



**USF Board of Trustees  
Finance Committee  
NOTES  
August 8, 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 9:50am. Chair Griffin asked Kiara Gayle to call roll. Ms. Gayle called roll with the following Committee members present: Michael Griffin, Mike Carrere, Shilen Patel, and Melissa Seixas. A quorum was established. Will Weatherford joined the meeting after roll call.

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

No requests for public comments were received.

**III. New Business – Action Items**

**a. Approval of May 23, 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 May 23<sup>rd</sup> meeting notes were unanimously approved as submitted by all Committee members present.

**b. Legislative Budget Request (LBR)**

**1. USF LBR**

Mark Walsh, Assistant Vice President, presented the 2024-25 USF Legislative Budget Request (LBR). This is an annual exercise required of each state agency to submit to the Legislature a list of financial needs. The “state agency” equivalent for the State University System (SUS) is the Board of Governors (BOG). The BOG will submit the SUS’s official LBR. As a component of that, the BOG invites the state universities to submit ideas for their consideration in developing the statewide ask. University BOTs must sign off on these ideas for them to receive BOG consideration. USF’s draft LBR has already been submitted to meet the BOG-imposed university submission deadline of July 14, because the BOG must submit the statewide LBR to the Legislature by September 15. The request was noted as pending BOT approval when it was submitted. This is standard operating practice for all SUS institutions as the BOTs do not routinely meet over the summer. The BOG will be advised if there are any BOT amendments or failure to approve. This is in no way the last or final opportunity for our university to request funds of the Legislature; this is the beginning of the 2024-25 process. This LBR is very similar to what we submitted the past two years, culminating in the largest recurring increases in our institution’s history. We’ve followed that roadmap again as it has

been successful for us recently. This LBR is strictly for the university's operating budget; it does not include facilities funding requests (that is a separate process; the capital improvement plan for the University has already been submitted).

USF's request for 2024-25 is a \$50M recurring increase through the Preeminence/National Ranking Program for the express purpose of implementing USF's Strategic Plan, with the goal of reaching the top 25 national public universities as measured by U.S. News & World Report (USN&WR).

Mr. Walsh explained that USN&WR, when they release their new rankings in about a month from now, are amending their formula quite substantially for the first time in a while. They will focus more weight in their rankings formula for 2024 on metrics that measure graduating students from diverse backgrounds, in which USF is already a national leader in achievement. And they are probably going to put less emphasis on input metrics regarding class sizes and profile of freshmen; deemphasizing that and put greater emphasis on output measures, particularly for low-income students. While that speaks well for us, we've had to use last year's ranking and formula to complete this exercise.

Mr. Walsh reviewed the details and specific investments of the request. The focus areas are pulled directly from our Strategic Plan. He also reviewed USN&WR's metrics for their rankings, as this is our path to the Top 25. USN&WR used 19 metrics to calculate their 2023 rankings and each of those 19 metric inputs are documented in the LBR. The documentation outlines USF's current performance on each metric and also how we perform against peer institutions. The metrics are broken down into two sections. The first section are the achievement metrics (i.e. graduation rates, retention rates, alumni giving rate, etc.). For 12 of these 13 metrics, USF performs inside the top 50 nationally. For the other one, USF is 51st. USF's average 2023 national ranking on these metrics is 37th. In the second section are the five metrics that measure an institution's available financial resources compared to its peers, along with the subjective peer assessment score metric. These are the only six (of 19 total) USN&WR metrics in which USF's current national ranking is outside the top 51 nationally. USF's average 2023 national ranking on these metrics is 82nd. Based on the analysis presented, USF performs today like the 37th best public institution in the US, but we are funded like and perceived like the 82nd best. This indicates that we are outperforming our numbers and USF is a great investment by the state. For the achievement metrics, we are high performing on a relatively lower budget and in order to reach the top 25, we are going to need additional resources. Relative to AAU in particular, average spending per student is nearly double what we have available to us and the average faculty salary is considerably higher (about 35-40% higher) than ours. So, if the Legislature were to invest in our request, we would invest it into the Strategic Plan, specifically in the areas of Business, Medicine, Engineering, and Science and Mathematics. These are specific disciplines in which the state says it has a need and where we have prioritized for investment. This is where the funds would go if the state decides to invest.

