



**USF Board of Trustees
Finance Committee
NOTES
May 25, 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 11:30am. Chair Griffin asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Michael Griffin, Mike Carrere, John Ramil, Charlie Tokarz, Will Weatherford, Jordan Zimmerman and Chip Newton. A quorum was established.

II. Public Comments Subject to USF Procedure

There were two requests for public comment:

Byron Shinn, former USF Trustee, gave an update on what is going on at USF Sarasota-Manatee Campus. They are working diligently with Sarasota County to get the land transferred that the County is gifting to the campus. There has been a delay due to a change in county commissioners and a new county administrator. Working to finalize this process. The land is along Sarasota Bay and contiguous with campus property. The goal is to have housing on this property as well as student services, in order to create an on-campus culture. The campus is experiencing enrollment growth and tremendous community support for this effort for which there is dire need. Mr. Shinn would like to continue to see Sarasota-Manatee Campus on the PECO list and the CITF list at opportune times.

Veronica Jimenez, new Campus Governor (SG) for St. Petersburg Campus, made a statement on support of the new Health and Wellness Initiative on the St. Petersburg Campus and encouraged the Board of Trustees to move forward with this project. This initiative will be helpful to our current and future students, opening another space for them to de-stress during the semester. Student funds are meant to be used to help with the success of the students - so what better way than introducing a health and wellness facility. This has been a project that student government has worked to implement since her freshman year and it would be a goal of this administration to break ground on this initiative during our term. The current facility is in poor condition and is having a huge impact on our A&S fee allocations. Students should not be directing fees into costly maintenance. We could use the CITF funds that have already been secured to support this initiative. This health and wellness facility can also serve as an incentive to attract students to live on campus. As a current student who lives on campus, this will definitely serve as an incentive for her to return to the residence halls. This administration would like to do our part to help fill our resident hall spaces. This facility will have a positive impact on the mental and physical health of students as it will provide a positive outlet for them, creating a place to enjoy the day or to gather with friends to chat and study. With the added benefit of being located near the residence halls, the Health and Wellness Facility location will also be safer for students as it is in close proximity to central student services on campus. Ms. Jimenez also noted some studies show that recreational facilities on campus impact a student's decision to attend a university. Moving this wellness initiative forward will be very valuable to the student recruitment and enrollment efforts. This new facility will create more

on campus jobs for students who are looking for employment, which can lead to higher student engagement and retention. This project will widely benefit the student body now and in the following years. This has been an ongoing project that student government has tried to implement for a while and being the administration that breaks through and moves forward with this would be an achievement.

Chair Griffin thanked Ms. Jimenez and committed to working closely with St. Petersburg Student Government on this project.

III. New Business – Action Items

a. Approval of February 23, 2021 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Griffin requested a motion for approval, it was seconded and the February 23rd meeting notes were unanimously approved as submitted by all committee members present.

b. 2021-22 Continuation Operating Budget

Masha Galchenko, University Budgets and Analytics Director, presented the 2021-22 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, 2021 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 20, 2021.

We are requesting approval of a Continuation Operating Budget at the same level as the 2020-21 Operating Budget. We are requesting approval of a continuation budget due to pending performance-based funding and 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.

A motion was made to approve the 2021-22 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. 2021-22 Preliminary Fixed Capital Outlay Budget

Nick Trivunovich, Vice President for Business & Finance and CFO, presented the 2020-21 Preliminary Fixed Capital Outlay Budget. This is an annual request for authority to expend the funding appropriated by the State for FY2021-22 as of July 1st for which we need the Board's approval. As a reminder, we will be bringing back an all sources fixed capital outlay budget to the Board in August but are currently looking for the authority to spend the funds the state has already authorized. The new funding that was approved by the State includes approximately \$8M in PECO funding for the new Judy Genshaft Honors College. We are also requesting approval to expend the remaining CITF and WUSF funding that the University has received.

