



**USF Board of Trustees
Finance Committee
NOTES
February 23, 2021
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 1:00 pm. Chair Griffin asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Michael Griffin, Mike Carrere, Charlie Tokarz, Will Weatherford, Jordan Zimmerman and Chip Newton. 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 November 10, 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 November 10th meeting notes were unanimously approved as submitted by all committee members present.

b. Expenditure Authorizations

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

- Lee Roy Selmon Athletics Center Enhancements

This project was presented in detail as part of the Facilities Update in the BOT Academic and Campus Environment (ACE) Committee meeting this morning. The scope of work includes the football operations entry area on the second floor, team meeting room, and a total renovation of locker room with a new nutrition area for athletes. The cost is \$3M and the funding source is philanthropy and the funds are available.

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

- Innovative Education Renovation at TVB Building

This project was also presented in detail as part of the Facilities Update in the ACE Committee meeting earlier today. This project will renovate the 1st Floor of TVB Building and Studios to support academic programs including: Innovative Education,

Digital Learning; College of Arts & Sciences Zimmerman School of Mass Communications; and MUMA College of Business Zimmerman Advertising Program (ZAP). This is a critical piece of infrastructure in how we deliver courses and instruction. The cost is \$1,875,755 and the funding source is distance education fees.

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

- Microsoft Campus Agreement – Years 2 & 3

This request is for years 2 and 3 of the Microsoft Campus Agreement. This is a 3-year agreement that was brought to the Finance Committee in August. Chairs Zimmerman and Griffin had additional questions and wanted additional information. Due to timing (original agreement was expiring), we moved forward with year 1 of the agreement. The Finance Committee Chair and the Board Chair approved year 1 with the understanding that we would cancel years 2 and 3 if the Finance Committee did not agree on moving forward with the entire three-year contract. This is now coming back to the Finance Committee for approval of years 2 and 3.

Mr. Trivunovich asked Sidney Fernandes, Vice President and Chief Information Officer, to present the same information to the Finance Committee that he presented to the Finance Committee Chair and Board Chair. Mr. Fernandes discussed why we are entering into a multi-year agreement with Microsoft as well as some of our long-term IT strategies. A large portion of the work IT has done to support the University during the pandemic was based on technologies including the Microsoft 365 platform. We have the A5 license which gives us significant benefits when it comes to security and analytics as well as our voice and video meetings which the entire university is using. We also used this platform to run telemedicine at USF Health which had upwards of 100,000 appointments. The University began its relationship with Microsoft in 2017 with a pricing agreement. The agreement was extended to 2020 and the pending extension will take it thru 2023. Will need to negotiate a new pricing agreement in 2024. Current cost for 2020/21 agreement using the 2017 pricing agreement is \$1.83M. Price for same license levels without agreement would cost USF \$2.33M. Pricing agreement is locked in for years 2021-2023, however we have an out clause every year. While the pricing is locked in, USF is not locked in to having to use the agreement. We get favorable pricing from having multi-year agreements. Total value of the pricing agreement for years 2 and 3 is approximately \$3.5M. Mr. Fernandes reviewed the breakdown of license cost for FY 2021-FY2023. Overall, costs will go down year to year. Student price is fixed. Employee cost is based on headcount. Despite employee unit price going up each fiscal year, the number of units is being reduced dramatically. Faculty Practice Plan will move to AMG in FY 2023, reducing overall expense to USF. As a result of having this agreement, we have achieved contractual savings as we have sought to exploit the Microsoft license to the fullest and we have begun to eliminate some other software we have been using. Using a singular platform allows us to secure our infrastructure in a way that is much better especially in times like the pandemic. The pandemic has challenged us in ways that have been difficult, but having a singular platform has allowed us to make sure we maintain our security as well as our agility when it comes to our IT infrastructure.

Chair Griffin explained that he and Chair Zimmerman wanted this IT presentation so that everyone could see the complete picture. Not only are we committed to getting the best deal possible, but, more importantly, Mr. Fernandes and his team are doing incredible work. Thinking back to where we were 10 to 12 months ago and where we are today, technology got us there. If we didn't have this infrastructure in place, our enrollment numbers wouldn't be where they are and our trajectory would not be continuing like it is.

