

**USF Board of Trustees  
Finance Committee  
NOTES  
Thursday, May 18, 2017  
Tampa Campus - Marshall Student Center Room# 3707**

**I. Call to Order and Comments**

The meeting of the Finance Committee was called to order by Chair Brian Lamb at 11:00am. The following committee members and liaisons were present: Brian Lamb, Mike Carrere, Scott Hopes, John Ramil, Judy Genshaft, Ninon Sutton, and Alan Bomstein. A quorum was established.

**II. Public Comments Subject to USF Procedure**

No requests for public comments were received.

**III. New Business – Action Items**

**a. Approval of February 16, 2017 Meeting Notes**

Upon request and receiving no changes to the draft meeting notes, Chair Lamb requested a motion for approval, it was seconded and the February 16<sup>th</sup> meeting notes were unanimously approved as submitted by all committee members present.

**b. 2017-18 Continuation Operating Budget**

Nick Trivunovich, Vice President for Business & Finance and CFO, presented the 2017-18 Continuation Operating Budget. The USF System Board of Trustees (the BOT) is required to adopt an annual budget for the operation of the University. The BOT must approve the budget prior to July 1, 2017 for the State Comptroller to process cash releases of state funds. The universities are still required to submit a detailed operating budget to the BOG by August 15, 2017.

We are requesting approval of a Continuation Operating Budget at the same level as the 2016-17 Operating Budget. We are requesting approval of a continuation budget due to pending tuition decisions and the Governor's approval of the legislative appropriations for FY 2018. Once those decisions have been finalized, the USF System will prepare an operating budget according to our guidelines and the laws and regulations of the Board of Governors and submit to the BOT for approval at a later meeting. The final budget will come back to the Finance Committee for approval.

A motion was made to approve 2017-18 Continuation Operating Budget at last year's Operating Budget level. A subsequent approval will be needed once the legislative budget process has concluded with the Governor's approval and the USF System annual budget has been established. The motion was seconded and approved by all Committee members present.

**c. 2017-18 Preliminary Fixed Capital Outlay Budget**

Mr. Trivunovich presented the 2017-18 Preliminary Fixed Capital Outlay Budget. This is an annual request for authority to spend funds appropriated for capital outlay budget to include prior year appropriations (unspent funds from previous authority), new appropriations, and debt issuances. All fixed capital projects have been previously approved by the BOT. This action will allow the university to spend capital funds that have been appropriated but not yet spent.

A motion was made to approve the 2017-18 Preliminary Fixed Capital Outlay Budget and authorize the President to make necessary non-material adjustments to the 2017-18 Fixed Capital Outlay Budget, with the requirement that any material changes be approved by the University Board of Trustees Executive Committee. The motion was seconded and approved by all Committee members present.

**d. USF System Five-Year Capital Improvement Plan (2018-19/2022/23)**

Mr. Trivunovich presented the USF System Five Year Capital Improvement Plan. This is an update to our Capital Improvement Plan (CIP). The CIP, as used by the Florida Board of Governors, is intended to present the additional academic and academic support facilities needed for a five-year period for which state funds are requested. Separate sections on the CIP are provided for CITF projects and future projects which require state funding or may be funded from non-state sources, such as debt. Each institution's CIP will be used to select projects for inclusion within the SUS Three-Year PECO Project Priority List, to prepare the SUS Five-Year Capital Improvement Plan.

Priority is the same as last year. The top priority after infrastructure is the USF Morsani College of Medicine and Heart Health Institute. "Research" was added to the project titles of items 9 and 10 to recognize the amount of research space in the buildings. A brief discussion occurred on the Health College of Pharmacy request of \$55M.

A motion was made to approve the agenda item with the additional direction to staff to review the strategic, legislative, governance and financial implications of adding the college of pharmacy building to the current downtown Morsani College of Medicine project. The review of this topic by staff must place the highest priority on preserving stated university commitments. The motion was seconded and approved by all Committee members present.

**e. DSO 2017-18 Annual Financial Plans**

The DSOs are governed by independent boards of directors who have previously approved these FY 2018 Financial Plans. The DSO Financial Plans are presented to the Board of Trustees for review and approval, pursuant to Florida Statutes and DSO bylaws.

**1. USF Health Professions Conferencing Corp.**

Joann Strobbe and Carole Post presented the financial plan for USF Health Professions Conferencing Corp. (HPCC). HPCC has been in transition over the last year and is moving toward stabilization in FY18. The revenue model continues to be a challenge, but HPCC is aggressively reducing expenditures. During FY17, HPCC modified its operating model to increase accountability for operations, including re-

organizing leadership across several departments, critically evaluating proposed major initiatives, and reviewing key vendor and contractor arrangements.