Chair Griffin asked for an update on the state general revenue collections/estimates. Mr. Walsh explained that the state is collecting over estimate quite considerably. For example, actual tax collections at the closeout of FY 22-23 on June 30, 2023, were more than \$1B over the March 2023 estimates. The state continues to collect quite robustly, about 5%-15% over the most recent (March 2023) estimates each month.

Much of it is attributable to sales tax and some is interest income that's quite high right now, and corporate income, which the state taxes above a certain threshold, is also doing well. The state's indicators are high; there is no reason to believe that is going to change. When the revenue estimators release their next official estimates in about two weeks, expect to see a substantial increase yet again in what they believe will be available to the Legislature to budget with come January.

Chair Weatherford thanked Mr. Walsh and the team. When we go to the Legislature every year and ask for a substantial amount of resources not just for our existing investments but for future investments, we have to share with them and tell them what our plans are for those resources. It is good to see that the areas we said we would focus on we have; as well as the results we've been able to see in the metrics that we are tracking. Our credibility is high; the AAU designation was a great third-party validator that we are investing in the right places and people are taking notice. Our Strategic Plan is working. The President and our team are doing a good job of making sure that when the state invests in us, they are getting a good return for those dollars. Hopefully we can continue to build off that credibility that we have in the Legislature and in Tallahassee and continue to invest these dollars wisely and get the highest rate of return for our community, for our students, for our faculty and for the University itself.

A motion was made to: approve the 2024-2025 Legislative Budget Request (LBR) for \$50,000,000 per BOG Request; and authorize the President (or their designee), in consultation with the Board Chair, to make necessary adjustments to the LBR. The motion was seconded and approved by all Committee members present.

## **2. FIO LBR**

Monty Graham, FIO Director, presented the Florida Institute of Oceanography (FIO) Academic Infrastructure Support Organization (AISO) 2024-2025 Legislative Budget Request in the amount of \$6.5M recurring. The purpose of this LBR is to accommodate an emergent and critical need for FIO's research vessels, Keys Marine Laboratory and scientific equipment use support directed to the SUS marine science community. This proposed investment will make tremendous strides towards achieving the BOG-approved FIO Strategic Plan goal of positioning Florida's SUS as the nation's premier coastal and oceanographic science collaborative.

FIO is an SUS-wide AISO hosted by USF. FIO's state appropriation historically comes through separate legislative appropriations, so an LBR is an important mechanism by which adjustments to FIO's state allocation can happen. Otherwise, FIO operates as an auxiliary. Consistent with the BOG regulation, any legislative requests by the AISO require consideration and approval by the Board of Trustees of the host institution or its designee. Florida, as a peninsular state, has the opportunity to become the premier location for coastal and ocean sciences and arguably our population in Florida has the most at stake around the oceans and coastal science. Key metrics FIO will support through new recurring investment are: increased student retention rates; increased graduation rates; increased annual R&D expenditures; attracting and supporting talented SUS faculty; enhanced diverse student enrollment and degree production; and new funded research proposal awards. The expenditure plan will target three specific areas: 1) investing in SUS faculty to support at sea ocean science and for expanded access to state of the art shared

technology and research platforms for all SUS scientists; 2) providing additional at sea experiential learning opportunities for undergraduate and graduate students; and 3) leveraging the student and faculty opportunities afforded by the FIO-operated Keys Marine Laboratory.

Chair Weatherford asked what we can tell the Legislature is the output they can see that will be beneficial for the state of Florida to justify this large investment. Dr. Graham responded that with respect to the impact on student success, currently FIO can afford to get about 400 students out on ships. With the requested increases, FIO can get about 2,000 students out on ships. FIO identified 51 programs and over 7,500 undergraduate students in the state that ought to have these experiences. These are opportunities for them to do independent projects, manage their degree programs, and finish their degrees sooner and be in the job market. For USF, the biggest impact would be in R&D expenditures and the ability to recruit new and talented faculty.

