USF Board of Trustees
Finance Committee
NOTES
May 23, 2023
Microsoft Teams Virtual Meeting

I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Michael Griffin at 10:00am. Chair Griffin asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Michael Griffin, Mike Carrere, Rogan Donelly, Shilen Patel, Melissa Seixas, and Will Weatherford. 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 14, 2023 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Griffin requested a motion for approval, it was seconded and the February 14th meeting notes were unanimously approved as submitted by all committee members present.

b. Authorize Issuance of Debt for Stadium Project

Fell Stubbs, University Treasurer, presented the agenda item. This is a request to authorize the issuance of debt by the USF Financing Corporation (the "DSO") and request approval by the BOG. The Financing Corp. proposes to issue debt in an amount equal to $200M to finance the construction of a stadium project (the "Project") on the Tampa campus. The Project will consist of an approximate 35,000-person capacity stadium with multiple premium areas and experiences to support the University's football and women's lacrosse programs. The Project is expected to have five levels: field level, main concourse, club level, suite level, and press level which provides an opportunity to configure program areas within the Project to expand in the future. Design work began in October 2022 and construction of the Project is expected to begin in October 2023, but will necessarily need to follow closing, and be completed in July 2026. The total cost of the Project, which includes construction, design costs, contingency, and furnishings and equipment is estimated to be $340M.

The $340M Project will be financed with 20-year, fixed rate, taxable debt issued by the DSO in an amount equal $200M, inclusive of estimated cost of issuance ($500K); together with an equity contribution of approximately $140M from the University. Proceeds of the Debt, along with the University equity contribution, are anticipated to be sufficient to complete the construction of the Project without the use of additional funds.

The $200M debt will be issued by the DSO in the form of a bank loan and will bear interest at a fixed taxable rate acceptable to the DSO. For the purpose of projections, debt service coverage is based on the taxable fixed interest rate of 5.50%. The debt will be structured with a 20-year final maturity with the first three years interest-only, followed by 17-year fully amortizing level debt service. The debt will be secured by a first lien on stadium operating revenues and non-stadium athletics revenues. The lien on non-stadium athletics revenues will be on parity with the lien previously granted to the bank issuer of the Series 2018A and Series 2018B Promissory Notes that financed the Athletics District in 2010.

Legislative approval of the Project has been obtained pursuant to section 1010.62 (7)(a), Florida Statutes. No proceeds of the debt will be used to finance operating expenses of the University or the DSO. This Project financing complies with the Debt Management Guidelines adopted by the BOG on April 27, 2006, as subsequently amended, the USF Board of Trustees Debt Management Policy, and applicable law.

Authorization is being requested to issue debt in an amount equal to $200M. The Project will make a direct contribution to the mission of the University because it will provide needed student facilities and enhance students' University experience. The Project is projected to produce a debt service coverage ratio of 1.30x in 2026-27, the first full year of operations and debt service, an internal rate of return estimated at 4.33%, and make a positive annual financial contribution to the University.

A resolution that authorizes the issuance of the debt by the USF Financing Corp. and requests approval by the BOG (prospectively at a meeting to be held on August 30) is included in the meeting materials. The resolution has eight required appendices detailing key aspects of the debt and the project. The USF Financing Corp. Board of Directors has thoroughly reviewed and approved the loan on May 9, 2023.

Trustee Carrere asked for an explanation of the previously mentioned debt coverage ratio of 1.30x. Mr. Stubbs explained that this is an all-in coverage ratio of all pledged revenues that are eligible pursuant to the BOG Debt Management Guidelines and Florida Statute 1010.62 and all of the debt service not only on the Athletics District but also on the Project.

Trustee Carrere asked about the timing (over what period of time) of the $140M equity contribution by the University. Mr. Stubbs explained that the $140M is required to be committed and available at the time of closing.

Trustee Horton asked if someone makes a multi-year pledge that is counted as part of the $140M, how is that calculated in the debt service coverage. Mr. Stubbs explained that there are guidelines in F.S. 1010.62 that address this so they can be counted.

Trustee Horton asked how much revenue is generated today from football at Raymond James Stadium (RJS). Michael Kelly explained that it depends on our schedule and ticket sales. We’ve had highs of $8M when we’ve had a strong schedule, and less in other years. He also explained that in our current agreement with RJS, we do not get all the types of revenue such as concession, parking revenue, naming rights, etc., that we are eager to have in the new facility.

