



UNIVERSITY OF CENTRAL FLORIDA

**Office of the Vice President and Chief Financial Officer
Division of Administration and Finance**

P.O. Box 160020
Orlando, FL 32816-0020

January 4, 2019

Dale Bradley
Budget Director
State University System of Florida
Board of Governors
325 West Gaines Street
Tallahassee, Florida 32399

Dear Mr. Bradley:

Thank you for reviewing the University of Central Florida's response to the Board of Governors' request for UBOT-approved spending plans for the "Strategic Deployment of University Carryforward" initiative.

Below is our response to your request for additional information.

1. Additional Expenditures, Encumbrances and Reimbursements Section:

- a. **Student Financial Assistance (\$40M)** – UCF is committed to advancing the excellence and the success of our students. To do so, we are making bold, strategic investments in students and student success. That is why we are making an historic investment in scholarships and doubling the student financial support provided by the university. The scholarship investments – collectively known as the Constellation Fund – build on President Whittaker's goals and commitment to making a UCF education accessible and affordable for students from all backgrounds.

The scholarship investments will improve the academic outcomes of undergraduate, graduate, and doctoral students. Additionally, this investment is designed to help more students graduate, and do so faster and with less debt. The aid will significantly increase the number of scholarships, grants, fellowships and assistantships that UCF provides students over a multi-year timeframe.

Among the ways the new fund may help:

- provide crucial short-term assistance to help students overcome financial hurdles that may keep them from graduating;
- offer the financial security necessary for students to reduce their work hours;
- reduce student debt by replacing loans with grants and scholarships; and
- fund more graduate fellowships to advance our research mission.

A task force with input from students, faculty, and academic leaders will help develop a plan (which we will be happy to provide) which will be ready by Feb. 1 with details about aid distribution and student eligibility. Some scholarships may be awarded as early as Spring 2019 to help students graduate.

- b. **Critical Deferred Maintenance Projects (\$20M)** – The funds were transferred into the plant fund for the critical deferred maintenance projects listed in Attachment A. Each project will be approved by the Associate VP of Facilities and Safety and the VP of Administration and Finance as the final cost of the project is determined.
- c. **Other Expenditures, Encumbrances and Reimbursements (\$52.5M)** – Please refer to Attachment B, which details this \$52.5M adjustment.

2. Restricted/Contractual Obligations Section:

- a. This \$30 million increase is attributed to the following drivers:
 - \$4.2 million increase in “Restricted by Appropriations” for items that were not identified in our previous submission. The detail of this amount was footnoted in the November update of the *2018-19 Carryforward Composition* submitted on December 19th.
 - \$1 million increase in “Compliance Program Enhancements” associated with legal fees resulting from the investigation required by our Board of Trustees.
 - \$2.2 million increase in “Campus Security and Safety Enhancements” including \$1.4 million for pedestrian safety improvements required by the Campus Development Agreement with Orange County and other items that have shifted from committed to contractual since the August submission.
 - \$1.6 million increase in “Student Services, Enrollment, and Retention Efforts,” including \$500k of current year salaries being funded from carryforward funds and other items that have shifted from committed to contractual since the August submission. We intend to reclassify the remaining salary commitment to encumbrances (Section C) in the December update of the *2018-19 Carryforward Composition* based on the November SUS budget directors’ discussion with BOG staff.
 - \$7 million increase in “Faculty/ Staff, Instructional and Advising Support and Start-up Funding” due to adding current year salaries being funded from carryforward funds. This increase was partially offset by expenditures since the August submission. We intend to reclassify the remaining salary commitment to encumbrances (Section C) in the December update of the *2018-19 Carryforward Composition* based on the November SUS budget directors’ discussion with BOG staff.
 - \$4.6 million increase in “Information Technology” for consulting services related to the implementation and modification of multiple research, human resource, and financial application systems. Increase in research activities and research compliance is driving this investment; \$3.5 million of this amount was remitted to the vendor in December.
 - \$8 million increase in “Other Facilities Requirements” associated with space leased for commencement and other student events. This is a multi-year obligation.

3. Commitments Section:

- a. Decreases in the following categories are due to items that have been expensed, encumbered, or reclassified to “Restricted/ Contractual Obligations” since August:

- \$2.5 million decrease in “Compliance Program Enhancements”
- \$1.8 million decrease in “Campus Security and Safety Enhancements”
- \$1.4 million decrease in “Student Services, Enrollment, and Retention Efforts”
- \$3.3 million decrease in “Student Finance Aid”
- \$2.2 million decrease in “Information Technology”

Decreases in the following categories are due to an evaluation of university commitments by our executive leadership and their recommendation to invest in student financial assistance and critical deferred maintenance projects as approved by our Board of Trustees in December 2018.

- \$14.8 million decrease in “Faculty Research and Public Service Support and Start-Up Funding”
- \$9.7 million decrease in Infrastructure, “Capital Renewal, Roofs, Renovation, Repair”

- b. To accelerate the development and transition to its new UCF Downtown campus, \$3.4 million from carryforward funds will be used to support the more than 20 academic programs that will be based exclusively at the downtown campus. The funds will provide support for innovative academic offerings for high-demand fields that integrate with industry and place thousands of students within walking distance of jobs and internships. The commitments are essential for the university to complete a seamless transition of colleges and academic units, as well as thousands of students, faculty, and staff to the UCF Downtown campus effectively and on time.

