



UWF Business Enterprises, Inc. Board of Directors Meeting

University of West Florida

Virtual Meeting

September 25, 2023

Present

Chair C. Ray Jones, Vice Chair Robert Sires, and Treasurer-Secretary Betsy Bowers. Also attending were President Martha Saunders, Associate Vice President Jeffrey Djerlek, General Counsel Susan Woolf, Director of Business and Auxiliary Services James Adams, Chief Audit Executive Cynthia Talbert, Chief Executive Officer Ed Ranelli, and Accountant Suzanna Daughtry.

Guests from James Moore & Co.: Kevin Warren

Absent

None

Welcome/Opening Remarks

Chair Jones called the meeting to order at 1:02 p.m. He welcomed all attendees to the quarterly BEI Board of Directors meeting and thanked them for their agreement to attend. He then asked Suzanna Daughtry to call the roll and she confirmed that a quorum was present.

Approval of Minutes

April 24, 2023, BEI Board Meeting.

Chair Jones asked if there were any additions or corrections to the minutes. Treasurer-Secretary Betsy Bowers requested that one correction be made to the CEO Report where it states, "The Follett bookstore contract expires in September of this year" to state that it expires September 30, 2024.

Motion to approve the minutes, as amended: Treasurer-Secretary Betsy Bowers

Second: Vice Chair Robert Sires

Motion passed.

University Update

President Saunders provided the University update and stated that we have another record year for enrollment, with 14,377 students which is a 6% increase over last year and a 14.2% increase over the past three years. As of seven years ago, UWF had never had any national merit finalists, and this year UWF has 14. UWF was again recognized nationally as a great college to work for. This selection identifies the top 10 colleges, depending on the size of the institution. Some new academic programs are launching. One is Entry into Practice, Master of Science in Nursing. This is a five-semester graduate program and will be on both the Pensacola and Emerald Coast locations. It is a direct pathway to the nursing profession for people who already have earned a degree that was not in nursing. We have a new graduate program in Sports Administration and an MBA in Executive Leadership. We started an Office of Workforce Development and this is a new program that is a presidential initiative. For the last few years, UWF has led the state in students who are employed within one year of graduation, a performance metric. Sherry Hartnett will be leading the initiative with the Career Success program. President Saunders reviewed updates on Facilities. The Field House renovations are nearly complete. There is new artificial turf on the football field. Some of the roads have been repaved. A number of Facilities activities are ongoing.

Treasurer Report

Treasurer-Secretary Betsy Bowers provided the Treasurer's report.

Regarding BEI's financial activity for the past fiscal year that ended June 30, 2023, (July 1 – June 30, 2023):

- Follett reported bookstore commissionable sales of \$2.372 million yielding an 11.65% commission of \$301,690. This represents a sales increase of \$9,169 compared to the prior year's sales which were \$2.363 million with a 10.25% commission of \$242,201. This increase in sales could be due to the increased commission percentage and more merchandise sales.
- Aramark reported commissionable sales of \$5.770 million for the fiscal year ending June 30, 2023. BEI received a 6% commission of \$323,631. This is higher than the prior year with commissionable sales of \$4.818 million with a commission of \$224,081.
- All the bookstore and dining commissions received for the fiscal year 2023 have been provided to auxiliary services for their support functions.
- BEI received \$323,576 for rent, interest, and common area maintenance (CAM) fees from tenant leases at Argonaut Village. The increase is mostly due to full tenant occupancy and the GASB 87 accounting for leases. Rent revenues for the same time last year were \$238,306.
- Under the lease for Building 8, rent revenue received was \$30,189. Prior year revenue was \$31,019. The slight decrease in rent revenue is related to the lease termination and GASB 87 lease termination accounting requirements, as we moved to month-to-month for the last quarter of the fiscal year 2023.
- BEI reported a net income of \$476,643 for the fiscal year 2023 compared to the prior year's net income of \$508,540 for the fiscal year 2022. The decrease is consistent with the increase in salary expense for the CEO's salary now being fully funded by BEI.
- At the end of June 30, 2023, BEI's ending cash balance was \$898,123, a 1.4% increase compared to 885,899 in the prior year.

Treasurer-Secretary Bowers noted that she has reviewed the year-to-date cash activity of BEI as of June 30, 2023.

CEO's Report

CEO Ranelli discussed BEI's year-to-date financial performance through August 2023. He stated Dining Service and Bookstore sales and commissions have recovered from the COVID-19 pandemic and are at or near budget. The BEI Net Income and Cash Balance, as of the end of August 2023, were \$88,140 and \$907,440, respectively.

CEO Ranelli discussed the audited financial statements for the fiscal year that ended June 30, 2023. The BEI Net Income and Cash Balance were \$476,643 and \$906,022, respectively. James Moore issued an unmodified audit opinion indicating that BEI financial statements fairly represent, in all material respects, the financial position of BEI, and its test of BEI's Internal Controls found no instances of misstatements or non-compliance.

CEO Ranelli relayed updates about the contract renegotiations with Aramark and Follett. Amendments to the Aramark contract have been approved and executed. The post-pandemic amendments increase BEI's dining commissions from 6% to 7% and limit price increases for Mandatory Meal Plans to 3%.

The bookstore contract with Follett expires September 30, 2024. BEI has requested a \$1.0M unrestricted cash advance to BEI upon amendment and extension of the contract and for transitioning to the Equitable Access Program, whereby Follett provides students with online access to all assigned instruction materials for a total, reduced costs of \$270/student/semester. Follett has tentatively agreed to the \$1.0M unrestricted cash advance and we are awaiting

written confirmation from Follett's corporate office and draft language for the amendment and extension of the contract and the timing of the cash advances.

