



**USF Board of Trustees
Finance Committee
NOTES
November 10, 2020
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 1:18 pm. Chair Griffin asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Michael Griffin, Mike Carrere, Les Muma, John Ramil, Charlie Tokarz, Jordan Zimmerman and Chip Newton. A quorum was established.

II. Public Comments Subject to USF Procedure

The Committee received three requests for public comment. Mr. Matt O'Brien, Ms. Sarah Townsend, and Ms. Amber MacDonald each spoke in regards to the recent publicity surrounding the College of Education budget cuts. The individuals are either current students and/or graduates of the College of Education. Each described the impact the College has had on them and the impact the College has enabled them to have on students and their families in the area. Each asked the Board to reconsider any cuts to the undergraduate program.

III. New Business – Action Items

a. Approval of August 25, 2020 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 August 25th meeting notes were unanimously approved as submitted by all committee members present.

b. 2021-22 USF Parking System Budget

Fell Stubbs, University Treasurer, presented the 2021-22 USF Parking System Operating Budget and requested approval at this time to meet a February filing requirement by the Board of Governors (BOG). BOG regulation 9.008 requires universities with outstanding auxiliary revenue bonds, issued by the Florida Division of Bond Finance, to annually submit a detailed operating budget to the BOG at least ninety (90) days before the beginning of the fiscal year. The USF Parking Facilities Revenue Bonds, Series 2016A, are the only USF bonds subject to this requirement. BOG Regulation 9.008 also states that the operating budget for University Auxiliary Facilities must be approved by the BOT before submitting to the BOG. The Operating Budget for the USF Parking Facilities Revenue Bonds is due to the BOG in February 2021 for the fiscal period 2021-2022.

The FY 2021-2022 Operating Budget for the USF Parking Facilities Revenue Bonds reflects

lower revenue in FY 2020-2021, primarily due to reduced permit sales partially offset by reduced expenses, followed by positive operations in FY 2021-2022. The unrestricted funds of \$14M provide support for AA credit ratings. Two voluntary disclosures were recently provided to bondholders and rating agencies describing current operating conditions.

Actuals for FY 2019-20 were presented, along with an estimated operating budget for FY2020-21 and a projected operating budget for FY 2021-22. There was a \$1.4M negative impact to revenue in FY 2019-20 due to the transition to distance learning in March 2020 and resulting waived transportation access fees and decreased permit sales.

Debt service is \$2.9M annually. The USF Parking System is a very strong, high credit rated system. The debt service coverage ratio was 2.31x coverage in FY 2018-19; dropped to 1.90x coverage in FY 2019-20; 0.77x coverage in FY 2020-21; and will recover to 1.43x coverage in FY 2021-22.

Chair Zimmerman asked for additional information on expense areas that have been cut this year in Parking & Transportation Services. Raymond Mensah, Director of Parking & Transportation Services, described the expenditure reductions which were implemented without jeopardizing student safety. These include reduced Bull Runner service, deferred non-essential expenses, deferred capital projects (fueling stations, new buses), freeze on vacant positions, and deferred planned major projects (on the 10 year plan) for the next two years. Expenditures were originally budgeted at \$14.5M for FY 2020-21. They have been reduced to \$12.3M; approximately a 14% reduction.

Chair Griffin asked if there have been any discussions with Student Government to get support from the Safe Team in getting students to cars, residence halls, etc. Mr. Mensah explained that the Safe Team is restricted to campus and the Bull Runner has some off-campus routes. He also explained that social distancing protocols are difficult on golf carts, which are the method of transportation for the Safe Team. However, they are looking at ways that the Safe Team can supplement the Bull Runner.

A motion was made to approve the 2021-22 Operating Budget for USF Parking Facilities Revenue Bonds, Series 2016A. The motion was seconded and approved by all committee members present.

c. Expenditure Authorization Requests

Nick Trivunovich, Vice President for Business & Finance and CFO, presented three expenditure authorization requests for approval by the Finance Committee.