Trustee Carrere asked, once we commit to a major vendor (while we have some flexibility), are we so locked into a particular architecture that it is difficult to make changes going forward should we decide to, particularly from a cost standpoint. Mr. Fernandes responded that IT does consider this when looking at and selecting new software products and solutions. IT also looks at competitors - what products they are offering and what they are doing, as well as what is around the corner for them. IT tries to maintain the most flexibility, and is always looking several years out. We are always looking at what software we can retire as a result of our partnerships, like with Microsoft. It is very important to have options, especially on the solutions side.

Trustee Carrere asked what the other larger SUS universities are doing, are they on Microsoft, and do we have the ability to negotiate better pricing by joining together. Mr. Fernandes said that exploring the SUS as a group negotiating with companies like Microsoft is a good idea.

Trustee Boaz commented that IT has done a great job. The Microsoft platform is working very well for us, in terms of faculty productivity. Particularly during the pandemic: all the software was working together with minimal ramp up time needed to shift to online instruction. We have really moved in a good direction over the last year. Mr. Fernandes explained that this was the strategy with a platform approach to solutioning.

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

c. Revised 2020-21 Fixed Capital Outlay Budget

Mr. Trivunovich presented modifications to the 2020-21 Fixed Capital Outlay Budget. Two projects have been added:

1. Renovations to the 2nd floor of the College of Public Health building on the Tampa campus to provide research laboratory facilities for Preeminent Professors Richard and Loree Heller. The Heller's are part of the Department of Medical Engineering in USF's College of Engineering. The renovations are planned to be completed by July 2021. Amounts not to exceed \$800K. Carryforward funding (from Preeminence funding). Will use competitive bidding to try to reduce the cost.
2. Renovations to Davis Hall (1st floor) on the St. Petersburg campus to provide research facilities for seven members of the Department of Psychology (College of Arts & Sciences) and office space for approximately 20 faculty and 10 staff in the departments of Psychology and Mathematics. These renovations are planned to be completed by August 2021. Carryforward funding.

Chair Griffin stated that he is working closely with Mr. Trivunovich and Mr. Lechner on the renovation of existing spaces, to be sure we are getting the best deal possible on these projects.

Chair Zimmerman asked the return on investment on these projects. Provost Wilcox responded that Medical Engineering is a new joint department. It is a collaboration with Medicine and Engineering, established about 4 years ago when USF was emerging preeminent. This was a strategic direction. This is not only one of the youngest, but also one of the highest performing academic departments, in terms of publications, research, patents, etc. Dean Robert Bishop reported that the department has submitted over \$55M in grant proposals. The Hellers are already having an impact on AAU as well as Florida state metrics. They are outstanding colleagues and team players that help to drive the success of the department as well as the College of Engineering. The student body in the department is growing – currently have 25 PhD students, 33 master’s students and over 100 B.S. students. Dr. Lockwood stated that he had hoped for sustained preeminence funding to support this department. Not having this funding the past couple years has hurt, so looking for alternative sources of support. He noted that if all the departments grew at this pace, we would have AAU status in no time. This is a wonderful interface between Engineering, Medicine and Health.

A motion was made to approve the modifications to the 2020-21 Fixed Capital Outlay budget as presented. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. DSO Mid-Year Forecasts

Mr. Stubbs introduced the agenda item. Each year, the DSOs prepare a Mid-Year Forecast – this Forecast is for FY 2021. These reports include a comparison of the Forecast to the FY 2021 Financial Plans approved by the BOT Finance Committee at its May 14, 2020 meeting, as well as actual results for FY 2020, FY 2019, and FY 2018. The Mid-Year Forecast includes an outline of operations now restructured to offset COVID-related revenue losses, a description of priority payments, and a description of the DSO’s targeted liquidity measure. Five DSOs will present their Mid-Year Forecasts today (the three largest as requested by the Finance Committee, along with Sun Dome, Inc. and HPCC). The remaining three DSOs have provided their Mid-Year Forecasts and have management present to answer any questions.