CEO Ranelli provided updates on the Infant Child Care Center Expansion. He stated the \$1.0M unrestricted cash advance from Follett, together with Student Affairs and BEI reserves and other funds, could be used to fund the expansion of infant care services for UWF faculty and staff at the UWF Child Care Center. At current construction costs and current childcare market rates, a 2062-square-foot expansion of the UWF Child Care Center would cost an estimated \$800,000 and incur a projected annual operating loss of \$16,000 to \$65,000.

Potential sources of funding include Student Affairs, BEI plus other reserves, the Follett cash advance, and potential operating grants from the Escambia Children Trust and the State of Florida. Plans for the expansion of the UWF Child Care Center await confirmation of the availability and timing of funds. Construction at the Center could begin in the Fall of 2024.

CEO Ranelli provided an update on Building 8. With the Small Business Development Center moving to the College of Business on July 1, 2023, Building 8 remains vacant. We have placed a for-lease sign at the property and contacted potential community and business organizations concerning the lease or sale of the office building and property. This property provides a convenient location to conduct business right outside the university campus and is less than a mile from Nine Mile Road. It offers a waiting area, reception and private offices, large meeting or training spaces, a kitchenette, storage, office furniture, and some equipment, as well as ample parking with 16 parking spaces.

BEI has also contacted the adjacent Fountains and Rhelm apartment complexes and provided the regional managers with a property description, floor plans, and other materials. The regional managers at both complexes have indicated an interest in the property and have forwarded the materials to their corporate offices. Both complexes are experiencing parking problems along University Parkway.

The office building and property were recently appraised for \$450,000 and would make an ideal location for a business office.

Public Comments

None

Action Items

1. Audited Financial Statements for June 30, 2023 – Mr. Kevin Warren representing James Moore and Company, independent certified public accountants, presented the audited financial report for the year ending June 30, 2023. Mr. Warren highlighted and commented on the components of the audited financial report. He noted that the audit opinion stated in the report indicates that the financial statements present fairly, in all material respects, the financial position of UWF Business Enterprises, Inc. as of June 30, 2023. The presentation ended with an opportunity for the Board to ask questions and discuss the information.

The BEI audited financial statements for June 30, 2023, were presented for Board approval.

Motion to approve: Vice Chair Robert Sires
Second: Secretary-Treasurer Betsy Bowers
The motion passed unanimously.

2. Quarterly Expenditure Report – Each quarter, per Article 8 of the BEI Revised Bylaws, BEI is required to file a BEI Quarterly Capital Expenditure Report. This item is presented to have the Board confirm and ratify the receipt of the BEI Quarterly Expenditure Report that was sent out to the President and BEI Board members as of September 25, 2023. There were no significant changes or significant commitment of resources during the quarter.

The Quarterly Expenditure Report was presented for Board confirmation and ratification.

Motion to approve: Vice Chair Robert Sires

Second: Secretary-Treasurer Betsy Bowers

The motion was confirmed and ratified unanimously by the three voting Board members present at the meeting.

3. University Resource Allocation Certification – For the Board of Directors review and approval, CEO Ranelli presented the University Resource Allocation Certification, which was included in the agenda materials. CEO Ranelli certified that all University resources allocated in the fiscal year ending June 30, 2023, were used only for the purposes approved by the Board of Trustees.

Motion to approve: Vice Chair Robert Sires

Second: Secretary-Treasurer Betsy Bowers

The motion passed unanimously.

Informational Items

1. Fraud and Internal Controls Update 2023 – Associate Vice President of Finance/Controller, Jeffrey Djerlek, presented the BEI Fraud and Internal Controls update for 2023 to the Board. He provided a comprehensive review of the BEI internal controls, highlighted items on the checklist where there are exceptions, and provided an explanation for each of the exceptions. He invited questions and comments from the Board Members during and following the presentation. The Board did not have any questions.
2. Investments in Money Markets, CD, and U.S. Treasury accounts at ServisFirst & Charles Schwab – CEO Ranelli presented the background information of the BEI board's approval of moving approximately \$500,000 of BEI's approximately \$865,000 of idle non-interest-bearing cash balance in the checking accounts to brokerage accounts and investing in short-term CDs or short-term treasuries. At Charles Schwab, \$75,000 at 5.0588%, its current rate, has been invested in a money market and \$100,000 has been invested at 4.375%, its current rate, in a U.S. Treasury. At ServisFirst Bank, \$330,000 at 4.1%, its current rate, has been invested in a money market and \$175,000 has been invested at 4.75% in a 13-month CD. CEO Ranelli reviewed the amounts of interest earned on each account as of August 31, 2023. It is anticipated that these investments will generate approximately \$20,000 over the course of the fiscal year and partially offset the loss of rental income from Building 8.
3. Building 8 Update – CEO Ranelli reviewed the vacancy at Building 8. Local apartment managers at the Fountains and Rhelm apartment complexes, which are adjacent properties to Building 8, have been contacted to be potential tenants or buyers. The local apartment managers were provided with a property description of Building 8 in addition to floor plans and other materials that they agreed to forward to their corporate offices. Building 8 would make an ideal business office for the adjacent complexes. Both complexes have been experiencing parking problems and resident complaints due to the lack of adequate parking.
4. BEI Budget to Actual – Suzanna Daughtry presented the Budget to Actual comparison charts showing the variance between the actual performance versus the budgeted performance of BEI operations for the third quarter ending June 30, 2023. Variances between budgeted and actual data were noted and explained.

Adjournment

There being no further business, Chair Jones adjourned the meeting at 1:43 p.m.

Respectfully submitted,

Suzanna Daughtry, Accountant