



UCF Board of Trustees

Budget and Finance Committee

September 27, 2024

Agenda Item

BUDC-4: Amendment to the FY2024-2025 Housing Auxiliary Operating Budget

Proposed Action

The Budget and Finance Committee is asked to recommend to the Board of Trustees approval of the amendment to the FY2024-2025 Housing Auxiliary Operating Budget.

Authority for Board of Trustees Action

Board of Governors Regulation 9.008: University Auxiliary Facilities with Outstanding Revenue Bonds

Supporting Documentation Included

Attachment A: Proposed Amended 2024-2025 Housing Auxiliary Operating Budget

Facilitators/Presenters

Gerald Hector, Senior Vice President for Administration and Finance

Bert Francis, Assistant Vice President for Debt Management and University Treasurer

Summary of Key Observations/Recommendations

In June 2024, the UCF Board of Trustees approved the termination of the lease agreement between the UCF Hospitality School Foundation (Rosen Housing) and the UCF Housing Auxiliary System. As part of this agreement, the UCF Real Estate Foundation (UCFREF) paid \$4.75 million towards the outstanding principal debt balance of the UCF Hospitality School Foundation. Subsequently, UCFREF entered a memorandum of understanding with the UCF Housing Auxiliary System to repay the termination payment over seven years in exchange for the transfer of ownership of the Rosen Housing facilities and related operational activities.

Given this transaction, a modification of the fiscal year 2024-2025 Housing budget is required to accommodate the additional operating activities. UCF Housing also seeks additional budget authority to cover the recent 3% university-wide salary increases, one-time payments to eligible employees, and adjustments resulting from changes in Workday's process for funding construction projects. The proposed budget amendments are summarized as follows:

1. Increase in Beginning Cash Balances by \$1.8 million

This amount reflects cash previously held in the Rosen Housing agency fund, which was transferred to the UCF Housing System upon lease termination.

2. Projected Revenue Increase of \$3.0 million

This increase is attributed to rental income from the Rosen Housing facilities.

3. Increase in Salaries and Other Personnel Services by \$1.4 million

The increase reflects staffing requirements for Rosen Housing and the implementation of the approved salary increase programs.

4. Increase in Repairs and Maintenance by \$308,000

Funds are allocated for routine maintenance of the Rosen Housing facilities.

5. Increase in Other Outflows and Transfers Out

- a. \$820,000 for the annual payment to the UCF Real Estate Foundation
- b. \$1 million reinvestment towards various capital facility needs for Rosen Housing
- c. \$250,000 for police and insurance-related overhead expenses for Rosen Housing
- d. \$1.6 million in additional budget authority for UCF Housing capital projects due to a Workday accounting process change
- e. \$450,000 for advanced planning and design services for fiscal year 2026 projects

6. Increase in R&R Funding Transfer by \$90,000

This amount represents 3% of the gross operating revenue generated from Rosen Housing facilities.

Additional Background

Board of Governors Regulation 9.007 State University Operating Budgets and Requests Auxiliary Enterprises provides guidance on budgeting for all auxiliaries. Auxiliary enterprises include those activities that are not instructional in nature but support the operation of the university. The auxiliaries must generate adequate revenue to cover expenses and allow for future renovations and building or equipment replacement, if applicable. The use of certain auxiliary revenues is restricted by either state statute, Board of Governors' regulations, and/or bond covenants.

For Housing debt, the reserve requirements for repair and replacement reserves indicate that a balance totaling 30% of pledged revenues must be maintained. However, it is allowable to build to the 30% reserve goal when new housing facilities are added during a fiscal year. With the new addition of the Rosen Housing facilities to the UCF Housing system, we intend to add funds to the total renewal and replacement reserves at a rate of 3% of the Rosen housing revenues annually until the full 30% goal is met.

Housing restrictions will become unrestricted upon payoff of all bonded debt.

Implementation Plan

Under the direction of the UCF Division of Student Success and Well-Being (SSWB), the Department of Housing and Residence Life will carry out its mission and adhere to the requested budget. Revenue sources will be used for operational expenditures, debt service, and non-operational expenditures, (i.e., transfers to capital projects, reserves, SSWB and UCF IT).

Resource Considerations

These auxiliary enterprises generate sufficient revenues to cover their own expenses and maintain adequate cash reserves to satisfy bond covenants.