A motion was made to approve the 2024-2025 Legislative Budget Request (LBR) for FIO. The motion was seconded and approved by all Committee members present.

**c. 2023-24 University E&G Carryforward Spending Plan**

Masha Galchenko, Associate Vice President for Budget & Financial Analysis, presented the 2023-24 University E&G Carryforward Spending Plan. During last year's legislative session, universities' efforts on lifting restrictions on spending carryforward funds were successful. As of July 1, 2023, BOG regulation 9.007 has been amended pursuant to statutory changes made in Senate Bill 7026 related to carryforward. These changes include: elimination of the requirement that carryforward funds can only be spent on non-recurring items; elimination of the dollar limits on use of carryforward funds for fixed capital outlay projects; and authorization to use carryforward funds for maintenance reserve requirements. While operationally it is not the best practice to put recurring expenses against non-recurring funds, this change does allow some flexibility for determining the best use of resources going forward. Each university still has to prepare an E&G Carryforward Spending plan each year to be approved by their Board of Trustees and then submit to BOG for their approval. The President and Chief Financial Officer have to sign annual certification of the spending plan.

USF is estimated to start FY24 with \$984M in cash and investments. This balance is still estimated as FY23 has not officially closed yet. \$362M or 37% of this cash and investments balance is in carryforward funds. Compared to prior year, the \$362M in Carryforward funds is \$20.6M higher. USF had much more investments from the state in FY23, and some of the savings from unspent balances are held specifically for the new faculty hires that start in Fall 2023. USF also had slightly higher summer 2023 collections in tuition, our rolled encumbrances have increased, and our 7% BOG required reserve has gone up due to our state appropriation increasing. The remaining balance of \$241.56M is split 42%/58% between restricted or contractually obligated balances and commitment balances.

Included in the materials is the actual Carryforward Spending Plan with details in the BOG format. Both Restricted and Commitment balances are split between the pre-defined categories of Compliance, Audit and Security; Academic and Student Affairs; Facilities, Infrastructure, and IT; and UBOT Approved Operating Requirements.

In Restricted, the restricted by appropriation category that has funds for Florida Cyber, FIO, FHT and so on and accounts for 26% of the \$102M. 42% is within the Academic and Students Affairs category with expenditures like faculty startup and so on. And the Facilities, Infrastructure, and IT category accounts for 30% of the balance, with majority of the funds tied to renovation, repair, and maintenance projects across all campuses that are already in progress.

In Commitments, \$139M is mostly tied to Academic and Student Affairs category where the majority of the funds are within instructional and advising support with student services and financial aid close behind. Facilities, Infrastructure and IT account for 37% of these funds with the majority of funding dedicated to planned renovations, repairs or maintenance projects as well as emergency repairs.

Other University Board of Trustees Operating Requirements category includes non-recurring expenses in university support units like professional development and some small reserves or funds unallocated at this point for any specific expenses.

Trustee Carrere asked about the flexibility of the plan and if we can make changes to the plan once it is submitted. Ms. Galchenko responded that this is just a plan and we can make changes. The amount of the change and if the category changes would determine if additional approval is needed. The proposed action item would authorize the President, in consultation with the BOT Chair, to make necessary non-material adjustments, with the requirement that material changes be approved by the BOT.

Trustee Schneider asked if there are any significant restrictions still remaining on carryforward. Ms. Galchenko responded that the only significant restriction remaining is that carryforward still cannot be spent on new construction.

A motion was made to: 1) approve the 2023-24 University E&G Carryforward Spending Plan; 2) Board Chair approves (along with the USF President and the USF CFO) the FY 2024 Budget Certification Form; and 3) authorize the President, in consultation with the Board of Trustees Chairman, to make necessary non-material adjustments to the above, with the requirement that material changes be approved by the University Board of Trustees. This authorization does not modify the Board's expenditure policies. The motion was seconded and approved by all Committee members present.