Trustee Schneider asked if alcohol will only be sold in the suites. Mr. Kelly stated that this has not been discussed or determined at this time by leadership. He noted that we currently have alcohol sales in the Yuengling Center and other Athletic facilities beyond premium sections.

Trustee Schneider asked what new revenues will go towards the debt service. Mr. Sobieray explained that there will be incremental ticket sales revenue as a result of the new stadium which have been estimated conservatively for the pro forma. There will be other opportunities for revenue once we activate the stadium year-round and these revenues for other events are not included in the pro forma. So there is opportunity for revenue beyond what is in the pro forma.

Trustee Seixas asked for an explanation of the risk analysis that took place for this project. Mr. Sobieray explained that we are designing to the budget; we have identified $340M in resources and we are designing to that number. We will monitor this closely and only design a stadium we can afford. We have also built in a significant amount of owner's contingency in this project which takes into consideration some of the risk (cost escalation, supply chain issues) and tries to minimize it.

Trustee Schneider asked if the lien for this loan will affect other sports. Mr. Stubbs explained that the lien is restricted to athletics revenues and the new project revenues only.

Trustee Schneider asked if there are protections in place that separate the stadium from the academic side of campus. Mr. Sobieray explained that the priorities of the University are not just the stadium. Our E&G funding is up almost 30% over the last 2 years. That money is being invested in our academic mission. It is not being used for this purpose. There is a real effort to make improvements and find additional resources for investments in our academics and research. Also, the new funds flow model we are developing will protect our academic mission and help us meet our strategic priorities.

A motion was made to authorize issuance of debt by USF Financing Corporation as presented and request approval by the Florida Board of Governors. The motion was seconded and approved by all committee members present.

c. Recreation Field Relocation Project

Vice President Carole Post introduced the agenda item. This is the first of many major components of planning and preparing for construction of the stadium. The site location of the stadium will displace a number of existing student recreation fields and some related maintenance areas. Through the effort of several areas, we have developed a plan that will enable us to: relocate all of the functional areas that are being displaced; do this in a one-to-one backfill; do this in a timeframe that enables the stadium construction to stay on track (which is about a year from now); and enable us to, for a medium period of time (7-10 years), activate an area of campus that is currently vacant and underused. This is a multi-department effort involving Recreation & Wellness, Athletics, Research Foundation and Facilities & Maintenance. Today, we are looking for support of the concept. We will come back at a later date with a more detailed plan and a more detailed budget for formal approval. The proposed site of the relocation is the land at the Research Park, which is currently vacant, in the southwest corner of campus (near the intersection of Bruce B. Downs Blvd. and Fowler Ave.). This is a good fit, but it is inconsistent with the long-term plan for that land. That is Research Foundation land and it is designated for research purposes. This solution is a temporary solution, estimated at 7-10 years, and this timeframe does not in any way negatively impact or delay any research development that is slated for that space during that time and is committed to our research future.

Jay Souza, Director/Recreation & Wellness, presented additional details on the relocation plan. The scope includes the replacement of the Sycamore field complex which is comprised of a 4-field grass complex, 2-softball grass fields, a 1.3-mile fitness trail, a maintenance wash-down station, an outdoor storage area, and parking areas. Construction schedule is to begin this summer in an effort to be completed by groundbreaking of the Stadium project (May 2024). Proposed budget is roughly $18M for the project. Mr. Souza presented additional information on the recreation facilities being displaced (Sycamore Complex) as well as all existing recreational complexes. He reported on usage and participation by club sports, intramural sports and academics (band, ROTC). Currently, roughly 23-30 acres are available for student play at any time and participation levels are high. The recreation facilities displacement will affect intramural sports, all outdoor club sports, and academic usage. Recreation & Wellness is part of Student Success. Students derive many benefits from participating in Collegiate Recreation Sports activities, programs and services. The overall footprint of the stadium construction would reduce Recreation & Wellness' on-campus acreage for recreational outdoor spaces from 23 acres to 13 acres. This presents an opportunity for relocation and enhancement of Recreation & Wellness' outdoor field spaces. Mr. Souza detailed the proposed relocation to the USF Research Park and Shriners Annex building (maintenance) and lots 36A and 39A (parking).

Allison Madden, COO/Research Foundation, reviewed the probable cost of the project. Civil engineers were brought in to help with these costs. Estimated cost of the project (natural grass as opposed to artificial turf) is approximately $18M. The fitness trail aspect of the project will be funded by the Research Foundation and the balance will be funded by the University.

