



**USF Board of Trustees
Finance Committee
NOTES
Thursday, May 14, 2020
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Jordan Zimmerman at 11:25am. Chair Zimmerman asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Jordan Zimmerman, Mike Carrere, Les Muma, Charlie Tokarz, and Alan Bomstein. A quorum was established. Trustees Stephanie Goforth, Mike Griffin, Oscar Horton, Deanna Michael, and Byron Shinn and President Steven Currall were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 18, 2020 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Zimmerman requested a motion for approval, it was seconded and the February 18th meeting notes were unanimously approved as submitted by all committee members present.

b. 2020-21 Continuation Operating Budget

Nick Setteducato, Associate Vice President for Resource Management & Analysis, presented the 2020-21 Continuation Operating Budget. The USF Board of Trustees (the BOT) is required to adopt an annual budget for the operation of the University. The BOT must approve the budget prior to June 22, 2020 for the State Comptroller to process cash releases for state funds. The universities are still required to submit a detailed operating budget to the BOG by August 21, 2020.

We are requesting approval of a Continuation Operating Budget at the same level as the 2019-20 Operating Budget. We are requesting approval of a continuation budget due to pending state appropriation allocation decisions. Once those decisions have been finalized, USF will prepare an operating budget according to our guidelines and the laws and regulations of the BOG and submit to the BOT for approval at a later meeting.

Chair Zimmerman noted that budgetary impacts/issues due to the current coronavirus situation will be reflected in the FY21 budget.

A motion was made to approve the 2020-21 Continuation Operating Budget at last year's Operating Budget level. A subsequent approval will be needed once the legislative budget process has concluded with the Governor's approval and the USF annual budget has been established. The motion was seconded and approved by all Committee members present.

c. Expenditure Authorization Requests

Mr. Trivunovich presented three expenditure authorization requests for approval by the Finance Committee.

New Expenditure Authorization Requests

- Microsoft Azure - \$2,000,000

Microsoft Azure is used for cloud-based storage for USF data and to build, manage, and display applications. USF relies on cloud services now and will need to in the future. We will purchase credits and use only what is necessary; unused credits will roll into the next fiscal year.

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

- Private Security Contract - \$2,545,000

This contract will provide support to the University Police (UP) by providing crosswalk assistance to pedestrians, reducing pedestrian/vehicular conflict during peak academic hours, and providing certain building security staffing. This is a 3-year contract with two additional one-year extensions. This does not commit the University to a specific dollar amount, but rather defines services and sets standards. The \$2.5M amount is an estimate of the five-year period based on historical actual usage. The contract can be cancelled at any time (with 30 days notice); usage is as needed; and standards are clearly defined. Trustee Goforth asked how these services are currently provided. Mr. Trivunovich explained that we have had a security firm the past few years and this is the next iteration of existing services. Trustee Griffin asked if the University approves the individuals the vendor provides to perform the services. Police Chief Chris Daniel explained that the UP will work with the company to screen and approve individuals and if the UP is not satisfied with any employee at any time, the company will make a change immediately.

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

Updated Expenditure Authorization Request

- | | <u>New Total</u> | <u>Increase</u> |
|--|-------------------------|------------------------|
| ○ Springer/Nature Journals License Agreement | \$3,197,936 | \$850,104 |

This request is to add one more year to an existing 3-year agreement. There were 260,000 downloads of these journals by students in the last fiscal year. The cost of the additional year is an increase over what we were previously paying, but we are getting more journals (now includes Nature journal – new company). The cost of the contract is negotiated by UF on behalf of the SUS to take advantage of any and all discounts. Trustee Carrere asked how many journals are included. Mr. Trivunovich noted this is a package deal of 5,000 – 6,000 titles. Trustee Carrere then asked if anyone goes through the titles to see if we use them all. USF Libraries Dean Todd Chavez explained that the

Library does review all the journals and there is high usage of the entire collection throughout the year. The cost of these journals is 34% lower this way than to acquire all titles used 50 times or more. President Currall stated that these journals are very important to USF faculty and students. Trustee Michael further stated that these journals are vital to graduate students and are critical to USF's undergraduate research mission.