#### **d. Fixed Capital Outlay Budget**

Vice President Carole Post presented the 2023-2024 Fixed Capital Outlay Budget. Per state statute, each university must adopt an annual capital outlay budget. This is part of the annual budget process. The process has changed in the last year. This year's process included an exhaustive polling across all colleges, campuses, and departments as to their proposed capital needs and for each project, an estimated project cost and fund source. All facility and capital projects projected to cost \$100K or more are included. Being on the Capital Outlay Budget Plan does not commit or guarantee funds to any specific project; project approvals are contingent on fund availability. All project and fund approvals follow USF expenditure policy guidelines. For a capital project to move forward, it must be included in the Capital Outlay Budget. 140 new projects (which is about average) were added to the list for FY24 with a projected total project budget of \$582M. The majority of the projects are less than \$1M.

Ms. Post reviewed trend analyses for the number of projects and project budget for the past few years. There was a spike in the number of projects for FY23 where we received the capital renewal dollars. That increased our number of projects by 87. Project budgets also escalated in FY23, reflecting the \$72.8M received as capital renewal. The FY24 jump in project budget projecting not only the increase in cost of capital work but also reflecting the inclusion this year of the on-campus stadium and its all-in budget of \$340M. We don't expect to spend the entire \$340M in FY24, but we are beginning to spend on certain stadium expenses and some of the enabling projects, so it does need to be included on the list this year.

Ms. Post also looked at the distribution of new projects across OneUSF (Tampa, Health, Sarasota-Manatee and St. Petersburg). The distribution is consistent with the size and scale of the entities relative to their capital needs. University-wide infrastructure projects (support all campuses) are included in Tampa.

Ms. Post also provided a breakdown by BOG reporting category, which aligns by funding source. This is what essentially gets submitted to the BOG. The details of this report are part of the meeting materials. In total, there are 460 projects, that come in just under \$1B worth of value that constitute our Fixed Capital Outlay Budget.

In conclusion, Ms. Post stated that just as we made improvements to the process for this year, we will continue to improve the process as we go forward. For the year ahead, we will continue to work to take an exhaustive approach across all of our entities so that we have one view and a clear visibility into what are capital needs. This next year we will be able to have better alignment with those deferred maintenance projects that are happening, as well as have greater visibility so we can better bundle projects and prioritize things more efficiently.

Trustee Schneider noted that Ms. Post discussed all of these projects with the Faculty Senate Leadership. The faculty are very appreciative for her process and what she's brought to the process (organizational structure, database decision-making). The faculty understand this work and are glad to have been engaged in this process.

A motion was made to: 1) approve the FY24 Fixed Capital Outlay Budget; 2) authorize the President, in consultation with the Board of Trustees Chair, to make necessary non-material adjustments to the FY24 Fixed Capital Outlay Budget, with the requirement that material changes be approved by the University Board of Trustees (this authorization does not modify the Board's expenditure policies); and 3) authorize the President, Board Chair, and CFO to execute a certification required by the State University System Board of Governors relating to the Fixed Capital Outlay Budget. The motion was seconded and approved by all Committee members present.

**e. Recreation Field Relocation Project**

Ms. Post presented the next step in the Recreation Field Relocation Project. This is step two of a multi-step process that concerns relocation of the recreation fields which is one of the enabling projects for the on-campus stadium. Step one was review of the relocation proposal which was approved by the Finance Committee in May and by the BOT in June. The process and the recommendation were presented as well as the concept of the recommendation which was to relocate a series of fields and maintenance facilities that are going to be displaced by the stadium and to move those functions to a vacant location at the southwest corner of campus. The location is part of the Research Foundation land which is designated for research purposes. So therefore the plan is designating this as a temporary use, estimating

