ensure risk is minimized.

#### **Discussion Item 5.10-Faculty Hiring Report Update**

Vice President Gentry indicated they contacted 221 individuals who resigned from October 2017 to September 2018, and were able to interview 30 percent of them. Twenty-six percent of those interviewed indicated they left UF due to location and family needs. She stated it was difficult for two working professionals to find work in the Gainesville area. The "Other" Category accounted for 14% and included: communication, goal setting, and different workloads. Vice President Gentry stated they were looking at different initiatives and making sure the administrators have the information about why their individuals were leaving and that she will contextualize that data for the BOT meeting. Trustee Patel stated loss due to leadership was an issue of concern. Vice President Gentry indicated that of the 12% who expressed that concern, it was more typically situations related to a department chair/division chief, including when the department chair left. She stated this was the first wave of reporting and we are looking at standardizing the process for faculty and staff to have a better representation. Committee Chair

Kuntz asked if UF would meet the Faculty 500 initiative, note that we have 269 hires to go, Vice President Gentry state that we are making great progress. Provost Glover agreed.

Discussion Items 5.6, 5.9, 5.11

Committee Chair Kuntz indicated we will not have time to discuss the UF Annual Financial Report, Performance Metrics and UFICO Update.

Trustee Heavener appreciated the enormous amount of work that everyone has done. He stated this was the clearest look at the University that he has received and appreciated it.

Provost Glover stated that the Trustees can expect to see some good news in tomorrows' news.

#### **4.0 New Business**

There was no new business to discuss.

#### **5.0 Adjourn**

Committee Chair Kuntz adjourned the meeting at 3:04 p.m.

**APPROVED AT THE BOARD OF TRUSTEES MEETING ON MARCH 29, 2019.**