A motion was made to approve the 2021-22 Preliminary Fixed Capital Outlay Budget and authorize the President to make necessary non-material adjustments to the 2021-22 Fixed Capital Outlay Budget, with the requirement that any material changes be approved by the University Board of Trustees Executive Committee. The motion was seconded and approved by all Committee members present.

d. USF Five-Year Capital Improvement Plan (2022-23/2026-27)

Christopher Duffy, Interim Vice President for Administrative Services, presented the USF System Five Year Capital Improvement Plan. This is an update to our current Capital Improvement Plan (CIP). The CIP consists of PECO projects, CITF (student funded) projects, as well as other projects funded by other sources such as philanthropy. The transmittal letter highlights all the changes from last year's approved plan. In the current budget, USF received \$8M funding for the Judy Genshaft Honors College – so this will come off the top of the PECO list. Last year's #5 project, the St. Petersburg Environmental & Oceanographic Sciences Research & Teaching Facility, has moved into the #1 slot on the PECO list and the other projects have kept their remaining priorities. On the CITF list, we have received the last funding from the students for the Student Wellness Center. Looking forward to breaking ground next week and proceeding with the project. We have had a minor name change for one of the St. Petersburg projects, just for tracking purposes. Additionally, the Student Center for Sarasota-Manatee Campus was added to the bottom of the list in the amount of \$22M (full cost). On the third part of the plan that addresses philanthropy, we have received the funding for the Genshaft College so that has come off this list and the St. Petersburg Environmental & Oceanographic Sciences Research & Teaching Facility has a requirement for one-fourth of the project cost and that will allow us to score the best in the BOG scoring process for projects. Adjusted the price on the Football Center from last year's June meeting from \$28M down to \$22M.

Trustee Tokarz made several comments regarding Sarasota-Manatee. The Chancellor and people in Sarasota-Manatee are happy and grateful to have made the list with the Student Center. This is a good achievement and a step in the right direction. Looking at facilities subsequent to academic consolidation and SACS accreditation, it anticipates that equitable student services should be available to all USF students regardless of the campus they are attending. One measure of this is square footage of buildings per student. Sarasota-Manatee Campus is 79 square feet per student, Tampa Campus is 231 square feet per student and St. Petersburg Campus is 273 square feet per student. This means there are fewer buildings on the Sarasota-Manatee Campus and this can be tied to services. Sarasota-Manatee Campus has seen significant growth and there is a need for a Student Center. They have about \$10M to put towards this project. Would like to know what to do next to get this project moving faster.

Chancellor Karen Holbrook thanked Trustee Tokarz for his comments and further added that they want to keep students on campus to build a campus culture and the student center is critical. Mr. Lechner pledged to work with Sarasota-Manatee Campus to find money of the right stripe to make this happen.

A motion was made to approve the USF Five-Year Capital Improvement Plan Summary and Project Detail and transmittal letter and authorize the President to make necessary nonmaterial adjustments to the Five-Year Capital Improvement Plan, with the requirement that any material changes be approved by the University Board of Trustees

Executive Committee. The motion was seconded and approved by all Committee members present.

e. Expenditure Authorization Requests

Mr. Trivunovich presented three expenditure authorization requests for approval by the Finance Committee. The University's expenditure policy requires all expenditures over \$2M to come to this committee for approval. In addition, any change over 10% from a previously approved expenditure authorization needs to be brought back to this committee as well.

New Expenditure Authorization Requests

- Microsoft Azure - \$2,000,000

Microsoft Azure is our cloud-based computing infrastructure. We continue to move our infrastructure to the cloud, which provides us with much more flexibility in our operations. In addition, this contract is structured so that we do not necessarily have to specify upfront which services we are acquiring, but it allows us to use credits as necessary throughout the term of the contract, with unused credits being able to be carried over to the next year.

Trustee Weatherford asked what percent of our infrastructure is in the cloud. Sidney Fernandes, Chief Information Officer, explained that over this last year during the pandemic, we moved all of our major IT systems into the cloud including PeopleSoft Financials, PeopleSoft HR, and the student information system. 80% of our major systems are already in the cloud and the goal is to have as much as possible in the cloud.

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

- Pharmaceutical Supplies/Cardinal Health - \$2,700,000

Pharmaceutical Supplies for USF Health Pharmacy Plus (Blanket Purchase Order) with Cardinal Health. Supplies about 90% of our need. This is the cost of goods involved with what the pharmacy supplies. We do charge for these and make a very slight margin. The primary purpose of operating the pharmacy is to provide our College of Pharmacy students with the opportunity to participate in the pharmacy operations. The important piece of this is the instruction that our pharmacy students get. We have been doing this for six years. The volume and cost have gone up every year since year one. This has been a great opportunity for our students.

