

DRAFT Minutes

Finance, Facilities & Operations Committee

Virtual Meeting

UWF Board of Trustees

UWF Alumni Room, Bldg. 12

November 17, 2020

Committee Chair, Trustee Greg Britton called the meeting to order at 9:53 a.m.

Trustees Lewis Bear, Jr., Greg Britton and Suzanne Lewis were in attendance.

Other Trustees in attendance:, Bob Jones, Ruben Gardner, Sherry Schneider, Jill Singer, Alonzie Scott, Dick Baker, Dave Cleveland and Stephanie White.

Others in attendance:

President Martha D. Saunders; Provost & Senior Vice President George Ellenberg; Dr. Kim LeDuff, VP Academic Engagement; Dr. Kimberly McCorkle, Vice Provost; Ms. Betsy Bowers, VP, Finance & Administration; Ms. Pam Langham, General Counsel; Dr. Melinda Bowers, Director, Facilities Operations & Emerald Coast Campus; Ms. Jamie Sprague, Director Human Resources; Dr. Brandon Frye, Dean of Students; Dr. Ed Ranelli, AVP and CEO, BEI; Ms. Cindy Talbert, Internal Auditor, Internal Auditing & Management Consulting; Mr. Matt Packard, Compliance Officer, Internal Auditing; Mr. Dan Lucas, CFO, UWF Foundation; Mr. Jeffrey Djerlek, University Controller; Mr. Chase Green, BOT IT; Mr. Cody Thurber, BOT IT; Ms. Becky Luntsford, Assistant Corporate Secretary to the Board of Trustees.

CHAIR'S GREETING

Chair Britton welcomed all those present and explained there were three action items and five information items on the agenda.

ACTION ITEMS

- 1. Approval of Amendment to UWF Regulation 6.0053 Authorities and Responsibilities.** This item was presented by Vice President for Finance and Administration, Betsy Bowers.

On July 23, 2020, the SUS Board of Governors updated BOG 18.001 - *Procurement*. Substantive revisions and updates to UWF Regulation 6.0053- *Authorities and Responsibilities of Board and University Procurement and Contracts Office* are proposed to comply with the recent amendments. Accordingly, these changes are as follows.

1. Article 1: Authority -language added stating, *“in accordance with Florida Board of Governors Regulations 1.001 and 18.001, the following Regulation applies to all University offices, departments, divisions, institutes, and centers.”*
2. Article II: Statement of Regulation- language added stating, *“In order to meet the University of West Florida's mission, Procurement and Contracts administers and establishes basic criteria related to procurement, including procedures and practices to be used in acquiring commodities and contractual services. Responsible Purchasing officials shall be protected from improper pressures of external political or business interests while carrying out their duties. Procurement and Contracts administers and provides management and oversight for this UWF Regulation.”*
3. Article III: Responsibilities of the Procurement and Contracts Office responsibilities were added:
 - Planning, coordinating and maintaining appropriate justification for purchases in volume and negotiating and executing contracts for commodities and contractual services under which the University may make purchases.
 - Where practical and available, implementing the use of existing State University System shared initiative contracts; unless the Chief Procurement Officer or designee documents that such use is not in the best interest of the University. o Evaluating, approving, and utilizing for University use, contracts that are entered into after a public and open competitive solicitation let by cooperatives or consortia and any other college or university entities when it is determined to be in the best interest of the University. The University will maintain appropriate justification for the use of services contract adoption. Procurement and Contracts shall review existing consortia and cooperative contracts to identify potential savings and, if there is the potential for savings, enter into new consortia and cooperative contracts to achieve the savings, with the goal of achieving a five-percent savings on existing contract prices.
 - Prohibiting University employees and University direct support organization employees participating on a procurement selection committee for commodities or services from soliciting donations from responding vendors during the selection process.
 - Barring any vendor from doing business with the University for demonstrated cause, including previous unsatisfactory performance.

Chair Britton asked for a motion recommending the full Board, at the December 10, 2020 meeting, Approve Amendment to UWF Regulation 6.0053 Authorities and Responsibilities.

Motion by: Trustee Lewis Bear, Jr.

Seconded by: Trustee Suzanne Lewis

Motion passed unanimously.

2. Approval of Amendment to UWF Regulation 6.0055 Procurement Actions Not Subject to Competitive Solicitation Process. This item was presented by Vice President for Finance and Administration, Betsy Bowers.