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

Dr. Mark Moseley and Rich Sobieray presented the mid-year forecasts for UMSA and MSSC combined. Dr. Moseley expressed his thanks to the BOT for the unwavering support as we combat COVID-19, care for our patients and serve the community. With Tampa General Hospital (our partner hospital), we have one of the lowest mortality rates. We have distributed 10,000 COVID-19 vaccines. Mr. Sobieray reported that the Practice Plan has invested \$10M (net investment) in the COVID response. Have experienced lost revenues and incurred additional costs in supporting the county and this community, but have received federal funding in return. Forecasting to be on Plan largely due to implementation of telehealth (up and running within a week of the pandemic) to fill the gap in serving patients and stabilize financial performance of the Practice Plan. Implemented financial austerity guidelines to control expenses/decrease costs and

preserve cash to provide financial stability. Have been able to avoid furloughs/lay-offs. Did receive financial support during this time. The University provided a \$30M loan. The loan was paid back September 30. Received \$8M in federal grants (do not need to pay back). Also took a \$6.4M loan from Medicare which will be paid back by April 1. The Practice Plan helps to support the academic mission (about \$8M of costs). Because of the way the Practice Plan has performed over the first six months, we will not need additional support to do this. Will hit the \$17M net operating profit target without this additional support.

2. USF Foundation, Inc.

Jay Stroman and Rob Fischman presented the mid-year forecast for USF Foundation, Inc. The Foundation is on target with its budget projections and investment returns look good. The Foundation's investments are very important to the University as they relate to Preeminence and the metrics formula. Cautiously optimistic that we can hold our investment returns and end in a good way for the fiscal year.

3. USF Research Foundation, Inc.

Keith Anderson and Patricia Gamble presented the mid-year forecast for the USF Research Foundation, Inc. Looking for opportunities to reduce expenses. Also looking to see where the DSO might be able to provide financial support to the University, while maintaining essential liquidity for debt servicing. The operational management of the USF Research Park is the significant business activity for the Research Foundation. Rental revenue is the primary source of operating revenue and cash flow. On target with the construction of the new USF Research Park mixed use lab and office building being constructed within the Research Park. On course to meet plan for rental revenue at \$9.6M. Intellectual Property Revenue target of \$2.6M is also achievable. To address the financial challenges presented by COVID-19 upon the University as a whole, the Research Foundation has identified expense savings; has agreed to provide additional support to the University by not charging NMR Use License fees for use of equipment (while still allowing use of the equipment); has reduced the University's incubator program expenses; and is looking to restructure the technology transfer office (this will affect FY22 and later). Forecasting operating profit of \$2.5M which exceeds plan. Projecting net income to be on plan. Projecting positive cash flow of \$2.6M, which exceeds plan.

Trustee Patel noted that technology transfer revenue is on a negative trend. He asked if this is representative of the University's global activity or just of this DSO's activity. Ms. Gamble explained that this is the global amount. In the current year, this is due to the pandemic. In 2018-19 and 2019-20, this is due to the restructuring of one of our largest license agreements. The operating margin (revenues – expenses) has slightly improved but revenue is trending downward.

4. Sun Dome, Inc.

Michael Kelly and Ashley Leko presented the mid-year forecast for Sun Dome, Inc. Sun Dome, Inc. has been greatly affected by the pandemic, derailing a record year in business and financial performance for the Yuengling Center. In-person events were postponed or cancelled. Our partners and University administration have worked with management to mitigate our costs and prepare ourselves to gain our business back as soon as shows become plentiful. The cessation of all activity is the primary driver of all projections for