Chair Griffin asked if we buy everything up front or is it depending on patient demand and physician order. Mr. Trivunovich explained that we purchase as necessary and do not stock a huge inventory. Dean Kevin Sneed further explained that medication is ordered to match the orders written by the physicians. Do not keep an enormous amount of inventory on hand. Do keep a small inventory of the most popular medications. It almost becomes a pass-thru. Trustee Carrere asked if there is any opportunity to generate

profit. Dean Sneed explained that they do make a slight margin and typically they take those margins and put them right back into the operation.

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

- FM and Health Contracted Labor for General and Enhanced Cleaning - \$3,218,925

This is for outside custodial services, consisting of three distinct components. The first is to provide gap coverage to our campus custodial services as needed when staffing is not sufficient to meet our basic needs. The second is to provide additional cleaning as needed to mitigate any concerns related to the Covid virus. And the third is to be the primary custodial service provider for USF Health Morsani College of Medicine building downtown, as well as other USF Health facilities. This proposed contract is set up as a pricing contract for services with a quarterly commitment as to what level of engagement will be needed from the service provider. The \$3.2M approval being requested is a maximum amount. As a point of comparison, we expended \$2.3M last year for similar services.

Trustee Weatherford asked are we working with our in-house health experts in determining how to spend these dollars in a useful and effective way. Mr. Duffy explained that we are in constant contact with the Covid Task Force and are ready to adjust our procedures at any time. As we change our posture, that will determine how much we spend on enhanced cleaning versus using it to fill our gaps in personnel. This authorization is giving us the potential to spend, and we will not spend if it is not necessary.

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

- Property Management and Maintenance Services/USF Health Buildings - \$4,328,107

Property management and maintenance services for four USF Health facilities, including 3 off-campus USF Health buildings (MDD, CAMLS, STC) and 1 on-campus building (ALZ) that is not connected to the USF Tampa Campus infrastructure, for \$4.3M over 4 years. The ITN has not been released yet. We are requesting Finance Committee approval before we begin a competitive procurement process. After much discussion at USF Health, this is the most efficient method to provide these services for their 3 off-campus buildings (MCOM, CAMLS, South Tampa Clinic) plus the Alzheimer Institute. Trustee Carrere asked how long have we contracted out these services as compared to providing them ourselves. Mr. Trivunovich responded that the normal mode of operations for those buildings is to engage outside vendors because of their remote locations. Trustee Carrere asked if this is the best way. Rich Sobieray responded yes, due to the nature of the cleaning and the location (geographic issue) but we are always looking for efficiencies. This is the most efficient way at this time. Mr. Trivunovich explained that economic analysis shows that our existing campus services cannot get the economies of scale.

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	\$4,073,562	\$867,262

This request is to add a second one-year extension to the original 3-year agreement. This is negotiated at the SUS level by the University of Florida for the entire state university system. We take advantage of that and are able to get better pricing because of the volume across all the universities. The Springer/Nature journals are critical journals for our researchers. This is an increase of \$867K, which is very slight cost increase over the previous year. This is for all our libraries, including the Shimberg Health Library.

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

f. DSO 2020-21 Annual Financial Plans

Fell Stubbs, University Treasurer, introduced the DSO FY2022 Annual Financial Plans. The DSOs are governed by independent boards of directors who have previously approved these FY2022 Financial Plans. The DSO Financial Plans are presented to the BOT for review and approval, pursuant to Florida Statutes and DSO bylaws. Due to time constraints, the chief executive officer or principle officer of the DSO will speak briefly to the three primary goals for FY2022.

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

Rich Sobieray explained that the projected numbers for this year and next fiscal year show that they have had success in achieving financial stability and that success has allowed them to weather many storms, including the Covid pandemic. Dr. Mark Mosely addressed the top three priorities for FY2022: 1) our response to the Covid pandemic remains the top priority - telehealth, vaccine efforts, education/guidance to the University and to the rest of the community; 2) integration efforts with Tampa General Hospital around the formation of the academic medical group, which remains on track; and 3) focus on Practice Plan optimization – efficiency and effectiveness in our clinical operations, our access to care, and many of the systems that support the care that our doctors, nurses and staff members provide.

2. USF Foundation, Inc.

Jay Stroman presented for USF Foundation, Inc. The Foundation continues to do good work on behalf of the University and looks forward to achieving its three primary goals for FY2022. Today, the Foundation provides between \$50-60M of support to the University. Goal number one will be for the Foundation to maximize investments and continue to keep our endowment in the top quartile of returns based on the NACUBO rankings. The second goal is increasing

fundraising. We would like our baseline to be \$100M and that is the goal for FY2022. And the third primary goal is to evolve into the future and do better for the University.