On May 15, 2019, this regulation was updated and amended. On July 23, 2020, the SUS Board of Governors updated BOG 18.001 - *Procurement*. Substantive revisions and updates to UWF Regulation 6.0055 -*Procurement Actions Not Subject to Competitive Solicitation Process* are proposed to comply with the recent amendments. Accordingly, these changes are as follow.

The changes are found in Article III as follows

1. Added the following to ³'auditing services' in (7)(d): ³including those services needed to address audit, financial, and fraud-related compliance, controls, and investigative matters, or such other related services.
2. Corrected punctuation in (7)(e).
3. Deleted (7)(w): ³Programs, conferences or events that have been specified b\ a grant, can include, but not limited to items such as lodging, meeting rooms, services and food.'

Chair Britton asked for a motion recommending the full Board, at the December 10, 2020 meeting, Approve Amendment to UWF Regulation 6.0055 Procurement Actions Not Subject to Competitive Solicitation Process.

Motion by: Trustee Suzanne Lewis

Seconded by: Trustee Lewis Bear, Jr.

Motion passed unanimously.

3. Approval and Authorization of Fiscal Year 2020-21 Current Modified Operating Budget.

This item was presented by Jeffrey Djerlek, Associate Vice President for Finance/University Controller.

The FY 2020-21 Estimated Consolidated Operating Budget for the University of West Florida was approved by the Board of Trustees and submitted to the Florida Board of Governors in June 2020.

Subsequent to the approval of the Estimated Consolidated Operating Budget, additional data becomes available that requires modification to the approved budget. This revised budget is referred to as the Current Modified Operating Budget. Although the Current Modified Operating Budget is continually refined throughout the fiscal year, the majority of significant changes occur by the end of the first quarter. Accordingly, the Current Modified Operating Budget as of September 30, 2020, is presented to the Board for review and approval. Changes subsequent to the first quarter are incorporated into the discussion of Budget to Actual presented to the Board's Finance, Facilities & Operations Committee for the remaining quarters of the fiscal year.

Chair Britton asked for a motion recommending the full Board, at the December 10, 2020 meeting, Approve the September 30, 2020 Current Modified Operating Budget for the Fiscal Year Ending June 30, 2021 for both appropriated and non-appropriated funds; and Authorize the President to make subsequent changes to the budget as needed.

Motion by: Trustee Lewis Bear, Jr.

Seconded by: Trustee Suzanne Lewis

Motion passed unanimously.

INFORMATION ITEMS

1. Preliminary Financial Statement Reports University Efficiencies was presented by Jeffrey Djerlek. The audited financial statements are normally received in February of each year, in the interim we are presenting unaudited comparative data for the three most recent fiscal years. Financial information provided as supporting documentation included:

A. Three-Year Comparable Statement of Net Position

B. Three-Year Comparable Statement of Revenues, Expenses and Changes in Net Position

2. September 30, 2020 Investment Committee Performance Update was presented by Jeffrey Djerlek. To increase the return on cash and ensure prudent management of public funds, the University developed an investment policy¹, competitively selected an Investment Consultant, created an investment committee, and in March 2015 invested \$25 million outside the State of Florida investment vehicles. The university policy and investments are in keeping with Florida Statute 218.415 "Local Government Investment Policies," which provides that investments should be made with the consideration of safety, credit risk, liquidity, and yield (in order of importance).

The UWF Investment Policy was most recently updated and approved at the June 19, 2020 UWF Board of Trustee Meeting. The updates included new indices as benchmarks to aligning with our portfolio segment holdings, division name updates, and the "Asset Allocation and Style Diversification" table was updated to allow more room within indices to ensure less frequent rebalancing of the portfolio during market turmoil.

The committee met on Monday, November 9, 2020, to review investment performance as of September 30, 2020, and subsequent market performance. Results reflected that all managers and investments were within the UWF policy range. UWF's investment consultant, ACG,² showed the investment pool has grown to more than \$30,552,447 for September 2020. This means the pool has added \$5.5 million in investment returns to the balance since inception.

Notably, the September investment pool outperformed its benchmarks for an inception to date performance of 3.62% vs. the balanced index at 3.33% and SPIA³ + 1% of 3.00%.

3. Hurricane Sally Recovery Update was presented by Betsy Bowers. On September 16, 2020, Hurricane Sally damaged the UWF campus. FEMA made the national disaster declaration on 9/24/20 thereby allowing UWF to file claims with FEMA in addition to the state insurance.