HPCC had several one-time only events in FY17 which have been separately identified in the financial plan. FY17 events that will not reoccur in FY18 include reclassifying certain residuals designated unrestricted net assets as liabilities (\$366K in additional expense), reducing depreciation on equipment (\$300k), and realizing a gain based on the sale of equipment (\$450k). After consultation with external auditors, and approval by the HPCC Board of Directors, HPCC reclassified pre July 1, 2015 internal USF Health program liabilities as net assets which resulted in nonrecurring income of \$1,344K. HPCC continues to evaluate business lines. In FY17, HPCC eliminated or scaled back two business lines that were never able to produce net operating profit. In FY18, HPCC will continue to examine each business line based upon its ability to yield net income, and will rollback those that are no longer sustainable or do not otherwise support a critical academic initiative, including a projection of no new revenue from the international program. While the international program yielded gross revenue of approximately \$400K in FY17, current economic and political constraints facing potential international partners lead HPCC to take a conservative approach to the FY18 plan. The financial plan for FY18 is optimistic but realistic, and will restore stability. The goal is to self-fund.

A motion was made to approve the FY2018 Financial Plan for USF Health Professions Conferencing Corp. The motion was seconded and approved by all Committee members present.

- 2. University Medical Services Assoc., Inc.**
- 3. USF Medical Services Support Corp.**

Rich Sobieray and Alisha Ozmeral presented the combined Financial Plan for University Medical Services Assoc., Inc. (UMSA) and USF Medical Services Support Corp (MSSC). Key drivers in FY 2018 include improvements in managed care contract rates, efficiency, and new software in the Ambulatory Surgery Center which will result in \$1.5M increase in profit margin. A new physician compensation plan will encourage physicians to meet cFTE & productivity targets. Departments will not be able to bonus physicians if they do not meet their margin targets, which will align organizational margin targets with department goals, resulting in \$1.5M increase in profit margin. This will be a challenge. Also looking at eliminating lines of business. UMSA's call center now answers 85% of calls (goal is 95%) and the call abandonment rate is down to 11% (goal is less than 5%). Revenues are now growing faster than expenses. FY2017 should be the last year with a loss.

Trustee Hopes would like to see the strategic business plan for the Faculty Practice Plan. Mr. Sobieray reported that it is being worked on. Trustee Ramil would like an update on the state of the Practice Plan.

A motion was made to approve the FY2018 combined Financial Plan for University Medical Services Assoc. Inc. and USF Medical Services Support Corp. The motion was seconded and approved by all Committee members present.

**4. USF Foundation, Inc.**

Joel Momberg and Rob Fischman presented the Financial Plan for USF Foundation, Inc. The Foundation had a great year. The comprehensive campaign has exceeded \$987M on the way to the \$1B giving goal. Will soon cross the \$1B mark. USFSM had its largest gift this year - \$3.5M which has been designated for many areas including athletics and scholarships. The Financial Plan assumes an 8% investment return, which is the long-term forecast.

A motion was made to approve the FY2018 Financial Plan for USF Foundation, Inc. The motion was seconded and approved by all Committee members present.

**5. Sun Dome, Inc.**

Mark Harlan and Yulander Wells presented the Financial Plan for Sun Dome, Inc. (SDI). Steve Oscher, SDI Board President, and Steve Griggs, President of Tampa Bay Entertainment Properties (TBEP), were also present. SDI's current contract with Spectra expires 06/30/17. SDI has completed a competitive bid process for a new Arena management partner and chose TBEP. The Financial Plan is based on optimistic expectations for working with the new partner. Projecting an increase in net operating profit and cash. Naming rights are not included in the plan but are being worked on. No capital expenditures are anticipated for FY2018 and SDI is developing a capital reserve so SDI can self-fund capital maintenance.

A motion was made to approve the FY2018 Financial Plan for Sun Dome, Inc. The motion was seconded and approved by all Committee members present.

**6. USF Alumni Association, Inc.**

Bill McCausland and Melissa Schaeffer presented the Financial Plan for USF Alumni Association, Inc. The Alumni Association is in the alumni engagement and cultivation ("friend raising") business. Projecting an increase in membership revenue in FY 2018 – both annual and life memberships. The Alumni Association currently has 38,745 members (up from last year). Will cross over 5,000 life members in FY2018. License plates are also increasing. Sponsorship revenue is projected to increase 143% during FY2018. This \$146K increase is largely due to a change in insurance affinity relationship from Liberty Mutual to GEICO. In addition to this change, the Association expects to procure a new sponsorship with a major communication provider, expand the existing relationship with the USF Federal Credit Union, and identify a new Student Alumni Association Sponsor.

Chair Lamb stated that the Association is on a good trajectory; trend lines and cash flow are going in the right direction.

A motion was made to approve the FY2018 Financial Plan for USF Alumni Association, Inc. The motion was seconded and approved by all Committee members present.