3. USF Research Foundation, Inc.

Keith Anderson presented for USF Research Foundation, Inc. The three primary goals of the Research Foundation for FY2022 are: 1) to successfully bring the new research building online at the end of calendar year 2021 (the new building is on budget and on schedule); 2) to continue to support the university's research infrastructure, specifically supporting intellectual property created by our faculty through the USF Technology Transfer Office; and 3) to help facilitate and expand corporate relationships with industry partners interested in working with the University, both as tenants in the new building and also as we continue to support our business incubator programs.

4. Sun Dome, Inc.

Michael Kelly presented for Sun Dome, Inc. (SDI). The primary goal for SDI is more events. Acts are ready to tour at a rate unprecedented in recent memory – Yuengling Center will be a part of this. There is also opportunity for more robust crowds for Men's and Women's basketball. We remain ever confident on our relationship with Vinik Sports Group. They have already confirmed several events for the new fiscal year and have ensured Yuengling Center is open for booking and in the minds of the tour structure decision makers. This partnership with Vinik Sports Group sets us up for success. We are very encouraged and optimistic about the upcoming fiscal year related to revenue visibility for SDI and the Yuengling Center.

Trustee Weatherford asked what this next fiscal year will look like relative to pre-Covid times. Mr. Kelly explained that the first two quarters will be a ramp up and the second two quarters will be more towards normalcy, and we hope to surpass normalcy. The real unknown is the fans, in terms of the comfort level and coming back and engaging in the atmosphere. That is why we think the first two quarters will be a little slower than the last two. We are very optimistic that it will only take a little bit of time to get back up to pre-covid levels. Our plan is based on a slow ramp up in the first half of the year and then back to hopefully normalcy in the second half.

5. USF Health Professions Conferencing Corporation

Dr. Haru Okuda presented for USF Health Professions Conferencing Corp. (HPCC). CAMLS was impacted by the pandemic as a lot of its programs are supporting health care professionals external to our organization. We are optimistic for the upcoming year and focusing on our three strategic goals. The first goal is to further integrate USF and USF Health to better leverage economies of scale, shared operational capabilities, reducing expenses and expanding simulation expertise to support our students, residents, faculty and staff. The second goal is diversifying our business portfolio. In the past we focused on medical device companies, professional societies, hospital health care systems. We are working on government contracts and expanding our international outreach programs. The third goal is a focus on research, innovation and impact. Related to

research, we have been approved to establish a small research department (simulation-based research grants, human performance grants in health care, etc.). The second part around innovation is partnership with local technology companies in areas such as virtual reality, augmented reality, in order to pursue grants and do research. The third part is measuring the impact of CAMLS programs, focusing on our mission, which is to create and provide experiential learning that improves clinical skills and patient care in our community and around the globe. We will look at clinical outcomes and contributing to the science of simulation.

6. USF Institute of Applied Engineering

Eric Forsyth presented the three strategic goals for the upcoming year for USF Institute of Applied Engineering (USF IAE). The first goal is to continue to expand our applied research and advanced technology development activities under our five-year, \$85M task order contract with Special Operations Command (SOCOM). That contract has been in place just over a year and during that time we have been awarded 16 task orders worth \$13M. Off to a great start, but certainly opportunity in the coming year as Covid restrictions are relaxing to accelerate development opportunities with SOCOM. The second goal, even though SOCOM is our most important partner, is making a concerted effort to diversify our national security sponsor base. These are competitive solicitations and we are spending quite a bit of time being selective in what we go after. The third goal is to continue to execute our startup funding under the Hillsborough County grant. Covid has slowed us down in executing those funds and so they have been rolling over into the upcoming year. This funding has been critical in getting our facility open and providing critical infrastructure within the facility like our IT capabilities. It has also been important in getting our research equipment and supporting activities online. We have a great plan for the coming year. We have also been in discussions with the County about extending the period of performance of the grant and those have been well received. Again, this will allow us to continue to buy our critical research equipment and associated facilities. We need to take the institute to the next level.