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

Chair Zimmerman stated that these expenditure requests are considered very carefully. It is very important that we preserve cash balances and maintain liquidity going into next fiscal year.

d. DSO 2020-21 Annual Financial Plans

The DSOs are governed by independent boards of directors who have previously approved these FY2021 Financial Plans. The DSO Financial Plans are presented to the BOT for review and approval, pursuant to Florida Statutes and DSO bylaws.

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

Rich Sobieray explained that USF Health Services Support Organization, Inc. (UHSSO) is a Florida not for profit corporation of USF as related to MCOM through common control and was established in 1996 with the legislatively-authorized special purpose "...to enter into, for the benefit of the university academic health sciences center, arrangements with other entities as providers in other integrated health care systems or similar entities". (New bylaws for this DSO were just approved at the Governance Committee meeting this morning.) UHSSO has had limited business for many years, but the entity has recently become relevant to facilitate USF Health's participation in certain health network arrangements. No financial plan will be presented today, but UHSSO will be reported in financial statements going forward.

Mr. Sobieray presented the combined Financial Plan for University Medical Services Assoc., Inc. (UMSA) and USF Medical Services Support Corp (MSSC). UMSA/MSSC has been hit hard by the COVID epidemic due to reliance on patient service revenue. Once brick and mortar operations were shut down, to preserve revenue and ensure patient access to our providers, the Practice Plan built, tested, and piloted a secure telehealth platform over the course of a single week. This is not a one-for-one tradeoff of revenue, but rather telehealth generates about \$0.55 on the dollar, while still allowing us to serve the community. While the telehealth revenues will help offset some of our ambulatory revenue losses, the remaining revenue losses will need to be made up through significant expense reductions in the Practice Plan. The focus now is on cash preservation and expense reduction. Will not be operating back at 100% on July 1. Will be ramping back up July 1 – December 30. UPL (upper payment limits/supplemental payments for Medicaid patients) and LIP (low income pool/supplemental payments for charity care) continue to be important (just approved for an increase). The Practice Plan is pursuing all available funding opportunities – increase in match dollars for physical supplemental payments, Cares Act grant support, line of credit from the University (have to pay this back). These cash inflows have been providing stability. Also reducing expenditures and managing payables to help during the pandemic.

The significant and sudden decrease in patient service revenue has had a detrimental effect on the Practice Plan's cash position. As a result, we will be taking on debt in FY2020 that we will need to repay in FY2021. To preserve cash, the Practice Plan is: 1) carefully reviewing and extending payment terms with our vendors; 2) working with AHCA (agency for Health Care Administration) in an effort to accelerate the delivery of our UPL/LIP funds; 3) pursuing CMS (Centers for Medicare and Medicaid Services) Accelerated/Advance Payment Program (received \$6.4M to date); and 4) delaying payments to fund our USF convenience accounts. Once we receive that critical funding, we will begin to repay our debts to the University, CMS, and our vendors. The Practice Plan will be focused on stabilizing operations in FY2021 and recovering lost revenue through expense reductions. We will also work to rebuild our cash position and reduce our debts to our historical levels. We will lose about \$24M in FY2020, but will gain that back in FY2021 due to the revenue and expense strategies we are employing.

Chair Zimmerman invited other DSOs to consider similar austerity measures to right-size operations and to respond to the changes facing the University in FY21; and asked Mr. Sobieray to share these best practices with the other DSOs. Chair Zimmerman remarked that these Financial Plans are just starting points and not where we are going to end, given the fluid COVID situation. Mr. Sobieray noted that in this situation, revenues plummet overnight and expenditures do not react as quickly. Chair Zimmerman asked if the patient business was starting to come back. Mr. Sobieray explained that it is just starting back up, but still slow on elective procedures. As the economy comes back, people can pay out of pocket. Trustee Muma remarked that people are still fearful to come back to the clinics and this will work against the ramp up of the clinics. Trustee Carrere asked if research and education efforts have increased during this time. Mr. Sobieray responded yes, grant submissions have increased. Chair Zimmerman asked if cash management is being tracked monthly so adjustments can be made. Mr. Sobieray stated that cash management is tracked weekly.