## **7. USF Research Foundation, Inc.**

Paul Sanberg and Patty Gamble presented the Financial Plan for USF Research Foundation, Inc. The Research Foundation provides a mechanism for the funding of licensed research and development activities at the University. As a DSO, the Research Foundation provides broad and flexible financial mechanisms to administer private research contracts and grants, including corporate and private foundation-sponsored programs. The Research Foundation assists the University by working in cooperation with the University's Technology Transfer Office/Patents and Licensing, in the commercialization of University inventions including license agreements, and receipt and distribution of royalties related to intellectual property. On behalf of the University, the Research Foundation manages the fiscal operations of the USF Tampa Bay Technology Incubator Program. The Research Foundation also owns and manages real property assets that include the USF Research Park and various buildings located on the property. Activities within the Research Park generate revenue primarily through long-term leases of facilities utilized by the University research enterprise and private sector entities seeking research relationships with the University.

The FY2018 Financial Plan anticipates all buildings being fully leased, generating an increase of 6.5% in Research Park rents. FY 2018 Financial Plan generates a net positive Cash Flow of \$983K after debt service costs and CAP-X, thereby increasing total cash reserves and investments by 8%.

Operating profit is expected to decrease in FY2018 over prior year (this will not be the standard going forward). Chair Lamb wants the Research Foundation to solve for negative change in operating earnings going forward.

A motion was made to approve the FY2018 Financial Plan for USF Research Foundation, Inc. The motion was seconded and approved by all Committee members present.

## **8. USF Financing Corp. & USF Property Corp.**

Fell Stubbs presented the Financial Plan for USF Financing Corp. & USF Property Corp. The Financing Corp. is the financing arm of the university and creates value by providing low cost, low risk, long-term financing for the University's major capital projects. The Financing Corp. manages \$349M in bonds and \$81M in interest rate swaps. Upcoming initiatives include the extension/replacement of the direct bank placement of the \$62M Series 2012B Housing Bonds (Juniper-Poplar Hall) and the refunding/conversion of the \$18M Series 2013B Health Bonds (Medical Faculty Office Building). The Financing Corp. continues to maintain positive relationships with Moody's / Standard & Poor's, Board of Governors, Division of Bond Finance, and commercial and investment banks.

A motion was made to approve the FY2018 Financial Plan for USF Financing Corp. and USF Property Corp. The motion was seconded and approved by all Committee members present.

Chair Lamb wants to see a "Days Cash on Hand" graph in every Financial Plan going forward.

**f. Student Green Energy Fee**

Nick Trivunovich introduced the Student Green Energy Fee item. The Board of Governors approved the implementation of a Green Fee at USF Tampa and USF St. Petersburg on March 24, 2011. The \$1 per credit hour fee was implemented starting with the Fall 2011 term. USF Sarasota/Manatee has thus far chosen not to implement the Green Fee.

Pursuant to Board Regulation 7.003(23), the University Board of Trustees on a periodic basis needs to review the fee to determine if the fee met its intended outcomes and whether the fee should be increased, decreased, discontinued or maintained. The University Board of Trustees shall submit its findings to the BOG Board. Any subsequent decreases or continuation in these fees over the next five years (the next due date for the periodic review) are delegated to the University Boards of Trustees, with notification to the Chancellor.

**1. USF Tampa**

Harold Bower, Assistant Vice President for Student Affairs & Student Success, reported on the USF Tampa Student Green Energy Fee. Mr. Bower reviewed completed projects, projects underway, and approved and allocated projects. \$6.3M has been collected to date (about \$1.1M is collected each year); current uncommitted funds are \$132K. Fee continuation is put to a student body vote every 3 years. In 2014 and 2017, students voted to continue the green fee by 69% and 66% respectively.

A motion was made to approve the continuation of the \$1 per credit hour Student Green Energy Fee for USF Tampa. The motion was seconded and approved by all Committee members present.

**2. USF St. Petersburg**

USFSP Vice Chancellor Joe Trubacz reported on the USFSP Student Green Energy Fee. Mr. Trubacz reviewed the successfully completed projects, projects underway, and approved projects. \$759K has been collected to date; current uncommitted funds are \$144K. In 2014 and 2017, students voted to continue the green fee by 77% and 88% respectively. USFSP recently hired a sustainability planner. Several of the projects (for example, solar array for new labs) save the campus money and eventually the fee can be eliminated.

A motion was made to approve the continuation of the \$1 per credit hour Student Green Energy Fee for USF St. Petersburg. The motion was seconded and approved by all Committee members present.

**IV. Adjournment**

Chair Lamb introduced and welcomed Terry Daniel, new Assistant Vice President for Supplier Diversity. Ms. Daniel comes to us from the state of Indiana and will establish the supplier diversity program at USF.

Having no further business, Chair Lamb adjourned the Finance Committee meeting at 12:54pm.