7. USF Alumni Association, Inc.

Bill McCausland presented the three primary goals for USF Alumni Association, Inc. The focus of the Alumni Association is to strengthen the relationships we have with our now 370,000 alumni through our activities, hopefully leading to their long-term involvement with the university. And this has not changed during the Covid period. The first goal is transitioning to a general membership program. We are eliminating the annual membership program so all graduates of the University will be considered members of the Association. The life member program will continue to be in place and we will focus on life memberships, on growing that program and supporting our life members, as well as the Associated Circle of Excellence annual giving program that is part of the life membership program. By doing this, we will be able to focus our resources on higher engagement and cultivation activities. The second goal is increasing our focus at the regional level (regional alumni engagement). We will do this by identifying, engaging, supporting and cultivating alumni within our chapters and societies. The third goal is creating and instilling a culture of philanthropy, of giving back, with our students to build a lifelong connection.

8. USF Financing Corporation & USF Property Corporation

Fell Stubbs presented the three strategic goals for USF Financing Corp. & USF Property Corp. These corporations are the University's financing arm, providing long term financing for the University's major capital projects. The first goal is to protect the University's AA credit ratings on University and Financing Corporation bonds. The second goal is ongoing compliance with debt covenants, including IRS rules on tax exempt bonds and required reporting on the SEC's reporting system. The third goal is completing contracts with three of the University's strategic partners, two of which are Fortune 500 companies. FY2022 payments from these partners will be at guaranteed minimum amounts, despite reductions in revenues impacted by the pandemic. These contract revenues are importantly pledged to various debt service payments.

A motion was made to approve all the FY2022 DSO Financial Plans. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Deferred Maintenance

David Lechner provided a brief look at the status of deferred maintenance at USF. Deferred maintenance is a pressing issue across all of higher education. This presentation is particularly timely as the Legislature (subject to the Governor's approval) has designated \$350M of the state's federal stimulus funds specifically for deferred maintenance to be allocated among state agencies and public higher education institutions in FY2022. In addition, the institutional portion of funds from federal coronavirus Higher Education Emergency Relief Funds (CRRSAA and ARPA) can be used for projects meeting the federal guidelines for those initiatives. Information in this presentation comes from a 2019 Sightlines report. Sightlines is an organization specializing in benchmarking of facilities data. The Sightlines study includes only buildings which are funded by E&G and/or PECO Funding from the State, and does not include auxiliaries, utilities, and infrastructure. The study looks mostly at the Tampa Campus and includes Marine Science at St. Petersburg, and this totals about 5.9M square feet. Auxiliaries (which are not included as they are largely self-sustaining) are another 4.9M square feet. There are a number of ways to "score" a building. Sightlines takes the square footage, the complexity of the building and the age, then combines all of this and gives a benchmark for each building. The higher education industry is all on the same curve. Our buildings are on the same cycle and are wearing out at the same time. This is an industry-wide challenge. According to the Sightlines report, 62% of our buildings are greater than 25 years old and 33% of our buildings are 25 years old or less (construction age). This report was done before MCOM came online, so there is a lot of square footage that is going to bump up the lower age category. The report also addresses renovation age. Renovations bring down the construction age of buildings. In our case, with renovations, only 40% of our buildings are 25 years old or greater. We have done a good job with the resources we have been given. Our total deferred maintenance is \$520M. \$222M is the backlog – things that need to be replaced now. \$136M of our inventory will age out in the next 10 years (from the study). \$162M is the rest of our inventory, which will be aging out as we go forward. Of the \$222M backlog, the most critical need is HVAC, then electrical and plumbing. These are high-risk areas. If these break, we would have to suspend operations in the buildings. Per Sightlines, we should be replacing envelope at about \$19.5M per year and space and programmatic space at \$13.8M. Total investment on deferred maintenance should be about \$33M per year, to protect and keep up to date the State's

investment in E&G assets. Mr. Lechner reported the following benchmarks: USF has \$1.6B of buildings (all funds); building depreciation alone last year was approximately \$40M; USF has \$219M of furniture and equipment; and FF&E depreciation last year was \$15M. We are wearing out at \$55M per year (Sightlines gave us a \$33M target in their report). In summary, our challenges are not unique in the industry or Florida; we must seek additional resources to maintain the State's investments in buildings and equipment; and our Facilities team has managed well given constraints.

V. Adjournment

Chair Griffin thanked all who prepared for this meeting. He requested to spend more time/discussion on the budget at June's full board meeting. He suggested a general budget discussion (where we are and where we are going) for consideration at the meeting. Chair Zimmerman agreed that this is a good idea. President Currall explained that we will know the state budget and strategic deliberations to move forward with the budget. Chair Zimmerman stated that we need to be at a zero-sum basis going forward and have to fund our recurring commitments with recurring funding.

Having no further business, Chair Griffin adjourned the Finance Committee meeting at 1:15pm.