about 7-10 years. During that time, there is no building or development planned for that location by the Research Foundation. When the proposal was presented, the estimated cost for this was not to exceed \$18M and we would return with details to follow. That figure was an estimate and we intended to do this in an incremental nature. That brings us to today. We are requesting approval of the initial tranche of \$9M which will enable us to complete the design, to mobilize the selected contractor (selected through a solicitation process), the contractor would then be enabled to bid the job, and that would provide us a more detailed project schedule and a final cost. We would then return to the Finance Committee for final funding approval at that time. Given the nature of the project and all that is involved, we did want to proceed quickly as we are under a tight timeline to get this done, but we also want to have full transparency. While the fields are deemed to be temporary for the location, the design is being done in a way that will enable the infrastructure investments to be permanent. Things like the underground utilities, the roadwork, the restrooms, will be able to serve longer term future development by the Research Foundation. A part of the investment will serve the Research Park's future needs. In addition, it will locate two large rec field complexes now closer together – there is already an existing rec field directly across the street, so it will co-locate those which could be advantageous for staging larger competitions, tournaments, and the like; will also bring some additional rec facilities closer to the west-side residence halls; and can streamline some of the maintenance activities.

Chair Weatherford asked when we expect this to transition from rec fields to research buildings. Allison Madden, COO of USF Research Foundation, explained that in the current plan, at least 250K square feet of research park/research development can be accommodated within each of two planned locations within the fitness loop. Growth of research infrastructure can continue while the rec fields are still in place.

A motion was made to approve design and pre-construction planning for the Recreation Fields Relocation Project in the amount of \$9M. The motion was seconded and approved by all Committee members present.

**f. Purchasing Threshold Changes**

Jennifer Condon, Vice President and Deputy CFO, addressed the Committee requesting approval to increase the thresholds for competitive solicitation. The request comes in two forms: 1) increase the competitive solicitation threshold from \$75K to \$150K; and 2) increase the small dollar competitive threshold from \$5K to \$10K. This is an efficiency item.

On June 22, 2023, the BOG approved the amendment to regulation 18.001 increasing the threshold requiring competitive solicitation from \$75K to \$150K. USF is recommending that we increase accordingly. USF's threshold has not changed since 2008. In FY23, USF had volume of 370 requisitions in range that required administrative oversight. Not everything over \$75K is competitively competed; we look for opportunities to piggyback on contracts, we have some consortium arrangements we can use, etc. But they do require administrative oversight, which makes this move much more efficient for us. Purchases will still flow through central procurement for compliance with competitive quotes as applicable and application of internal controls.

USF is also recommending that we increase small dollar competition threshold (i.e. micro-purchase threshold) from \$5K to \$10K. Currently, for every transaction over \$5K, we require two quotes. Again, USF's threshold has not changed since 2008. Federal micro-purchase threshold is \$50K. In FY23, USF had volume of 4,383 requisitions greater than \$5K; 1,089 of

these requisitions were between \$5K and \$10K. This change would increase efficiency for 25% of volume. When we move from \$5K to \$10K, we will be consistent with most of our SUS peers.

Chair Griffin stated that he is in favor of the changes and wants to be sure we continue to have an environment where competition is good and we continue to get the best possible value. There is a lot of spend within these thresholds and he wants to be sure there are policies in place that encourage competition whenever possible and in the best interests of the university. Ms. Condon explained that all of these procurement activities still flow through the central procurement office. Our buyers look very closely at the quotes received; we encourage access for the diverse supplier community. This will not change.

A motion was made to adjust USF competitive solicitation and small dollar competition thresholds to align with BOG and SUS, respectively, and to approve updates to USF regulation 4.02010, Procurement of Commodities, Contractual Services, Motor Vehicles, and Licenses, to 1) increase in competitive solicitation threshold from \$75,000 to \$150,000 and 2) increase small dollar (micro-purchase) threshold from \$5,000 to \$10,000. The motion was seconded and approved by all Committee members present.

#### **IV. New Business – Information Items**

##### **a. Annual Finance Policy Reports**

The Policies were adopted in 2006 and apply to the University and all Direct Support Organizations (DSOs). The DSO boards have adopted all of the policies. The Annual Finance Policy Report is required by the three BOT Finance Policies (Investment, Debt Management, Derivatives). Fell Stubbs, University Treasurer, presented highlights of the results of the management of USF's Investment, Debt, and Derivatives Portfolios.