Losses

- \$3.4 million in tangible losses (buildings, equipment, debris, cleanup, etc.) for UWF. More than 300 trees fell along plus 3,000 limbs. Sixty-five buildings had some damage, primarily minor water intrusion. The Archaeology Institute had the most damage and was not able to be occupied when we reopened. Repairs have been completed on this building.

Topic	Damage Amount
Buildings (repair and cleanup)	1,250,000
Debris (Tree work, monitoring, disaster management)	1,400,000
Housing damages	250,000
Contingencies/ intangibles (Infrastructure only)	500,000
Total Estimated Damages	\$3, 400,000
Number of Buildings with damage	65
Anticipated recovery from FEMA (up to 75% of the cost)	\$2,550,000
Anticipated recovery from State Insurance (up to 12.5% of the cost)	\$425,000

- \$1 million in tangible losses were experienced at the West Florida Historic Trust. The Museum of Commerce had the most damage.
- Intangible losses (student attrition, etc.) are not quantified at this time.

Expected reimbursement sources

- FEMA will pay up to 75% of approved expenses. [*Category A-debris, Category B-Emergency Protective Measures, Category E-buildings/equipment, Category G-Recreational areas (e.g. nature trails, tennis courts, etc.)*] The FEMA reimbursement process takes a long time (more than a year).
- The State of Florida via the Florida Department of Emergency Management will reimburse up to 12.5% for FEMA approved hurricane expenses.

- University properties (buildings and contents) are insured through the State of Florida Trust Fund administered by the Division of Risk Management. There are deductibles with the State of Florida Insurance: \$1k/building for flood and \$2,500/certificate for wind damage (3 certificates; Main campus, Housing, Historic).
- The university contracted with a third-party provider to assist in the FEMA claims filing; the cost for this service is \$125,000, which will be funded from FEMA reimbursements.
- Full recovery of actual out-of-pocket expenses is NOT anticipated.

4. CARES Update. Presented by Betsy Bowers. The Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress and signed by President Donald Trump on March 27th, 2020. This bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. As of November 1, 2020, the following reflects UWF's CARES awards and expenses.

UWF received \$7,134,679:

- \$3,400,694 Student Emergency Aid,
- \$3,400,694 Institutional Aid, and
- \$ 337,172 Strengthening Institutional Aid.

Per the quarterly reports as of September 30, 2020, UWF spent CARES funds as follows, leaving a balance of \$1,664,348 to be spent by the end of March 2021.

- \$ 3,216,352 Student Emergency Aid to 2,214 students,
- \$ 2,253,949 Institutional Aid, and
- \$ 0 Strengthening Institutions Aid.

5. Auditor General Report: Summary of Financial Indicators and Trends identified in State University Audit Reports #2021-048 was presented by Betsy Bowers.

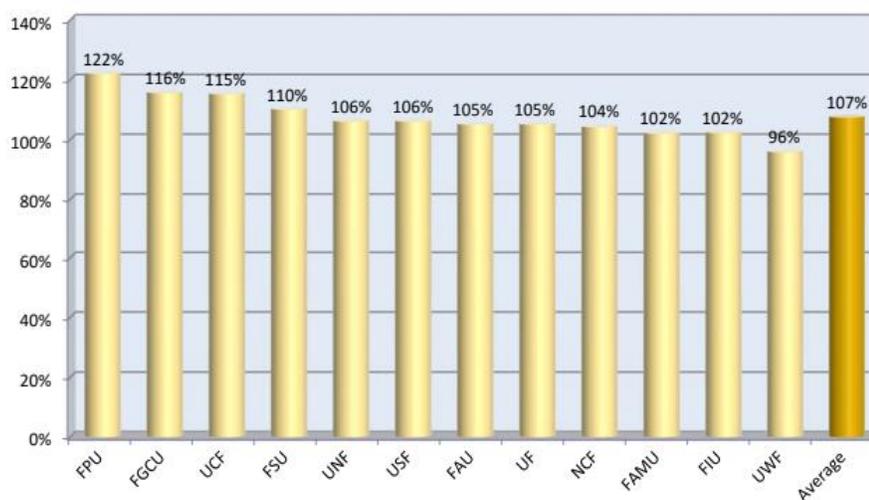
This report by the Florida Auditor General provides a summary of significant financial indicators and trends of the State University System based on the information contained within the 12 State universities audited financial statements for 2014-15 through 2018-19 fiscal years. Critical interest in understanding and addressing the factors that affect the financial condition of State universities exist as evidenced by the various provisions of State law that prescribe how university resources are to be monitored and restrict how those resources may be expended. Assessing the State University System's financial health is an important component in developing strategies and effectively managing institutional risk.

