

**USF Board of Trustees
Finance Committee
NOTES
Thursday, October 12, 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 1:21pm. The following committee members and liaisons were present: Brian Lamb, Mike Carrere, Judy Genshaft, and Alan Bomstein. No quorum. The following Trustees were also present: James Garey, Byron Shinn, and Nancy Watkins.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of August 17, 2017 Meeting Notes

Since there was no quorum, this item was deferred to the November meeting.

b. Expenditure Authorization Request

Nick Trivunovich, Vice President for Business & Finance and CFO, presented the expenditure authorization request for the Tampa Sports Authority (TSA) License Agreement for approval by the Finance Committee. This agreement went into effect in May 2017. The Expenditure Authorization Policy has been in effect since April 2017, however this agreement was missed during the transition period and we are seeking approval now as a requisition has been generated against the agreement.

This is a 6 year renewal for use of Raymond James Stadium for up to 8 collegiate football games per season. The estimated cost is \$10.8M for six years (dependent on the number of games per year and the attendance at those games). Mr. Trivunovich explained the benefits and favorable terms of the agreement. Pricing has been locked in for the next 6 years which allows for financial planning. The agreement also includes expanded revenue sharing for the 7th and 8th games. USF has the right to terminate this agreement with 24 months prior notice. The term for the previous agreement was 5 years.

Chair Lamb asked about revenues from the stadium. Mr. Trivunovich explained that the stadium agreement allows us to generate revenue from Barnes & Noble merchandise sales. Chair Lamb also asked what other revenue streams would colleges with campus stadiums have. Athletic Director Mark Harlan indicated concessions and parking. Mr. Harlan also stated that TSA's charges to the University are at cost (no up charges). Chair Lamb noted that USF pays about \$1.5M to TSA each season and that borrowing \$100M to build a stadium would cost

about twice as much. Mr. Harlan stated that we have a good relationship with TSA and the Bucs and we are second in priority for scheduling.

Chair Lamb, exercising his authority as Chair under the Board's established operating procedures, appointed Trustee Nancy Watkins to the Finance Committee. As Trustee Watkins is present at the meeting, there is now a quorum.

Trustee Carrere made a motion to approve the Tampa Sports Authority License Agreement. Trustee Watkins seconded the motion. The motion was approved by all Committee members present.

IV. New Business – Information Items

a. Draft 2017 USF Financial Statements

Mr. Trivunovich provided highlights of the FY 2017 financial statements. Mr. Trivunovich presented a historical view of operating results. In FY 2013, the USF System had an operating deficit of \$46.6M and employed cost containment measures, per the President, to correct this. In FY 2014, the System had an operating surplus of \$5M (essentially breakeven). Our goal is to break even consistent with our mission and in being prudent. In FY 2017, the System had an operating surplus of \$26.9M. This was due to increased state appropriations through performance-based funding and emerging pre-eminence; an increase in investment income; an increase in Contracts & Grants, mostly federal; and an increase in auxiliary sales and services, largely from athletics and housing. The operating surplus occurred despite an increase in compensation and employee benefits which included a 2% salary increase for employees, the hiring of 55 faculty members (which helps to improve our student/faculty ratio and increase our contracts and grants through research) and an increase in the unfunded pension liability (GASB 68).

Mr. Trivunovich also explained variances between 2017 and 2016 in excess of \$10M and 10% as well as variances in excess of \$20M. There was discussion of accounts receivable and non-cash items, specifically post-employment health care benefits payable and pension liability.

Chair Lamb wants to discuss, going forward, our reserve balances – what's required, what's our policy, and how they are used. He also wants to have a conversation on cash balances.

For the next meeting, Chair Lamb wants to know how we are using our emerging preeminence dollars and how we are using budget dollars for vetoed items (use of proceeds vs. what was vetoed).

Trustee Shinn noted that USFSM has already had discussions on reserves and cash flows.

b. DSO Investment Reporting Process

Mr. Trivunovich presented a proposal for additional reporting from certain DSOs on their investment results (this was requested by the Trustees at our last meeting). DSOs will present their investment portfolio performance to the BOT Finance Committee semi-annually, at the October and February meetings or when investment results first become available. Reporting periods will be as of June 30 and as of December 31. The goal is transparency.

The following DSOs would report investment results:

- USF Foundation –
 - Endowment Portfolio (current reporting practice)
 - Operating portfolio (new) - \$85M; short-term, liquid
- USF Research Foundation
 - Operating Portfolio (new) - \$34M; 70% invested with USF Foundation (Endowment Investment Policy)
- University Medical Services Association
 - Operating Portfolio (new) - \$20M; same investment advisor as University; no investment dollars with USF Foundation

Mr. Trivunovich also reviewed the proposed report format which includes an asset allocation table, performance report, and governance and investment management disclosures.

After discussion, it was decided that the DSO Investment Reporting would be on an annual basis, based on the fiscal year end.

V. Adjournment

President Genshaft thanked Mr. Trivunovich for all his work – a great job. Chair Lamb agreed.

Having no further business, Chair Lamb adjourned the Finance Committee meeting at 2:15pm.