A motion was made to approve the FY2021 combined Financial Plan for University Medical Services Assoc. Inc. and USF Medical Services Support Corp. The motion was seconded and approved by all Committee members present.

2. USF Foundation, Inc.

Noreen Segrest and Rob Fischman presented the Financial Plan for USF Foundation, Inc. The current pandemic has affected the Foundation's ability to gather with prospects and donors; hold events; and have in-person visits. Despite this, however, (due to the generosity of our donors), the Foundation will still achieve its fundraising goals. To prepare for the future impacts of this pandemic on the University, the Foundation has maintained its distribution of funds (both operating and endowment) to colleges and units. The Foundation is closely monitoring expenditures, and preparing for the arrival of the new CEO on June 1 (at which time goals will be reassessed for FY2021). The forecast plan for FY2020 projects a 9% loss due to the downturn in the markets from the pandemic. Still hoping for some market recovery prior to June 30. A 7.5% return is built into the FY2021 plan (this is the 10-year average). The Foundation will monitor and adjust strategies as needed.

A motion was made to approve the FY2021 Financial Plan for USF Foundation, Inc. The motion was seconded and approved by all Committee members present.

3. USF Research Foundation, Inc.

Dr. Paul Sanberg and Patricia Gamble presented the Financial Plan for USF Research Foundation, Inc. Research Foundation has been able to successfully continue business during the pandemic. The new building is on schedule and the project is actively managed for cost control. FY2021 looks encouraging. The main business of the Research Foundation is the management of the real property assets that comprise the Research Park (rental revenues are main source of income, at 75%). Current tenants should continue to be productive during this health crisis. Impact of current market conditions has been considered in the projection of intellectual property revenue fees. We are optimistic that these numbers will be exceeded, but for budget purposes, we are using a conservative estimate. The Research Foundation is fairly lean on the expenditure side, and that will continue in FY2021. Anticipate continuing positive operative profit in FY2021. Will redeem some investments in FY2021 to fund costs of the new building. Expect to incur some tenant improvement costs near the end of FY2021 as we prepare for tenant occupancy of the new building in October and November 2021. Anticipate ending FY2021 with positive cash flow of \$1.6M.

Chair Zimmerman asked if any tenants will need assistance during the current economic downturn. Ms. Gamble responded that there have not been any disruptions so far. The Research Foundation also manages the financial transactions for the incubator program (about 40 incubator companies). About 6 or 7 of the incubator companies have asked for deferment of rent and one has asked for a waiver. We might see some cash flow deferments, but still feeling positive about what we've seen to date. Trustee Muma asked if tenants pay for their leasehold improvements. Ms. Gamble responded that they are built into the lease – tenant pays some and we, as building owner, pay some, and this is built into the price of the lease.

A motion was made to approve the FY2021 Financial Plan for USF Research Foundation, Inc. The motion was seconded and approved by all Committee members present.

4. Sun Dome, Inc.

Michael Kelly and Brandon Hall presented the Financial Plan for Sun Dome, Inc. (SDI). Mr. Kelly explained that the event industry and SDI are greatly impacted by the pandemic. Lost many shows/events (cancelled/postponed) over the past months. However, the outlook for next year is good. Vinik Sports Group is the right partner for us – they were trending upward (on track to have their best year since the Arena renovation, exceeding expectations) as the slowdown occurred, and we expect this to continue when we resume/get back to normal. Men's Basketball shows continued improvement; and Women's Basketball has all five starters coming back and a great home schedule (Baylor, Mississippi State). FY2021 plan reflects us getting back to normal; changes will have to be made if this does not occur as anticipated or if there is a longer delay. Taking a hit on revenue side in FY2020 due to the pandemic, but have been able to adjust expenses (reduced event staffing; only paying expenses that are contractually obligated or necessary to maintain the building). Anticipating revenues getting off to slow start in FY2021, but picking up as we get to winter and spring. Do expect a reduction in cash flows in FY2020, but still positive, and forecast a slight increase in FY2021.

A motion was made to approve the FY2021 Financial Plan for Sun Dome, Inc. The motion was seconded and approved by all Committee members present.