Trustee Patel asked if there is any element of this project that would roll over into the long-term plans for the Research Foundation. Ms. Madden explained all of the underground utilities and everything that is required to bring all of this to life will stay in the Research Park and will be of future value to the Research Foundation and its development in the Research Park.

Trustee Schneider asked where will the funding come from for this project. Mr. Sobieray responded that we are currently working through that in terms of what the sources will be and we are working to be sure this does not impact our investment in academics. What we are asking for today is the approval to go out and get this priced accordingly. We will come back to the Trustees with a finalized and formalized plan which will include the funding sources.

A motion was made to approve plan to a) relocate designated recreational fields, maintenance and storage areas, and maintenance washdown station to vacant Research Park location and former Shriner's Building exterior maintenance facility and b) establish a formal project plan and budget for future review and consideration. The motion was seconded and approved by all committee members present.

d. 2023-24 Preliminary Fixed Capital Outlay Budget

Carole Post presented the 2023-24 Preliminary Fixed Capital Outlay Budget for approval. Pursuant to 1011.012, Florida Statutes, the BOT must adopt a fixed capital outlay budget for the fiscal year that designates proposed expenditures for the year from all fund sources. The Preliminary FCO budget is a total of $153,484,461 ($21,677,444 state appropriated, $107,899,811 section 197 appropriation including critical deferred maintenance, and $23,907,206 non-state appropriated). This budget is based on the 2023 Appropriation Act and is consistent with approved legislative spending authority. This action enables USF to open the budget system for FY2024 total roll-over of $153,484,461. This is an annual request and is a step in our budget process by which the board authorizes us to open the budget system to enable us to continue to draw upon previously authorized funds for the next fiscal year in terms of capital budgets. Capital projects are typically multi-year and their budgets span multiple years. Each year this committee is tasked to ensure that it authorizes the draw down of funds from a prior fiscal year into the next fiscal year. This is not a request for new funds; this will enable us to continue to draw down on previously approved project budgets as set forth in the documentation. In a continuous effort to streamline and make our processes more efficient, we noted that this preliminary step is not required by the BOG or the BOT. In reviewing the history, this was an internal step as the USF budget cycle was not always aligned with the legislative budget cycle. Our CFO and team have been working to align those cycles and be more in sync. Now that they are in sync, it is our opinion that we no longer need to bring a preliminary fixed capital outlay budget just a month or two before the final budget is presented (August). Unless there is any objection, it is likely that we would sunset this unnecessary step; we think our new budget process obviates the need for it and it is accounted for by the requirement to have a fixed capital outlay budget presented to the Finance Committee and then to the full board.

A motion was made to: 1) approve the 2023-24 Preliminary Fixed Capital Outlay Budget; and 2) authorize the President to make necessary non-material adjustments to the 2023-24 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.

e. USF 5-Year Capital Improvement Plan (2024/25-2028/29)

Carole Post, presented the USF 5-Year Capital Improvement Plan, noting that this is our look forward. This is an annual process where we set forth those capital investments that we project or desire to make in the future. This is a four-part process: 1) Prioritized List of Public Education Capital Outlay (PECO) Eligible Projects; 2) Capital Improvement Trust Fund (CITF) Projects; 3) Back of Bill (BOB) Projects (none this year); and 4) CIP Transmittal Letter. This is due to the BOG on July 1, 2023.

- All PECO priority rankings and budget requests remain the same (same order and same entries as last year for #s 1-7), demonstrating our commitment to a consistent set of priorities. We had some success with #2 (SM Academic STEM Nursing Facility) in last year’s budget and are on track for this year as well; we hope to see an allocation for EOS which has consistently been ranked #1 priority; #s 3-5 continue to reflect important priorities for us largely around research and engineering related matters; #6 Translational Research Facility is related to USF Health and a need that Dr. Lockwood has been advocating for; and #7 Public Safety Complex is a renovation of the credit union facility that was recently returned to us through a mutually agreeable transition with the USF Credit Union and will be repurposed as a public safety complex for a number of important needs on campus. A new addition to our priorities is project #8 – East Campus Infrastructure & Safety Improvements ($26M). This was developed with four separate parts. All are critical infrastructure matters largely related to the eastern side of campus largely around the Athletic district but not exclusively for Athletic purposes. This is where the push of our campus is taking us on many different fronts. While the total is $26M, these are four unique items that can be approved discreetly (they are not dependent on each other). They are lower cost, realistic investments that can be built out in the next two to three years.