Sun Dome. To mitigate losses, have taken steps to reduce operating costs - reduced management fee with Vinik Sports Group (VSG), our arena management partner; focused efforts on ongoing expense management and made cuts to the operating budget including reductions in discretionary spending; and reductions in arena management staff and implemented furloughs for remaining employees. Spending has been solely focused on expenditures that are essential to the maintenance and upkeep of the arena. Have also put an emphasis on health and safety improvements that are in line with our return to operations plan. Currently hosting events of Men's and Women's Basketball in the arena and Women's Volleyball in the Corral. This activity makes up our direct event revenue for the year. Note these events are being held at reduced attendance levels. All guidelines are being followed for as long as current restrictions are in place. VSG has been tasked with recruiting for much larger arena events as demand begins to increase with national promoters and could impact our FY 2022 activity. Want to continue to build on this momentum of the bookings which makes the day-to-day management of the arena paramount, including maintenance, repairs, and general caretaking of the facility. Continuity of operations is extremely vital to insure we will be ready to host events at full capacity when able to do so. We want to be strategic in our efforts; we do not want short-term decisions to impact our longer-term operations. As part of this strategic effort, VSG has agreed to allow Sun Dome to defer payments that are owed to them as the management company until such time as steady cash flow is resumed and enough cash is available to satisfy all of our obligations. This is reflected in increased payables. VSG has proven time and again that they are a valuable and reliable partner, even through these difficult times.

Chair Griffin encouraged our partners to think creatively about how we can host live events in a safe manner at the Yuengling Center; would like us to be on the front end of some of these bookings for when things open back up. Continue to look at the opportunity that is in front of us, in light of the progress that is being made.

5. USF Health Professions Conferencing Corp.

Carole Post, Haru Okuda and Greg Vannette presented the mid-year forecast for USF Health Professions Conferencing Corp (HPCC). HPCC and its CAMLS facility have continued to demonstrate adaptability to its changing conditions, operationally and in diversifying its business ventures. Face-to-face business has been impacted by COVID. HPCC has two lines of business – Continued Professional Development Program (CPD) and CAMLS, which is the physical center for advanced medical learning and simulation. CPD takes place mostly online or virtually (very little face-to-face). Supports both USF and external medical education companies. This business has done well during the pandemic. CAMLS serves USF Health students and external clients. Biggest impact has been to our external clients, due to travel restrictions and other issues during the pandemic. Had to close our door last March and implemented a very aggressive CAMLS assurance program (social distancing, cleaning, etc.) in anticipation of a June reopening. Opened June 1 to support our medical and healthcare mission for USF Health. Opened up to external clients in August. Many clients cancelled due to second wave of pandemic. To be proactive, developed 'CAMLS Without Walls' – delivered training programs to the sites instead of them coming to us. Focusing on grants and research. Building research infrastructure; concentrating on technology infrastructure, as business will look different post-COVID (more distance learning and virtual reality). Cut 15% of operational expenditures (reorganization); have had to lay off staff. 25% decrease in revenues due to continued spread of COVID; will not meet targets. Although funding is down, use of building is up for USF students. Decrease in revenue from Industry,

Society, Healthcare; but it is starting to come back. Projecting a \$1.7M loss, but this could improve by year end. Forecasting 30 days cash on hand – this could increase to 40 or 50 days by year end. Anticipating a stronger year end than forecasted due to rollout of vaccine and increase in travel. HPCC did not qualify for any grant assistance during the pandemic, have had to maintain on our own. Other medical schools continue to defer their in-person simulation training. USF had its students back in June or July and have had no outbreaks since CAMLS opened in June 2020 (due to strong assurance program).

Chair Zimmerman asked about the steps that are being taken to adopt audit protocols, where the DSOs will consolidate under the University Audit Executive and the Internal Audit Office. Mr. Lechner responded that we are moving forward with this charge. We will adopt a common approach, take advantage of strengths in Internal Audit, and in some cases continue to leverage specialized outside talent. This is a great suggestion by the BOT (aligning DSOs under audit protocols of USF) and we will get it done. Chair Zimmerman asked about the timeline to get this done - the process is already in place, it is a matter of implementing this process in every DSO and aligning it. Mr. Lechner responded that we should be able to do this relatively quickly; should have an approach by the end of March. Chair Zimmerman asked Chair Griffin to take control of this process of aligning the DSOs under the audit protocols of the University.