5. USF Institute of Applied Engineering

Dean Robert Bishop and Eric Forsyth presented the Financial Plan for USF Institute of Applied Engineering (USF IAE). USF IAE performs applied research and advanced technology development with contracts predominately through the Department of Defense (DoD). USF IAE directly supports the University's mission of research and education.

While our primary sector has not been directly impacted by COVID-19, we are beginning to face some of the challenges that the other DSOs are facing. COVID-19 is negatively impacting contract revenue in FY21. While multiple contracts and task orders are in the pipeline for award, USF IAE anticipates increased timelines for processing contract actions with the DoD. Additionally, we expect some contract awards to be shifted from Q4 FY2020 to Q1 FY2021 as the DoD refocuses priorities on combatting COVID-19. Finally, execution of existing contracts is slowed due to remote work requirements for interns. COVID-19 is negatively impacting FY2020 Hillsborough County Grant execution due to delays in construction of USF IAE's University Mall facility. Lack of a central research facility inhibits USF IAE's ability to perform required research for its customers. USF IAE is working diligently to mitigate these risks, and we believe we have a solid foundation going into the future. In order to be successful and maximize contract revenue, USF IAE needs people to do research and support research (increase staff in order to do the work); completion of facility in the Mall as well as expansion of facilities; and research equipment.

A motion was made to approve the FY2021 Financial Plan for USF Institute of Applied Engineering. The motion was seconded and approved by all Committee members present.

6. USF Health Professions Conferencing Corporation

Carole Post and Greg Vannette presented the Financial Plan for USF Health Professions Conferencing Corp. (HPCC). Ms. Post explained that like the other DSOs, HPCC's FY2021 Financial Plan reflects a series of adjustments and adaptations as a result COVID-19. At the time of the closure orders, CAMLS was on track to meet its FY2020 Financial Plan. When the shutdown occurred, all private sector and academic programming ceased. Most of the private sector cancellations have been rescheduled for FY2021. CAMLS will have to absorb the losses in FY2020. CAMLS took immediate actions around austerity to control costs and expenses (hiring freezes, reduction of non-essential expenses, cutting utilities), resulting in some substantial savings. Keen focus on cash reserves. Will close FY2020 with 84 days cash on hand versus target of 91 – still tracking relatively well (as most expenses are direct program expenses). Current fiscal condition can sustain essential operations through December. Key challenge is to sustain rolled back operations and still effectively maintain the facility, its equipment, and our staff, so we can efficiently and quickly roll up when demand resurfaces. Already positioning CAMLS to be a safe, sanitized facility that can serve a wide range of purposes and functions as our society makes a slow return.

Mr. Vannette explained that COVID-19 has had a two-fold impact on CAMLS. Not only have events been postponed, but we are working a continuous pipeline for new

clients and to fill the building. Clients books 30 days out and this also has come to a halt. This translates to a \$2M hit to revenue. The cost cutting measures have saved \$400K, so net effect is about a \$1.6M change to the bottom line. FY2021 plan assumes little or no business in Q1 (like Q4 FY2020), with a gradual ramp up to 75% of the business in Q2. Projecting a \$474K loss in FY2021. This changes week to week as we get more visibility and how the virus effects people's willingness to meet in person and to get on a plane and travel. Still looking at ways to diversify the business and minimize the projected losses. Looking to bring revenue back into the building in any way that fits our mission. CAMLS has also been working on several efficiency projects while business has halted, which will add to cost savings.

Chair Zimmerman asked if there are any new revenue streams to offset the huge losses. Mr. Vannette explained Hillsborough County received funding through the CARES Act and CAMLS is training TGH employees on how to wear protective gear – would like to expand to other hospitals throughout the county; and working on how to retrain employees back into the workforce. Trustee Carrere asked the current status of training for robotic surgery (which was the main driver of the initial investment in CAMLS years back). Mr. Vannette explained that several manufacturers are getting into the market and this has diminished the training at CAMLS but the space has been repurposed and continues to evolve, not nearly as focused on robotics. Trustee Carrere asked if there was any opportunity on the non-medical manufacturing side for robotics training. Ms. Post further explained that CAMLS has had to adapt based on changes in external clients. Chair Zimmerman asked if CAMLS should shift where there is greater demand. Ms. Post explained that CAMLS is always ready to shift to the next great need. CAMLS is marketed for what it is, not for what it has been. Chair Zimmerman wants HPCC to come back to the Finance Committee with how they can get to break even by the end of the year.