- The CITF allocation this year is $6.3M. This is developed in concert with our students and student government representatives. In this case, there are a couple of exceptions to that amount, but it is largely allocated to the commitment to the stadium (as noted in earlier presentation).
- No back of bill projects filed this year.
- One item to note on the President's transmittal letter is a change to our 2023 Educational Plant Survey. USF Health – College of Nursing Tampa Expansion received 2023 Amended Educational Plant Survey recommendation from the Survey Team on April 11, 2023. Rather than just renovate the existing project, we've opted to demolish part of that old building which will make it a much better project (more effective and efficient). Whenever we demo a capital asset, we have to amend our Educational Plant Survey.

Trustee Seixas about the student commitment of CITF to the stadium – is the intent to go back annually to the students at Sarasota-Manatee and St. Petersburg to review their commitment or were the commitments for five years. Mr. Sobieray responded that Sarasota-Manatee made a 5-year commitment and Tampa and St. Petersburg are on an annual basis. Tampa and St. Petersburg understand the intent is for five years, but they have only been willing to approve it on an annual basis.

A motion was made to: 1) approve the USF Five-Year Capital Improvement Plan Summary, Project Detail and Transmittal Letter; and 2) authorize the President to make necessary nonmaterial adjustments to the Five-Year Capital Improvement Plan, 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.

f. Proposed Revisions to Regulation 4.0107 Fees, Fines, and Penalties

Mr. Sobieray introduced the agenda item. Two proposed requests to *Regulation 4.0107 Fees, Fines, and Penalties* to update a particular fee and to add a new fee for the upcoming year.

- Sidney Fernandes, Vice President Information Technology, presented the update/revision to the ID Card fee. USF currently charges a one-time $10 fee to students to provision a USF ID Card, $15 to replace. This fee is insufficient to take advantage of current technologies such as smart cards, tap-to-pay services, and smart-phone based virtual ID card services (mobile credential). The state does allow (Florida Statute 1009.24 14c) for a $10 annual fee for students to support ID Card and its technology, and that is what we are requesting to do in order to provide modern service to our students. All SUS schools currently charge an annual fee except for USF. Requesting to align USF with the rest of the SUS in charging an annual fee of $10. This will allow us to bring our ID

Card system to a state of good repair. This would allow us to have Smart Card Readers in all of our buildings and have Smart Cards for all of our students.

A motion was made to approve the annualization of the ID Card Fee and subsequent revision to *Regulation 4.0107 Fees, Fines, and Penalties*. The motion was seconded and approved by all Committee members present.

- Steve Omli, CFO USF Health, presented the new DPT (Doctor of Physical Therapy) Test Prep Fee. Doctoral students for the School of Physical Therapy take a national board exam. The test prep materials that are provided to them help them throughout their coursework and to prepare for that test specifically. It is a relatively small fee but important to the School to help in their budget to provide these materials to all of their doctoral students and to help in student success.

  The DPT Test Prep fee will have a minimal financial impact, as the overall cost to the student will be less than 1% of the total tuition/fees for the DPT program. For Year 2 DPT students, the estimated fee would be $99/student (PEAT Practice Exam or comparable comprehensive exam). For Year 3 DPT students, the estimated fee would be $208/student (PEAT Practice Exam or comparable comprehensive exam and Therapy Ed or comparable prep course). Total annual revenue is estimated at $15,296.

  Test Prep Fees are already approved at cost for programs at FAMU and FIU under BOG regulation 7.003(26)(b). This fee is new to USF, but it is not new to the SUS.

  A motion was made to approve the new DPT Test Prep Fee and subsequent *Regulation 4.0107 Fees, Fines, and Penalties*. The motion was seconded and approved by all Committee members present.

g. Expenditure Authorization Requests

Rich Sobieray, Sr. Vice President and CFO, presented four expenditure authorization requests for approval by the Finance Committee. Three are recurring (renewals of current contracts/agreements) and one is a restroom renovation for ADA compliance.

- Oracle Database and PeopleSoft Maintenance Agreement - $4,190,118

  This is a 3-year contract with Oracle for maintenance and support for our Oracle database site license and the PeopleSoft financial licenses. This agreement will provide support as well as updates to the software to ensure the applications are running and secure.