b. Budget Update

1. Legislative Budget

Mark Walsh, Assistant Vice President for Government Relations, gave a legislative budget update. The Legislative session begins next week with all eyes on the Federal government due to federal relief packages that have been passed and are under development. The Governor has released his proposed budget with education a priority. However, history has shown that the final legislative budget does not necessarily reflect the Governor's proposed budget. The Governor's proposed budget restores the 6% that is being withheld in the current fiscal year back to the SUS's recurring base budget then enacts a 3% non-recurring reduction (only on education proper, not on special units which would include USF Health). The Governor deferred his decision on whether to return/release the cash component of FY 20-21's 6% holdback until he could review Quarter 4's revenue picture.

Mr. Walsh reviewed the two federal relief bills. The CARES (Coronavirus Aid, Relief, and Economic Security) Act from late March provided \$35.8M to USF. 50% of this to students (\$17.4M) in emergency financial aid grants. This funding is non-recurring. CRRSAA (Coronavirus Response and Relief Supplemental Appropriations Act of 2021) funding from December is also non-recurring. USF received \$58M. Same level to students (\$17.4M). There will be a third round of relief with a 50-50 split with students. This package still under development currently includes a \$15/hr minimum wage requirement and state and local government assistance. This is controversial and could get held up, as some legislators will not support these provisions.

Chair Zimmerman stated that in light of what we have heard and the continuing uncertainty with the budget, it is critical that we stay the course with the budget cuts we have set forth. We have a good budget realignment plan – we have to stay diligent and focused. Chair Zimmerman wants regular, continuing updates on the state budget and stimulus funding. Until we have definitive data, we have to continue to move forward with the plan we have set. We still have recurring expenses that must be moved to

recurring sources over and above the cuts. Leadership must continue to be open and transparent. Chair Zimmerman asked Trustee Weatherford's thoughts on this. Trustee Weatherford stated that as uncertainty looms large, we have to be prepared. Prudence is a good strategy. These are challenging times. Things will change in the next 40-60 days.

2. Budget Realignment Process

Mr. Trivunovich gave an update on the budget realignment process. Moving forward as discussed at January meeting. Moving forward with the 6% holdback. Will implement the \$36.7M budget reduction for July 1, 2021. Continued discussions to achieve budget targets. Trying to minimize negative impacts to the University's goals. Majority of the CARES Act funding has been expended or committed. CRSSAA provides one-time funds. Looking at and prioritizing the potential use of these funds. Waiting for further guidance/clarification. Once received, will be ready to execute the spending of these funds to assist us in getting through this pandemic and providing the greatest benefit to our University and our students. Mr. Trivunovich reviewed the next steps in the process. We are continuing to move down the path the BOT has set for us and we are trying to involve as many people at the University in the discussions as we can, so that we do the least harm that we can to the progress we have made thus far.

Trustee Carrere asked how the federal funding is distributed to students. Mr. Trivunovich responded that the CARES funding was distributed based on need and not to be used necessarily for tuition and fees. The CRSSAA funding will be a little more flexible and can be used for cost of attendance. Mr. Walsh added that CARES prohibited students from using it like traditional financial aid; this was meant to mirror the \$1,400 stimulus checks for life needs. Should be distributed to students with greatest need (look at PELL grant eligibility).

Trustee Boaz asked when do CRSSAA funds have to be expended. Mr. Trivunovich responded that they have to be distributed one year from receipt. Mr. Walsh thought the question was referring to ability to use CRSSAA funds on retroactive expenses (expenses prior to December 27) – still need clarity on this.

Trustee Seixas asked if we have a risk assessment process for using the federal funding. Mr. Trivunovich responded we have no formal process as we still are awaiting further clarification/guidance.

President Currall explained that we still do not know how the State will take the federal funding into account, but we are looking at how we can best spend these funds.

VI. Adjournment

Having no further business, the Finance Committee meeting was adjourned at 3:00pm.