This report provides a financial analysis of the State University System based on select key

financial indicators (ratios) and trends. However, a complete financial analysis would require further detailed analyses of other ratios, studies of the ratios over time, and comparisons of universities of similar size and mission.

- Average current cash, cash equivalents, and investments to current liabilities (ability to pay short-term obligations of less than 1 year): **4**. Note: UWF was a **6**. [A ratio higher than 1 indicates that current assets are more than sufficient to meet current obligations, but may also indicate available resources are not being met timely and effectively to support a university’s operations and mission.]
- Revenues to total expenses (are revenues sufficient to pay expenses for a particular year): \$887 million in total revenues, on average, which represented **107%** of total expenses. Note: UWF was **96%**, this reflects UWF is only getting 96% of each dollar of expense from revenue which makes sense as UWF has been spending down the carryforward balances to meet the request of the Legislature and BOG. This also means that we have less money to put toward items such as deferred maintenance, emergencies, new programs and initiatives. Further, the Table below reflects UWF has grown in enrollment of 6% ; the good news is that UWF has no long-term debt (i.e. bonds). [Percentages that increase over extended periods may indicate that resources are being accumulated rather than timely used to support the university mission; whereas, lower percentages may indicate that revenues are not sufficient to support university operations or that operational efficiency could be improved.]

Chart 2
Ratio of Total Revenues to Total Expenses
for Each State University
For the Fiscal Year Ended June 30, 2019



As shown in Chart 3, the ratio of total revenues to total expenses for the 12 State universities in aggregate has remained fairly consistent over the 5 fiscal years ended June 30, 2015, through June 30, 2019.

- Total net position to total assets ratio (an indicator of financial health/solvency) of 55% (Note: UWF was a **44%**, long-term debt to total assets ratio of 10% (Note: UWF was a **0**, e.g. no bonds), and long-term debt to student full-time equivalent enrollment ratio of **6**. (Note: UWF was a **0**, e.g. no bonds). *[If increasing over time it may indicate better financial health and solvency. Lower long-term debt to total assets or student enrollment ratios over time may indicate that a university is in a better position to issue new debt to meet its capital infrastructure needs.]*
- A total deficit of \$1,026 million in unrestricted net position balances. The deficit occurred primarily because of recent accounting requirements to report other post-employment benefits payable (OPEB).

During the 5 years ended June 30, 2019:

- State non-capital appropriations to State universities increased by 25 percent.
- Student tuition and fees, net of scholarship allowances, decreased by 1 percent.
- Statewide student enrollment increased by 7 percent. (Note: UWF Growth was 6% from 10,150 in 2015 to 10,770 in 2019.)
- The aggregate long-term debt for all State universities decreased by \$222 million. (Note: UWF was \$0 for the five years.)
- The aggregate total investments for all State universities increased by \$1,216 million, primarily due to an increase in investment income and the fair value of investments, as driven by market performance. (Note: UWF investments went from \$111 million in 2015 to \$101 million in 2019.)

Future Financial Trend Considerations

During the 2019 Legislative Session, State law⁹ was amended to require each university:

- To maintain a minimum carryforward balance of at least 7 percent of its State operating budget. If a State university fails to maintain that balance, the university is to submit a plan to the Board of Governors (BOG) to attain the minimum balance within the next fiscal year.
- That retains a State operating fund carryforward balance in excess of the 7 percent minimum to submit a spending plan for its excess carryforward balance to the university's board of trustees, specifying requirements and authorized expenditures in such spending plan, for review, approval, or if necessary, an amendment by September 1, 2020, and each September 1 thereafter.¹⁰ The BOG is to review, approve, and amend, if necessary, each university's carryforward spending plan by October 1, 2020, and each October 1 thereafter.

- Chief financial officer to annually certify, by September 30, the unexpended amount of carryforward amounts appropriated to the university from the General Revenue Fund, the Educational Enhancement Trust Fund, and the Education/General Student and Other Fees Trust Fund as of June 30 of the previous fiscal year.

The amended State law also authorizes a university to spend the minimum carryforward balance of 7 percent if a demonstrated emergency exists and the plan is approved by the university's board of trustees and the BOG.

ADJOURNMENT

With no further Finance, Facilities & Operations Committee items to discuss, the meeting was adjourned at 10:56 a.m.

Respectfully submitted,

Becky Luntsford, Assistant Corporate Secretary