##### **1) Investment**

- USF has 10 investment portfolios.
- All portfolios are governed by investment committees.
- All portfolios are in compliance with the BOT Investment Policy revised on March 8, 2022.
- The total value of USF's investment portfolio reached a new record of \$1.8B.
- The University portfolio at \$884M and the Endowment portfolio at \$655M are the 2 largest of the 10 portfolios.
- Each portfolio plays a different role. USF has two types of portfolios – one endowment portfolio (held at the USF Foundation) and nine operating portfolios including the University's portfolio and all the DSOs.
- Growth in portfolios reflects investment performance and net cash flows.
- The University's portfolio is managed to provide essential liquidity; seeks to preserve capital; and seeks to achieve a positive annual return in all market conditions.
- The University has a strong liquidity position compared to our Moody's AA peers (237 Days Cash on Hand vs. 208 Days).
- The University's portfolio is structured to balance risk and return.
- We enhance our net investment returns by holding our investment expense ratios low, at only 4 basis points.



- We have great conviction regarding our portfolio structure to achieve our investment portfolio objectives. We have the right asset allocation to protect against downside risks and the right investment managers and funds. Our funds are diversified and low cost.
- University's portfolio is designed to preserve capital and minimize risk.
- University's portfolio is generating cash.
- Bond funds are rapidly repricing as interest rates rise. Note the improvement in the bond fund yield to maturity over the last two years or so.
- The unrealized losses are unwinding as markets stabilize.
- Current portfolio strategy: limit buy/sell transactions and grow cash position.
- FY 2022 was a highly unusual investment market. Both equities and bonds returns declined, which has not occurred since 1999. It resulted in the first year of losses (unrealized) for the USF portfolio.
- FY 2023 markets recovered, but remain challenged. The rising rate environment continues to affect bond values.
- Investment income recovered to \$29M in FY 2023. This is the second highest return over the past 10 years, and was a 3.8% return.

## 2) Debt Management

- USF currently has \$385M outstanding in debt.
- All 21 debt issues are in compliance with the BOT Debt Management Policy, as well as state and federal laws, and bond covenants.
- Assessed the impact of the new stadium debt on our USF debt capacity. Expect to maintain our ratios within our AA rated peer ratios.
- The Debt Management Policy was recently revised as of June 13, 2023.
- Moody's and Standard & Poor's both affirmed our AA credit ratings on the University last year. Presentations to Moody's & S&P expected in August 2023 – Annual Surveillance Reviews.
- Four financing projects were closed last year:
  - USF Sarasota-Manatee Housing and Student Center Project
  - Central Plant Modernization Project – Heating System Upgrades
  - Central Plant Modernization Project – Cooling System Upgrades
  - Central Plant Modernization Project – HVAC, Electrical and Light System Upgrades
- Anticipated financing project – USF Stadium Project (on BOG agenda for August 29-30, 2023). This is a pending \$340M project, funded with \$200M 20-year, fixed rate, taxable loan and \$140M equity.
- Actively managing our debt portfolio
- Financing high-profile, strategic projects at the request of the University
- Maintaining our strong credit ratings
- Creating opportunities to reduce risk and cost over the past 10 years
- Closed \$2B in bond transactions since 2005 (55 total)
- Achieved 13 ratings upgrades over the past 10 years
- Added \$75M of new debt in FY 2023 (USF Sarasota-Manatee Housing and Student Center Project and 3 ESCO projects)
- Debt Management policy measures demonstrate the maintenance of strong liquidity and low leverage compared to the Moody's medians for the past 10 years.
- Profiles for the University's three bond systems:

- USF Housing System – strong recovery following pandemic; high occupancy and debt coverage ratios.
- USF Parking System – slow recovery from pandemic due to some departments operating on a remote basis; remains a strong credit in terms of reserves and debt service coverage.
- USF Marshall Student Center – a strong, profitable credit with strong debt service coverage ratios.

### 3) Derivatives

- Have wound down our derivatives portfolio as designed from a high point of \$278M in 2008 to \$49M in 2023.
- Interest rate swaps have performed as expected reducing our long-term cost of capital.
- Converted our remaining interest rate swap from LIBOR (London Interbank Offered Rate) to SOFR (Secured Overnight Financing Rate, managed by Federal Reserve Bank of New York) in April of this year.