  A motion was made to approve the expenditures as presented. The motion was seconded and approved by all Committee members present.

- Pharmaceutical Supplies/Cardinal Health - $3,500,000

  This request is for Pharmaceutical Supplies for USF Health Pharmacy Plus (blanket purchase order) with Cardinal Health for FY24. The amount being requested for FY 2024 is $3.5M for the purchase of pharmaceutical supplies (inventory), sold through

Pharmacy Plus to patients as they leave clinic appointments. This is the same amount as requested for FY23.

A motion was made to approve the expenditures as presented. The motion was seconded and approved by all Committee members present.

- MHC ADA Restroom Renovation - $2,516,500

  The MHC building was originally an in-patient care facility, and has been repurposed for the College of Behavioral and Community Sciences. This project will bring restrooms in MHC up to current building code and ADA compliance.

  A motion was made to approve the expenditures as presented. The motion was seconded and approved by all Committee members present.

- Contracted Custodial Services -$4,338,726

  This is for outside custodial services for FY23-24 estimated at $4.3M. This is for two purposes (two existing agreements): 1) to primarily provide general cleaning services for our USF Health buildings downtown; and 2) to hire contracted custodial labor to mitigate challenges in recruiting and retaining staff in the FM Building Services department on the Tampa campus. The scale of support has increased significantly as recruiting from today's labor market continues to prove challenging, and a significant amount of new space has come online on the Tampa campus. This ensures continuity of operations by mitigating latent position vacancies. Adding contracted custodial services to in-house programs ensures a safe and clean environment is provided for students, faculty, and staff.

  A motion was made to approve the expenditures as presented. The motion was seconded and approved by all Committee members present.

h. DSO 2023-24 Annual Financial Plans

Fell Stubbs, University Treasurer, introduced the DSO FY2024 Annual Financial Plans. The DSOs are governed by independent boards of directors who have previously approved these FY2024 Financial Plans. The DSO Financial Plans are presented to the BOT for review and approval, pursuant to Florida Statutes and DSO bylaws. There will be a more in-depth overview for items 1-3.

1. **University Medical Services Assoc., Inc., USF Medical Services Support Corp. & USF Health Services Support Organization, Inc.**

   Mr. Omli presented for UMSA, MSSC and HSSO. The FY24 budget for UMSA is still shows the lingering effects of COVID and the severe effects of staff shortages and salary inflation in the healthcare industry. As in most industries over the past few years, the combination of employees leaving the workforce and increased demand for services has created significant inflationary pressure. Unlike most other industries, outpatient healthcare services like UMSA cannot raise the price of service. UMSA provides services under government rates which are expected to decrease over the next couple years by 8.5% and also by commercially contracted rates which must be renegotiated over a protracted period of time. What changed in FY23 and will continue into FY24 is the cessation of COVID relief funds from the federal government. Without these funds, the high cost and scarcity of labor has exposed UMSA's fragile divide between a positive and negative margin, which is shared universally amongst faculty practice plans across the country. UMSA does have a good balance sheet currently and can weather the negative margins for FY23 and FY24, but actions are being taken to address the current financial situation. These actions include: UMSA leadership is working on provider productivity through the implementation of Qgenda (space utilization and productivity tool); and UMSA is working on its contracts with affiliated hospitals to bring in additional revenue. These efforts will make a significant dent in the negative margin, but are unlikely to move the margin to completely into the positive. This is reflected in the numbers through FY28 in the forecast which show a continuing deficit of about $4-5M per year, assuming the continuation of the existing business model. UMSA leadership is working with Tampa General Hospital TGH to develop a new business and funds flow model that will support the growth of clinical activity and while derisking the practice from the negative margins that UMSA is and will likely continue to experience otherwise. Yesterday, the Joint USF Health/TGH Steering Committee for this effort kicked off and there is a sense of urgency to work through and complete this model design in months, not years. Mr. Omli proposed to return to this group in November to give an update on all the initiatives to improve the UMSA bottom line and provide a new forecast of FY24 through FY28 that reflects the new funds flow model in terms of timing and financial impact.

Trustee Carrere noted that UMSA had financial issues a few years ago that they were able to come back from; but this seems like new of issues. He is glad to see UMSA is serious about working to change the model to get back to the black. Need to take the necessary steps sooner rather than later.