- o Southeast Chiller Plant (SEC) CH-4 Addition

This request in the amount of \$4,268,550 is to add a 2,300 ton chiller, cooling tower, system pump and condenser pump with required power support in the Southeast Chiller Plant (SEC). This addition will provide capacity to support new buildings in the southeast quadrant (Wellness Center, Football Training Complex and Honors College) while creating much needed redundancy. Failure to increase the cooling capacity of SEC would reduce the ability to support these and other buildings serviced by the plant. Most importantly, should one of the existing chillers fail or need to be taken off-line, this provides the N+1 capacity to continue to serve buildings in the southeast quadrant of campus. The project was originally on the capital projects list for \$4.75M.

The chiller will be funded with carryforward funds. Major equipment and construction will be procured using competitive bidding processes.

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

- FM and Health Contracted Labor for General and Enhanced Cleaning

This request in the amount of \$3,834,791 is for the hiring of an outside custodial firm (City-Wide) to mitigate challenges in recruiting and retaining staff in the FM Building Services department and Health departments to include Downtown for general cleaning as well as meet the requirement for additional disinfecting of high touch point surfaces related to COVID-19. This contract is a pricing structure and the estimated annual spend is \$3.8M.

Trustee Carrere asked if there were security concerns/issues for these buildings. Rich Sobieray responded that USF Health has been using this firm for some Health buildings and there have been no issues. Chair Griffin asked if we have KPIs (key performance indicators) in place to be sure we are getting the proper services. Chris Duffy responded, yes, KPIs are in place as well as quality inspections.

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

- Schindler Elevator Maintenance Contract Renewal

This request is for a one-year extension of Schindler Elevator Service. The original contract was for 5 years and expenses amounted to \$2.7M. The original contract was executed prior to our current expenditure authorization process so it never came to the Finance Committee. A one year extension to the original contract in the amount of \$605,506 is being requested. Even though the original contract was never brought to the Finance Committee, this expenditure authorization is being presented in order to provide full disclosure to the Committee. The contract services about 113 elevators (102 are in E&G funded buildings and 11 are in auxiliary buildings).

Chair Griffin requested that we look at contract renewal well in advance of the end date so we are not in a bad position to negotiate.

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

d. 2020/2021 Fixed Capital Outlay Budget Update

Mr. Trivunovich presented an update to the 2020/2021 Fixed Capital Outlay Budget. The BOT approved the 2020/2021 Fixed Capital Outlay Budget on September 8, 2020. Since that date, there have been additional recommended changes to the plan. These recommended changes are as follows:

- 1) A change in the cost of the Southeast Chiller Plant – Chiller and Cooling Tower #4 from \$4.75M to \$4.27M with the entire amount of the project being initially funded

through E&G Carryforward. The related change would also be made to the 2020/2021 E&G Carryforward Budget.

- 2) The addition of a \$1.25M project for the St. Petersburg campus related to renovations for the Nelson Poynter Memorial Library. This will be entirely funded through donated funds.
- 3) The addition of an \$800K project for the St. Petersburg campus related to a Harbor Hall renovation to support the Graphic Arts program. This project will also be entirely funded through donated funds.

A motion was made to approve changes to the 2020/2021 Fixed Capital Outlay Budget and to approve related changes to the 2020/2021 E&G Carryforward Budget. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Draft 2020 Financial Statements

Jennifer Condon, University Controller, provided highlights of the FY 2020 financial statements. There are three themes for the FY 2020 financial statements:

- 1) COVID-19
- 2) Morsani COM and HHI Completion
- 3) GASB Accounting for Pension & Other Post Employment Benefits (OPEB)
 - o Actuarially estimated liabilities of promises to retirees which are out of USF control and significantly impacted by annual investment returns, covered payroll proportions, and various other actuarial assumptions.
 - o Even though the State of Florida pays the contributions, USF must record the liability and cannot record the offsetting receivable.
 - o This is an issue for every public higher education institution.

