



# UCF Board of Trustees

February 26, 2025

## Agenda Item

BOT-1: Operating Budget for Housing Auxiliary with Bonded Debt

## Proposed Action

The Board of Trustees is asked to approve, on its non-consent agenda, the Fiscal Year (FY) 2025-2026 Housing Auxiliary Budget.

## Authority for Board of Trustees Action

Per the Board of Governors amended regulation 9.008 University Auxiliary Facilities with Outstanding Revenue Bonds, the operating budget for these facilities is required to be approved by the university's Board of Trustees prior to its submission to the Board of Governors in February.

### Supporting Documentation Included

Attachment A: Fiscal Year 2025-2026 Proposed Auxiliary Facilities Operating Budgets – Housing Operations

Attachment B: Fiscal Year 2023-2024 Housing Cash Flow History

### 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 FY 2023-2024, UCF Housing completed the acquisition of the Rosen Housing properties, a significant addition to its portfolio that has contributed to increased revenues and expanded housing capacity. The Rosen Housing properties primarily house hospitality majors of all years, and students seeking to live and work near Orlando's world-renowned entertainment destinations. The complex features primarily four-bedroom, two-bathroom units with full kitchens and furnished living rooms. Located on the Rosen Hospitality School Campus, the apartments are near International Drive, Universal's upcoming Epic Universe, and Walt Disney World. The facility offers a total of 384 rentable beds.

This acquisition required a comprehensive update to the FY 2024-2025 budget, which was approved unanimously by the UCF Board of Trustees on September 27, 2024. The approved modifications included an estimated \$3 million increase in projected revenues from the Rosen properties, updated expense projections for related operational costs, and adjustments to construction transfer budgets to align with the university's transition to the Workday system.

For FY 2025-2026, the proposed budget includes several important changes to support operational growth and address financial requirements:

- **Revenue Projections:** Total rental revenues are projected at \$34,455,424.00, reflecting approximately a 4% increase in rates per the Board approved rate increase plan. Other revenue is consistent with historical averages, with FY 2023-2024 including the one-time transfer of \$2 million in cash from the Rosen Agency fund.
- **Salaries and Matching:** Fulltime salaries and matching expenses are projected to increase by \$349,140.00, primarily to cover vacant facility positions for maintenance technicians, HVAC specialists, and electrical specialists.
- **Other Personnel Services:** Other personnel service costs are projected to increase by approximately 7% to comply with Florida's minimum wage requirements.
- **Operating Expenses:** Operating expenses are expected to increase to \$11,661,577.00, driven by:
  - Higher utility costs due to hurricane-related infrastructure damage and an anticipated 20% rate increase from Duke Energy.
  - Increased auxiliary overhead assessments associated with higher housing revenues.
- **Repairs and Maintenance:** These costs are expected to grow slightly to \$2,591,154.00, reflecting increased inflationary costs and UCF Housing's commitment to maintaining its facilities.
- **Other Outflows and Transfer out:** Other Transfers include the following projected transfers:

- Transfer to the UCF Foundation for \$820,000.00 to help pay for the cost of the Rosen Housing acquisition.
- Transfers to UCF Facilities for the following infrastructure and facility improvements:
  - \$3,500,000.00 for HVAC replacements at Brevard, Citrus, and Hercules Halls.
  - \$800,000.00 for fire alarm replacements at Hercules Hall.
  - \$600,000.00 for Rosen-related upgrades.
  - \$500,000.00 for FY 2026-2027 renovation project design fees.

The budget also includes a \$1,000,000.00 contingency amount in the operating expense total for both FY 2024-2025 and FY 2025-2026. While these funds are not expected to be used, they provide flexibility to address unexpected expenses and prevent follow-up budget requests to the Board of Governors.

A priority for FY 2025-2026 is maintaining financial stability through prudent reserve management. Transfers to replacement reserves will ensure the Housing Renewal and Replacement (R&R) fund meets its target of maintaining 30% of operating revenues. For the newly acquired Rosen Housing properties, a phased approach is being used to reach this goal, with 3% of the Rosen-related revenues transferred annually.

### **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 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 the payoff of all bonded debt.

The attached budget proposals were developed using requests from the individual departments and an analysis of expected revenue and expenditures with a comparison to projected and actual amounts from the prior year.

## **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.