Chair Griffin stated that this is not a sustainable path, but we do have the right people on it and addressing it. He feels this needs to be front and center at the Finance Committee level for the foreseeable future.

Chair Weatherford wants a more detailed presentation in this so the Trustees can understand what is going on and strategize as to how they as Trustees can help. It is a big business, and a complicated business (in terms of partnerships, etc.) and cannot afford to run it in the red.

Dr. Lockwood stated that academic effort is currently subsidized by the clinical enterprise and this is not feasible. Academic portion of physician salaries needs to be supported by academic dollars (tuition, state funding, etc.). We also have to be able to maintain market levels of clinical salaries and the only way to do that is with full integration with TGH. So the only solution to this math problem is full integration with TGH and that is what we are pursuing. This is in concert with every top 25 medical school all of whom are fully integrated into or own or are owned by an academic medical center.

A motion was made to approve the FY2024 combined Financial Plan for University Medical Services Assoc. Inc. and USF Medical Services Support Corp., with the expectation that the Finance Committee continues to be briefed until further notice based on our regularly scheduled meetings and can discuss if additional meeting or workshops are needed. The motion was seconded and approved by all Committee members present.

2. **USF Institute of Applied Engineering**

Darren Schumacher, CEO, presented for USF Institute of Applied Engineering (USF IAE). Mr. Schumacher joined IAE last December and Scott Dalziel became CFO in March. In looking at the FY23 plan, the new leadership inherited a gap of about $2.5M. The following has been done to address this gap:

- A review of pricing to include benchmarking against other universities and other companies in the area to understand how things were being priced and what IAE's value was from a pricing point of view; pricing each contract for profitability.
- Implemented expense management initiatives including the Deltek ERP System (going live July 1) which will automate many processes making us more efficient on the finance side.
- Monthly leadership financial reviews to look at the forecast and see where we are not hitting expectations and take actions with the leading indicator rather than the lagging.
- Exercised the right to non-reappointment to reduce our indirect expenses at the end of April.
- Reviewed insurance and other costs and were able to reduce insurance costs by 75%.

As a result, the initial gap of $2.5M is now down to $875K over the last six months. We will continue to see improvement as the quality of revenue improves and the new pricing starts to flow thru the P&L. Pushing towards breakeven, but want to do better. Working on cross proposals with other groups at USF. Currently pursuing a UARC (University Affiliated Research Center). Working to diversify our revenue away from largely one customer which will improve not only our top line and bottom line but our sustainability and therefore strategic health.

Chair Griffin thanked Mr. Schumacher for his great work over a short period of time. IAE has great promise, but getting the finances in order is the foundation of what we can do.

A motion was made to approve the FY2024 Financial Plan for USF Institute of Applied Engineering. The motion was seconded and approved by all Committee members present.

3. **USF Research Foundation, Inc.**

Michelle Hickey, CFO, presented for USF Research Foundation, Inc. As requested, the Research Foundation submitted a 5-year forecast based on a most likely scenario, which given the nature of the business is difficult due to some uncertainties. The research foundation has two major challenges ahead as it pertains to a sustainable 5-year outlook that when overcome will make it a profitable DSO. The challenges are: the full lease out and revenue generation of the new facility; and a strategic plan for commercializing and monetizing USF's intellectual property to sustain an innovation ecosystem and support the tech transfer office. These must be achieved for a profitable business model and are attainable goals. The lease up of the new building is making significant progress. Full occupancy of the building is expected by FY26. All other Research Park buildings remain fully occupied and leased. In FY22, 75% of the costs for tech transfer were allocated to the Research Foundation which put this business line in a deficit. For FY23 and going forward, the Research Foundation will be responsible for 100% of these costs which is why the Research Foundation is projecting a loss going forward. The Research Foundation is confident they can turn this around and are currently taking a detailed look at all expenses to identify opportunities for savings. Also looking to partner with the University to help support some of these patent costs as a number of patents return a benefit to the University. Tech transfer office is also working on increasing revenues. The Research Foundation has had a successful business model for many years. This 5-year forecast identifies the short-term challenges ahead and once these challenges are addressed, the Research Foundation will again be a profitable DSO.

Chair Griffin noted the Research Foundation is making progress, but want to get the new building fully occupied and generating rent revenue. Equally important are the accelerator opportunities that can come from that investment.

A motion was made to approve the FY2024 Financial Plan for USF Research Foundation, Inc. The motion was seconded and approved by all Committee members present.