In keeping with the university’s commitment to quality research and creative scholarship in the downtown Orlando communities, the funds will be used for:

- Faculty development (34%) – assist UCF faculty in developing research, teaching, and scholarship activities in the new urban environment.
- Interdisciplinary research (16%) – offer competitive, collaborative, interdisciplinary research to support faculty, students, and researchers.
- Curriculum redesign and integrative learning (30%) – create, develop, and improve curricula that connect the university’s community engagement with disciplinary learning. UCF will expand its research and teaching in the downtown Orlando communities by integrating community engagement into curriculum exploration, development, and improvement.
- Transition infrastructure and administrative support (20%) – provide for additional infrastructure, personnel, support, and security required to transition students, faculty, and staff to the UCF Downtown campus. This represents the university’s commitment to increasing access for students, providing pathways into high-demand career fields, fostering collaboration

with our neighbors in meaningful ways, and lifting lives through the power of education. The transition infrastructure and administrative support are central to achieving that goal.

Moving forward, UCF hired Accenture, an outside consultant, to review and make recommendations about the structure for UCF's Division of Administration and Finance to ensure proper checks and balances in the distribution of fiduciary responsibilities. We are committed to ensuring that all funds are used for their highest purpose, and we will be taking a broader look at budgeting across the entire institution as part of our actions following Accenture's review.

Sincerely,



Kathryn Mitchell, CPA
Interim CFO

Attachment A

UNIVERSITY OF CENTRAL FLORIDA Critical Deferred Maintenance Projects (< \$2 million) November 2018

B0006	Boiler replacement/ HVAC	\$500,000
B0012	Fire sprinkler upgrade/ panel replacement	\$1,500,000
B0012	Carpet replacement	\$300,000
B0013	2 nd floor VAV box controls	\$50,000
B0013	Roof replacement	\$75,000
B0014	Building envelop repairs	\$100,000
B0014	Exterior door upgrade	\$60,000
B0016	Roof replacement	\$150,000
B0019	Roof replacement	\$100,000
B0019	Carpet replacement	\$75,000
B0020	Building envelop repairs	\$100,000
B0020	Additional chilled water assembly	\$100,000
B0020	Vacuum pump replacement	\$150,000
B0020	Air compressor replacement	\$75,000
B0020	Exhaust system replacement	\$300,000
B0020	ADA exterior doors	\$50,000
B0029	2 nd floor VAV box controls	\$50,000
B0029	Roof replacement	\$100,000
B0045	VAV box replacement and controls	\$500,000
B0045	Redundant chilled water pump and controls	\$50,000
B0045	Fall protection	\$75,000
B0045	Smoke control fan replacement	\$60,000
B0053	Building envelop repairs	\$75,000
B0053	Lab exhaust fan replacement	\$150,000
B0079	Fire alarm replacement	\$600,000
B0079	BAS replacement	\$500,000
B0079	Carpet replacement	\$500,000
B0080	Lighting replacement/ EXIT/ Main	\$750,000
B0090	BAS replacement	\$750,000
B0091	Atrium Repair	\$150,000
B0094	Fall protection	\$75,000
B0094	Smoke control fan replacement	\$50,000
B0095	Outside air damper replacement	\$35,000
B0116	Replace all interior lighting	\$650,000
B0121	Roof coating	\$250,000
B0122	Floor and carpet replacement	\$200,000
B0139	Chilled beam repairs	\$100,000
B0140	BAS replacement	\$200,000
B0150	Data Air unit replacement	\$800,000
B0152	DX unit replacement and BAS controls	\$800,000

Attachment A

B0154	MMAE controls consolidation and mechanical	\$800,000
B0903	Library/ auditorium carpet	\$125,000
B0903	Fall protection	\$150,000
B0903	Fire alarm panel replacement	\$50,000
B1001	Vacuum pump replacement	\$150,000
B1001	Exterior door upgrade	\$80,000
B1001	Fire alarm panel replacement	\$50,000
B8111	Lab exhaust fan replacement	\$500,000
B8119	Fall protection	\$75,000
B8126	BAS replacement	\$300,000
MULTIPLE	Multiple electrical panel obsolescence replacements	\$1,000,000
MULTIPLE	Exterior sidewalk light replacement/ additions for campus safety	\$750,000
MULTIPLE	VFD replacement multiple buildings	\$600,000
MULTIPLE	Rust remediation	\$1,500,000
MULTIPLE	Multiple smaller maintenance projects	\$2,715,000
	TOTAL	\$20,000,000

Attachment B

Details for the \$52,522,542 in Other Expenditures, Encumbrances, and Reimbursements to arrive at the 2017-18 E&G Carryforward balance as of November 30, 2018:

+ \$38.2 M	cash paid for construction of Trevor Colbourn Hall
+ \$13.8 M	cash paid for 8 additional repair, renovation, or construction projects (Band Building \$727,906; Facilities Surplus Showroom \$1,724,490; Research I Building \$7,573,456; Center for Emerging Media 115,802; Downtown Campus Infrastructure \$158,380; The Venue \$788,263; Main Campus District Energy Plant \$1,101,931; Global UCF Building \$1,626,588)
+ \$32.4 M	funds that had been transferred to – <u>but not spent</u> – for capital projects
+ \$12.9 M	unrealized gains on E&G investments that we recorded and budgeted (Because we did not have immediate need for these funds, we elected not to sell the investments to realize the gain. Had we sold the investments just to realize the gain, the funds would have been immediately reinvested in the same investments in accordance with our UBOT-approved investment policy, so our market risk would be the same. However, we would have incurred investment fees on the sale and repurchase of the investments, reducing our available funds.)
- \$ 5 M	research (at the BRIDG facility in Osceola County)
- \$ 5 M	deferred maintenance allocated by the University Budget Committee in July 2018
- \$11 M	scholarships
- \$24.6 M	decrease for normal purchasing cycle transactions that have shifted from committed to contractual or paid since the August submission
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\$52.5 M	Net Increase in Other Expenditures, Encumbrances, and Reimbursements