Chair Weatherford thanked Mr. Stubbs and his team for the work that they do to keep this university in good fiscal standing – managing the projects, maintaining liquidity, days cash on hand. They are focused on the right metrics.

#### b. UMSA Update

Steve Omli, USF Health CFO, gave an update on UMSA. This is a recurring request from the Finance Committee. In May, Mr. Omli presented to the Finance Committee a FY24 budget for UMSA with a (\$7.4M) deficit. This was largely based on UMSA’s performance year-to-date that they were experiencing – costs have dramatically increased for healthcare and revenues are contractually obligated so cannot raise prices as costs increase. This put a squeeze on financial performance. With a soft close for FY23, the negative margin is around \$4M, due to an improvement in the 4th quarter. Much of the improvement had to do with new contracts with TGH that were implemented, as well as an increase in patient volume. These efforts are ongoing. Mr. Omli next discussed the opportunities to look at the funds flow for the clinical practice. On the one side, they are working with TGH and ECG Consultants to on the clinical funds flow between the practice and the hospital. Those meetings are on-going and things are moving forward in earnest. The idea is to de-risk the practice from the expenses and look at the entire revenue pipeline between a clinical practice and the hospital and where the margins exist and where TGH can really help the practice. USF is also engaging the Chartis Group to look at and evaluate the academic support for the Morsani College of Medicine. Traditionally, with a faculty practice plan, the clinical activity/revenue has subsidized some level of academic activity. Because of the new healthcare financial environment that we are in, we need to relook at that. Those are initiatives in FY24 to try to minimize financial losses both in the short run and the long run.

#### c. Budget Process Update – Allocations

Rich Sobieray, Sr. Vice President and CFO, gave a budget allocation update. The purpose of the update is to provide a summary of the allocation of the FY24 state appropriations. USF received over \$91M of new state funding for FY24. \$14M was allocated for a specific purpose at USF Health (Veterans HBOT clinical trial) and we had some additional funds left to distribute. Several themes, that were important to the Trustees, were laid out at the Budget Workshop back in April. These themes were: 1) people; 2) recruitment and retention of

faculty and staff; 3) student success, mainly health and wellness; and 4) infrastructure. With the President's leadership, we split these dollars into things we had to do (salary increases – negotiated and strategic; contracts – IT/HR information systems, etc.; university transformation funds – President has access to throughout the year to address our strategic priorities; Veterans HBOT clinical trial). A total of \$58M for those specific purposes. The remaining funds were distributed among the identified themes – faculty recruitment (research and instruction); student success (health and wellness, career services); and infrastructure (facilities operations, JGHC operating costs, police department/public safety).

Chair Griffin stated it is very important how we articulate how these new dollars are being spent. We want to continue to demonstrate the incredible return on investment that USF provides the taxpayers of Florida. What he particularly likes about the plan is that we continue to provide our President with the flexibility around strategic areas of investment, especially the areas that we don't know today, and also the increased emphasis on mental health services for our students.

#### **d. RCM Update**

Ms. Galchenko gave a brief update on RCM. These updates become especially important during fiscal year 2024 as we are entering a parallel year. Since the last update (during the Budget Workshop in April and the Finance Committee in May), we have been socializing the model with key stakeholders gathering feedback. A series of model adjustments have been discussed and evaluated with the Resource Allocation Workgroup and the model for the parallel year has been “locked” based on the overall guiding principles. The model still allows for various scenario adjustments during the year to account for unanticipated situations.

Currently we are in the stage of Recommendation Approval through the stakeholders including hosting Deans' Retreat later this week. And during this FY24 parallel year we will be hosting training and informational sessions as well as refining policies and supporting infrastructure.

Ms. Galchenko presented the updated timeline with us being toward the end of the Phase 2 of model socialization and feedback aggregation, slowly but surely moving into Phase 3 of parallel year.

During the parallel year, we will work on developing trainings refining policies and establishing model management structure while not disrupting current operations. We need to make sure various constituents have tools they need to operate in the new budget environment.