Mr. Stubbs presented the financial plans for the remaining DSOs. The remaining DSOs are sound.

4. USF Foundation, Inc.

- Key initiatives:
  - Made a significant investment in Prospect Research Management to facilitate and grow the crucial impact of philanthropy for USF. This will enhance support and training.
  - Added Principal Gifts Team to work on transformative gifts.
  - Adding a Regional Fundraising Team to aid college and unit development teams.
  - Expanded the Annual Giving Team to include a Digital Engagement Center of well-trained students to provide outreach to University supporters.
- Actions to mitigate risks:
  - Investments of financial support from the University will develop fundraising programs.
- Long-term strategies to drive upside financial performance for next 5 years:
  - Investment Committee continues to actively monitor the performance and liquidity of the asset pools.
- Income Statement:
  - Projecting net operating profit of $53M up from $21M in FY23 due largely to investment income of $29M.
- Liquidity
  - Very strong days cash on hand of 473 days.

A motion was made to approve the FY2024 Financial Plan for USF Foundation, Inc. The motion was seconded and approved by all Committee members present.

5. USF Health Professions Conferencing Corporation

- Key initiatives:
  - Office of Continuing Professional Development has expanded its portfolio of online programming in partnership with medical education companies. Grant revenue will increase and pass-through expense will double from $5M in FY23 to $10M in FY24.
- Actions to mitigate risks:
  - Diversification of clientele and modest pricing strategy.
  - Wage increases to mitigate high turnover as team members are recruited by local companies.
- Long-term strategies to drive upside financial performance for next 5 years:
  - Increase CAMLS facility to maximize utilization with strategic incentives. This will produce significant upside potential with limited fixed costs.
  - Strategic price increase to offset wage increases.
  - Focus on international programs and research.
- Income Statement:
  - Net operating profit is forecast at $473K in FY24, down from $1.2M in FY23. However, the FY23 benefitted from a gain on lease termination of $683K.
- Liquidity
  - Days cash on hand is forecast at 24 days. This is modest and the goal is to increase this to a DSO standard.

A motion was made to approve the FY2024 Financial Plan for USF Health Professions Conferencing Corp. The motion was seconded and approved by all Committee members present.

6. Sun Dome, Inc.

- Key initiatives:
  - Expand non-ticketed events (conventions, graduations and other business functions).
- Actions to mitigate risks:
  - Non-ticketed events will provide support for the effects of a recession possibly in the future on ticketed events.
- Long-term strategies to drive upside financial performance for next 5 years:
  - Invest in facility to provide best customer experience.
- Income Statement:
  - Net operating profit is forecast at $479K in FY24, up slightly from $470K in FY23.
- Liquidity
  - Very strong days cash on hand at 353 days.

A motion was made to approve the FY2024 Financial Plan for Sun Dome, Inc. The motion was seconded and approved by all Committee members present.

7. USF Alumni Association, Inc.

- Key initiatives:

        - Implement robust student philanthropy initiative impacting 3,000-5,000 alumni and students over the next three years.
- Actions to mitigate risks:
    - Identify new sponsorships and affinity partners.
- Long-term strategies to drive upside financial performance for next 5 years:
    - Higher focus on USF license plates.
- Income Statement:
    - Net operating profit is forecast at $420K in FY24, up from $417K in FY23.
- Liquidity
    - Very respectable days cash on hand at 164 days.

A motion was made to approve the FY2024 Financial Plan for USF Alumni Association, Inc. The motion was seconded and approved by all Committee members present.

8. USF Financing Corporation & USF Property Corporation

- Key initiatives:
    - Complete approval and issuance of $200M in debt to support the stadium project.
    - Ensure the Sarasota-Manatee housing and student center stays on budget and on time.
    - Protect the USF's "AA" credit ratings with presentations to Moody's and Standard & Poor's.
- Actions to mitigate risks:
    - Closely monitor credit markets, banking crisis, and rising yield curve.
- Long-term strategies to drive upside financial performance for next 5 years:
    - Continue to work with the University to structure new debt programs, manage existing programs, and restructure existing programs.
- Income Statement:
    - Net operating profit is forecast at $2.5M in FY24, down $121K from $2.7M in FY23. This reduction due to the amortization of debt and related leases.
- Liquidity
    - Very strong days cash on hand at 400 days.

