

Charles Parker

From: Angie Carloss on behalf of William Merck
Sent: Friday, November 2, 2018 10:07 AM
To: Misty Shepherd; Kathy Mitchell
Subject: FW: Open Questions from CAFA
Attachments: Carryforward Bullets 9-2018.docx

Another helpful email.

Angie Carloss

Administration and Finance
University of Central Florida
Office: (407) 823-2339

From: McKee, Michael V <mckee@UFL.EDU>
Sent: Wednesday, September 19, 2018 3:04 PM
To: Art Kite <art.kite@fau.edu>; Betsy Bowers <bbowers@uwf.edu>; Chris Kinsley <chris.kinsley@flbog.edu>; Reynolds, Curtis A <curtrey@UFL.EDU>; David Lechner <dlechner@usf.edu>; Jeff Atwater <jeffatwater@fau.edu>; John Martin <jmartin@ncf.edu>; Kenneth Jessell <kjessell@fiu.edu>; Kyle Clark <kyle@fsu.edu>; Mark Mroczkowski <mmroczkowski@floridapoly.edu>; McKee, Michael V <mckee@UFL.EDU>; Nick Trivunovich <ntrivuno@admin.usf.edu>; Shari Shuman <sshuman@unf.edu>; Stacy Volnick <svolnick@fau.edu>; Steve Magiera <smagiera@fgcu.edu>; Tim Jones <tim.jones@flbog.edu>; Wanda Ford <wanda.ford@famu.edu>; William Merck <William.Merck@ucf.edu>
Cc: Gaynor, Christine <scgaynor@UFL.EDU>
Subject: FW: Open Questions from CAFA

FYI

Michael V. McKee, C.P.A. | Vice President and CFO | (352) 392-2402

From: Jones, Tim <Tim.Jones@flbog.edu>
Sent: Monday, September 17, 2018 1:58 PM
To: Kinsley, Chris <Chris.Kinsley@flbog.edu>; McKee, Michael V <mckee@UFL.EDU>
Subject: RE: Open Questions from CAFA

See our response below.

From: Kinsley, Chris
Sent: Thursday, September 13, 2018 11:21 AM
To: McKee, Michael <mckee@ufl.edu>; Jones, Tim <Tim.Jones@flbog.edu>
Subject: RE: Open Questions from CAFA

Mike

Good job on the summary.

One question asked was will the next Board of Governors meeting be Oct. 16th only? The answer is yes, but I haven't had a chance to tell everyone yet.



And Steve had the question about modulars that we are going to discuss and get back to folks on. Researching

What you said about using E&G for renovations is right; each CAFA member thinks they are following the rules. However, when I talk to folks one on one, they interpret the rules differently, which is concerning....We are going to talk about this more as well I am sure. Hopefully when we meet next we can discuss this issue along with the ones below (#4 and #5)

Don't want to limit anything that is allowed and legitimate; but don't want folks to inadvertently make a mistake

Chris

Sent from Mail for Windows 10

From: McKee, Michael V <mckee@UFL.EDU>
Sent: Thursday, September 13, 2018 11:12:18 AM
To: Jones, Tim
Cc: Kinsley, Chris
Subject: Open Questions from CAFA

Tim,

Chris did a yoemans job filling in for you, but there were a couple of things still pending. Here they are:

1. Carryforward/Reserves document – Chris thought you had reduced the 2 pager to less. Could you share that with us? attached
2. Did you have any Performance Based funding updates for us? No update at this time. Workshop scheduled for 10/16 at USF
3. Jeff, Nick and I are coming to Tally on Oct. 9 to meet with DFS about our State invoicing issues (Chris is joining us – you are welcome also). We are also taking advantage of the trip and hoping to meet with House and Senate budget staff to discuss PO&M.
4. There was long discussion about use of E&G for renovations - \$2m threshold (Chris was going to send the statutory authorization) and what kind of work can be done – I think we felt good about where we are at this time in terms of guidance on what is allowed (although the UCF deal may blow that up). Researching and will get input/feedback.
5. Lastly, some discussion and lots of confusion about charging E&G units for renting space in other campus buildings that were constructed from other fund sources (ie. Auxiliary) researching and will get input/feedback.

I think that was it. Maybe Chris could confirm if I got everything?

Regards,

Mike

Michael V. McKee, C.P.A. | Vice President and CFO | (352) 392-2402

State University System of Florida The Need for Carryforward Funds

Carryforward funds are a significant and important tool in prudent higher education management. Selected reasons dictating the need for such funds include:

- **Supports bond credit ratings** that provide the ability to access capital at low borrowing costs.
- Funds to invest in leading priorities such as **start-up packages for world-class faculty**, the potential need to supplement **financial aid**, and other **student success strategies**.
- Allows universities to attempt to address rapidly growing **deferred maintenance** backlogs.
- Funds core assets not specifically included in the budget i.e., major **ERP business systems updates** (such as student information systems, HR systems and financial systems), electric grid infrastructure, utility systems and infrastructure, technology updates, and student success - including advising and mental health initiatives.
- Provides a source of funding if revenue is interrupted due to a **major unforeseen event** such as a hurricane. A **semester's worth** of carryforward is prudent.
- Delivers a funding source to offset the long-term liabilities associated with the State of Florida's mandatory Other Post-Employment Benefits (OPEB) and Pension obligations.
- Fosters long-range financial planning and stewardship versus the "use-it-or-lose-it" mentality.
- University reserves help bolster the State of Florida's balance sheet, as the State University System is included in Florida's Financial Statements.

Moody's Investor Services uses monthly-days cash as one of the key measures of the financial viability and creditworthiness of a college and university. Monthly-days cash measures the number of days a university could cover operating expenses from unrestricted cash and investments that could be liquidated within one month. If a SUS school had a rating the same as the State of Florida (Aaa), the median for monthly days cash and investments that would be expected is 186 days. For schools with Aa ratings (UF, FSU, USF) medians would yield an expectation of 168 days cash and investments.¹

¹ Moody's Investor Services "Higher Education – US Medians – Public Universities," June 28, 2018