A motion was made to approve the FY2021 Financial Plan for USF Health Professions Conferencing Corp. The motion was seconded and approved by all Committee members present.

7. USF Alumni Association, Inc.

Bill McCausland and Melissa Schaeffer presented the Financial Plan for USF Alumni Association, Inc. The Alumni Association has been negatively impacted by COVID – events, membership renewals (85% of normal levels through December, hopefully rebounding in spring of 2021). Trying to keep alumni and students engaged during this period. The Association has not increased the size of its staff in the last eight years and will delay hiring two vacant positions and one partially funded position in St. Petersburg. No concerns from a cash flow perspective in FY2021 - cash flow will be sufficient.

A motion was made to approve the FY2021 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

Fell Stubbs presented the Financial Plan for USF Financing Corp. & USF Property Corp. The Financing Corp. is a conduit financing authority. All of the USF DSOs and Auxiliaries pledging revenues and making debt service payments on outstanding Financing Corporation bonds are experiencing serious negative cash flows. In normal times, the Financing Corp. is a stable, AA rated enterprise, based on the

credit strength of USF financial partners. All Financing Corp. bond programs are current on debt service obligations and bond covenants. Management is working closely with the DSOs and Auxiliaries to mitigate debt service payment and construction risks. The Financing Corp. has fully funded debt service reserves and has additional unrestricted reserves to provide essential liquidity to support debt service payments. The two current bond-financed construction projects (USF St. Petersburg Housing & Dining Center Project and USF Research Park Project) are being monitored closely to mitigate schedule and cost issues. The Research Park Project is on budget and on schedule. The St. Petersburg Dining Center portion of the project is over budget and expected to be delayed due to the termination of the previous Dining Center operator and engagement of replacement Dining Center operator from the Tampa Campus. The housing portion of the project is just slightly over budget and is scheduled to open in August. The rating agencies are well aware of the COVID-19 impact on all universities revenues across the country and are currently requesting detailed information on Florida's universities. Voluntary disclosures on Financing Corp.'s bonds are also being prepared for filing - this is for public bonds (Parking, Housing, and Marshall Center bonds).

The financial plan projects \$2-3M operating profit for this year and the next, reflecting the pass-thru of debt service payments to bond holders. The plan reflects stable revenues and pass-thru expenditures (no employees are paid by the DSO). Cash flow is also stable. Cash and Investments are held at the trustee.

Chair Zimmerman asked about the voluntary disclosures. Mr. Stubbs explained that the Financing Corp. is not required to make voluntary disclosures. It is required to make audited disclosures on our public bonds to bondholders. We are being encouraged to make voluntary disclosures, done in close association with bond counsel.

A motion was made to approve the FY2021 Financial Plan for USF Financing Corp. and USF Property Corp. The motion was seconded and approved by all Committee members present.

Chair Zimmerman stated that these presentations were very informative and insightful. Chair Zimmerman further stated that next year will be challenging for all the DSOs. We need to be strategic and think outside the box. The budgets need to have smart cash flow attached to them and we need to figure out how to get our cash flows to be neutral for the year. Chair Zimmerman thanked Mr. Stubbs for his leadership.

IV. Adjournment

Chair Zimmerman stated that these Finance Committee meetings are great – very efficient and effective.

Chair Zimmerman announced that this is Mr. Bomstein's last meeting as the Finance Committee's Foundation liaison. He thanked Mr. Bomstein for his insightful comments and advice to the Committee. Mr. Bomstein is also retiring from the USF Foundation board after serving 20 years, including several on the Investment Committee. Mr. Bomstein has done an outstanding job for USF and has truly made a difference.

Mr. Bomstein expressed his gratitude for these opportunities and he will always support USF.

Having no further business, Chair Zimmerman adjourned the Finance Committee meeting at 1:30pm.