A motion was made to approve the FY2024 Financial Plan for USF Financing Corporation and USF Property Corporation. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Budget and RCM Update

Masha Galchenko, Assistant Vice President, began with an update on the FY24 budget. Around this time, we typically bring forward a continuation or preliminary operating for approval. This year in June at the full board meeting, we will actually present our FY24 operating budget for approval at that time. We will use the August meetings to bring any updates on new resource distributions, to get approvals for carry forward and fixed capital outlay plans, and so on.

Ms. Galchenko then gave an update on the budget model. She was joined by Kevin and Taylor from Huron to address any questions. The presentation included an update on the overall progress being made to date on the new budget model, a discussion of model parameters and organization, and an outline of next steps.

We have finalized initial recommendations on most of the model components and started communication rollout and pulling out the numbers into the actual model for FY24. Each of the seven components was addressed except for #4 (Other Revenue Distributions) which is straight forward, and #7 (Model Management) which is still pending discussion.

1. Model Organization
   The budget model was structured from OneUSF and an all funds standpoint. All colleges are under Responsibility Centers; the five major auxiliaries are under Auxiliary Units; Florida Center for Cybersecurity and Florida Institute of Oceanography (FIO) are under State Funded Centers; all administrative units are under Support Units; and DSOs are part of the model as well.
2. Tuition, Fees, Financial Aid
   All tuition would be split into two main pools of funding – undergraduate and graduate. Undergraduate would be distributed 70% to college of instruction and 30% to college of major. This would account for both instruction and student support costs. For graduate tuition, 100% would go to college of major as a very limited number of graduate students take classes outside college of major. Student fees would be distributed 100% to unit where purpose of fee is appropriate. Financial Aid for both scholarships and major would follow tuition distribution parameters providing clarity into discounting strategy.
3. State Appropriations
   All general revenue and lottery received by the USF will be split into five main pools in order to promote four specific areas that align with USF's strategic priorities and goals. These four areas are: cost of instruction supplement, Florida graduate residency supplement, research incentive, and student success incentive. The fifth pool is earmarked funding for funding specifically designated by Legislature (cannot be reallocated via the new model).
5. Overhead Costs: Indirect Expenses
   Since all of the revenues are distributed in the model, expenses for support functions provided by central units have to be allocated out to the revenue generating units based on an activity driver. This provides transparency in utilization of services and will enable college to project comprehensive fiscal impacts. Colleges cannot opt out of paying for services. That will encourage healthy dialogue around service costs, relevancy, and satisfaction levels. The support services are combines into five main cost pools – academic and student affairs; facilities and public safety operations; information technology; sponsored project administration; and general administration. Central administrative units are grouped into cost pools based on the nature of support services they provide to campus and serve as the foundation for Activity Based Costing.
6. Strategic Investment Funding
   Strategic funding will have three main components – missions investment fund (acknowledges that select parts of a comprehensive university are not able to be self-sustaining), strategic initiative investment fund (provides mechanism for executive leadership to 'steer' the institution in the right direction), and hold harmless pool

(provides unit leaders with time to adapt to model changes without immediate financial impact; this pool will only exist during the hold harmless period).

We will continue to socialize the new model, aggregate model feedback, and leverage feedback to make necessary adjustments. In parallel, we will build necessary model infrastructure components (budget development timeline; budget policy revisions, if needed; toolkits and training resources for unit leaders and budget support personnel). And finally, recommend new model adoption to President Law before FY25.

V. Adjournment

President Law made the following comments about today's meeting. We are investing in Athletics in a way to make a significant move forward. The important point is that unlike other universities that already have stadiums in our state, and even outside our state, we focused on becoming Preeminent first. And having achieved that, we are now continuing to grow and set goals for ourself for higher recognition and achievements moving forward. We know that a university is a combination of all things that make it strong. And so in this case, the focus is now on our "front door." What provides a lot of notoriety is Athletics and the action that was passed today puts us on the right path. President Law thanked the Finance Committee for their efforts and consideration today. We are now moving forward as a full university with a full realm of activities and on our way to achieving those goals of top 25 and beyond. She also thanked the Finance Committee for looking at all the DSOs today. The DSOs are making progress. And lastly, the tremendous work being done on the RCM model is something that will provide to us long-term a sustainable, a predictable, a transparent budget process that everybody can get behind because they see they are part of it and they see how they can move forward.

Having no further business, Chair Griffin adjourned the Finance Committee meeting at noon.