As mentioned before, we will continue to socialize the model with university stakeholders including launching a website with model general details and frequently asked questions. In the meantime, we will refresh the model with FY24 budget figures and begin our FY24 parallel year.

During this year we will focus on refining budget development process and timeline, evaluate supporting policies, and aligning the model to any anticipated operating changes (embedded services rollout, for example). And maybe the most important step would be to provide needed resources and toolkits to leaders and budget officers across the university to manage within the new model.

Chair Griffin thanks Ms. Galchenko and stressed again the importance of this implementation, being critical to our rise to the Top 25. He also stated that the board support an expectation of success here with the RCM throughout the university.

Trustee Schneider asked about the rollout of the new website. Ms. Galchenko indicated that they are finalizing the draft of the website and hope to make it live by the end of the month. This will be a public-facing website.

**e. Embedded Services Update**

Angie Sklenka, Sr. Vice President and Chief Human Resources and Administrative Officer, gave an update on the embedded services roll out plan. Ms. Sklenka reminded the Committee why embedded services and of the benefits to users and employee/units. Higher ed is in the middle of complete disruption. Work is changing every day and our employees have to prepare for the future by recognizing a more modern and aligned work environment. When you think about the future work and upscaling employees, the results will be a more even service level experience that our faculty, students, and staff receive from functional areas as well as a cost savings due to efficiencies. When you look at career pathing and productivity, the longer we can upscale our people and keep them with USF, the higher levels of productivity we will get from those individuals. When you revisit the Board interests, the President's interests and the University's interests, all things aligns because we are able to focus on our mission and that mission then can be well developed and understood through the faculty and the student success. We don't want to corrode our margins by bloating overhead services; we want to give a very lean and efficient scalable experience in all areas. And that is what embedded services will do for our university. If we do nothing at all, the Oracle product will not be able to realize the approximate \$50M in cost avoidance over 5 years due to inconsistency in structure; units will pay for inefficiencies due to duplication; and employees will lose career pathing and growth opportunities. Dependencies for next steps are: RCM supports the budget for the embedded service dollars aligned to functional leader(s); move from generalist to focused model - correct split structure (in terms of job duties HR/Finance/Administrative/Academic Program); communication and satisfaction measurements essential for adoption - focus on career pathways, compliance and efficiency; leaders adopt plan and support the change (paradigm shift) - OneUSF is top consideration and status quo is no longer in the best interest of USF. Ms. Sklenka reviewed the current state of the pilots that have been activated (Executive Services, Academic Affairs, Health, Branch Campuses). Mr. Sobieray briefly provided the status of the finance portion. Lastly, Ms. Sklenka provided the standard model for how you might be able to roll this overall enterprise objective out and have it remain sticky through time. It is about a year project with five major milestones.

Trustee Schneider commented that while she has been at USF a long time, it wasn't until this year, as Faculty Senate President, that she realized that the HR person in her college did not report to central HR and the business person in her college did not report to central in the way that she envisioned it in a large organization. When you have each area having a different HR model or a different travel procedure or business process, then we don't have USF operating as one and is not effective or efficient. This is a very significant change that is happening across the organization that will ultimately be for the health and success of USF. This will move us towards consistency and efficiency.

Chair Griffin thanked Ms. Sklenka for her efforts on this and stated she has the full support of the of the Board.

## **V. Adjournment**

President Law made the following comments about today's meeting. This was a very meaty meeting that shows that a lot of things are going on at USF. We started off with our legislative initiatives for next year and how we will continue to press for increased opportunities to work our legislators to fund some of the needs that we need to continue our effort toward being the very best now as an AAU institution. We talked about operational changes that are being done in order to achieve efficiencies, in order to achieve a better working environment, and to put us in a position where we can achieve our goals in a holistic manner with everyone working towards the same effort. The President thanked all who worked on these initiatives – there is a lot of work here, and we have great people; we are in very good hands.

Chair Griffin, on behalf of the Board, thanked the President for her leadership and all the successes we continue to have as we power through not only the strategic plan, but getting to the Top 25 and beyond.

Having no further business, the Finance Committee meeting was adjourned at 11:48am.

DRAFT