OPEB and GASB continue to impact net operating results and net position. \$58M year over year variance (from FY19 to FY20) in net operating results, primarily caused by a \$37M reduction in net investment income; a \$26M increase in “non post-employment” compensation/benefits; a \$23M reduction in auxiliary sales/services; and offset by a \$26M reduction in service & supplies expense. Unrestricted net position has also decreased due to liabilities that are not our responsibility – this is happening to all state universities in the country.

Ms. Condon explained variances between 2019 and 2020 in excess of \$10M and 10% as well as variances in excess of \$20M, highlighting the following:

- o 7 accounts fit the criteria on the balance sheet. 2 variances due to CARES Award, Summer “B” payment due date, and COVID-19 impact on UMSA. The remaining variances significantly attributable to Morsani COM & HHI.
- o 4 accounts fit the criteria on the income statement. These variances are largely due to offsetting revenue/expenditure impacts from COVID-19 (auxiliary activities - dining, housing, parking, Study Abroad, bookstore, Arts; student support; CARES financial aid).
- o Compensation & Employee Benefits increased \$66M due to non-cash accruals, salary increases, and increases in health care costs.

- Net Investment Income decreased \$37M due to unrealized gains and losses. A graph of Net Investment Income was provided which showed investment income and unrealized gains/losses separately. Investment income was flat from year to year while unrealized gains and losses decreased \$37M.
- Accumulated Total Cash & Investments decreased \$94.5M in FY20, largely due to timing (\$50M); Morsani/TGH payment (\$20M); and unrealized investments (\$14M).

Days cash on hand is 188, which is favorable to our Moody's median which is in the 150s.

Chair Zimmerman thanked Ms. Condon for an excellent presentation. He asked how this information ties into strategic realignment/renewal and are we seeing any savings now. Mr. Trivunovich explained that strategic realignment/renewal gives us a roadmap for how we want to use our resources.

Trustee Ramil asked if we have an estimate of total cash and investments for FY21 and FY22. Mr. Trivunovich explained that the final plan is due to the BOT in January and what it will do to cash and investments as we implement our plan.

Trustee Ramil commented that Consolidation was well done due to guiding principles provided by the Board. The Board has not done this for the strategic renewal process and it would be a good idea. Chair Zimmerman agreed. President Currall stated that we would welcome a dialogue on this and would be eager to review guiding principles for this process.

b. Strategic Realignment Update

Mr. Lechner and Mr. Trivunovich gave an update on the University's Strategic Realignment process and activities to date. The goal is to have a balanced budget by June 30, 2022. The total planning target is \$93.7M, consisting of an 8.5% reduction in State support of \$36.8M (FY2021) and costs without recurring sources of funding of \$56.9M (FY2022). The timeline and engagement efforts were reviewed. Actions to date include travel freeze/restrictions, hiring pause, executive pay cuts, retirement incentive program, and other cost savings/expense reductions. These actions have generated \$3.8M in cash to date. Information was also presented on: support unit cuts to date; progress against recurring costs; COVID related costs; and other efforts and considerations including liquidity vs carry forwards, efforts with Foundation and auxiliary efforts (housing has reduced spending by \$12M). Up next, Deans and Colleges complete their plans to meet planning targets and results will be presented at the January BOT meeting.

Chair Griffin asked Mark Walsh to give an update on the State's financial forecast. Mr. Walsh explained that in comparing September 2020 vs 2019, projections indicate that State revenue collections in FY 2020/2021 will be down by 7%. Not expecting much improvement in the short run, but looking better in the long run.

Chair Zimmerman asked for an update on housing and dining hall losses in Tampa and St. Petersburg. Mr. Trivunovich reported a \$4M loss for Tampa housing and a \$1.5–2M loss for St. Petersburg. Still working with dining providers on share of risks; no firms numbers yet.

Trustee Boaz would like to see more clarification on academic cut numbers. Chair Griffin wants to better understand the path forward and how the board can be more engaged. Chair Zimmerman stressed transparency in this process.

c. Annual DSO Investment Reports

As the allotted time for the meeting had ended, the Annual DSO Investment Reports were deferred to a later meeting.

V. Adjournment

Having no further business, Chair Griffin adjourned the Finance Committee meeting at 3:19pm.