

USF Board of Trustees
August 14, 2020

Issue: Board of Trustees Budget Workshop

Proposed action:

Review and discuss various materials pertinent to preparing the Board for an action item to approve the USF Fiscal Year 2020-21 Operating Budget on August 19, 2020.

Executive Summary:

The Board of Trustees (the BOT) is required to adopt and approve an annual budget for the operation of the University to submit to the Board of Governors.

On June 2, 2020, the BOT approved a 2020-21 continuation operating budget at last year's level with the understanding that USF would prepare a 2020-21 budget for its approval and subsequent submission to the Board of Governors (BOG) by August 21, 2019.

This workshop will allow the board to review materials and discuss issues related to formation of the USF 2020-21 budget.

Financial Impact: See attached.

Strategic Goal(s) Item Supports: Goal 4 – Sound Financial Management

BOT Committee Review Date:

Supporting Documentation Online (please circle): Yes **No**

Prepared by: Business & Finance-Resource Management & Analysis

Fiscal Year 2020 / 2021

Financial and Budget Planning Workshop

USF Board Workshop
August 14, 2020



Objectives

- 1. Provide background on 2020-2021 budget to support your approval decision**
- 2. Share information about USF's strategic renewal process**
- 3. Update on Debt Refinancing**

2020 – 2021 Budget Formation



FY21 Operating Budget Calendar for USF

Date	Activity
October 1	E&G Carryforward Spending Plan, Fixed Capital Outlay Budget, and Related Certification due to Board of Governors
August 25	BOT Finance Committee meeting
August 21	Operating Budget due to Board of Governors
August 19	BOT Meeting for Budget Approval
August 14	BOT budget workshop
August 13	Sarasota-Manatee Board meeting
August 11	Required posting of budget materials for BOT
August 8	Legislative Budget Request due to BOG
August 4	St. Petersburg Board meeting
July 31	Kick Off of Strategic Budgeting Process
July 30	St. Petersburg Board Budget Workshop
May through budget submission	Budget preparation and system inputs

Current Environment / Challenges

- Legislative Outlook
- State is holding back 6% from SUS for fiscal year 2021
- Request for 8.5% reduction scenario for fiscal year 2021

Multi-Year Trends

Operating Budget

Funding Source	2018	2019	2020	2021
Activities & Services	21,922	22,350	21,588	22,807
Athletics	39,523	44,152	42,803	45,448
Auxiliaries	215,240	222,120	226,187	224,740
Contracts & Grants	413,169	418,184	424,881	419,486
Concessions	733	701	700	629
Educational & General	704,047	714,028	717,863	718,326
Financial Aid	385,776	399,977	399,778	404,891
Green Fee	1,427	3,230	1,884	2,061
Technology Fee	11,720	12,294	20,117	18,515
	\$ 1,793,557	\$ 1,837,037	\$ 1,855,802	\$ 1,856,904
Practice Plan	247,326	261,313	281,630	271,775
Self Insurance	7,917	7,998	8,037	5,069
TOTAL USF BUDGET	\$ 2,048,800	\$ 2,106,348	\$ 2,145,469	\$ 2,133,748
E&G Beginning Carry Forward Fund Balance			216,841	238,748
		<i>BOG 7% Required Reserve</i>		50,710

NOTE: All amounts in thousands
Not including DSO's

Education & General

2020-2021 Operating Budget

	Tampa	St. Petersburg	Sarasota- Manatee	Health	TOTAL USF
General Revenue	240,383,490	32,100,819	17,773,790	68,846,630	359,104,730
Educational Enhancement TF	53,504,957	2,370,094	2,044,903	12,740,542	70,660,496
Student Fees TF*	187,739,487	19,500,000	11,370,425	65,542,305	284,152,217
FY21 Beginning Budget	\$ 481,627,934	\$ 53,970,913	\$ 31,189,118	\$ 147,129,477	\$ 713,917,442
<u>Additional Revenues/(Reductions)</u>					
Base Appropriation	-	3,000,000	2,500,000	-	5,500,000
Performance Based Funding	(478,655)	(67,507)	(35,327)		(581,488)
State Vetos	(250,000)	(260,413)			(510,413)
FY21 E&G Budget	\$ 480,899,279	\$ 56,642,993	\$ 33,653,791	\$ 147,129,477	\$ 718,325,541
<u>Expense Budget</u>					
Salaries & Benefits	315,044,659	38,859,819	23,416,832	113,557,796	490,879,106
Other Expenses	53,468,731	5,269,617	3,903,792	6,230,970	68,873,110
Student Financial Aid	28,829,508	1,897,070	834,000	7,022,232	38,582,810
Other Personnel Services - OPS	27,732,761	3,157,310	1,927,404	3,862,308	36,679,783
Contractual Services	16,088,388	627,597	615,856	4,726,441	22,058,282
Utilities	14,480,034	2,103,000	348,117	883,103	17,814,254
Held Tuition Authority	7,825,155	2,500,000	1,270,788	5,980,233	17,576,176
Budget Holdback	17,430,043	2,228,580	1,337,002	4,866,394	25,862,019
	\$ 480,899,279	\$ 56,642,993	\$ 33,653,791	\$ 147,129,477	\$ 718,325,540

NOTE: All amounts in thousands

Current Holdback vs 8.5% Reduction Scenario

	Tampa	St. Petersburg	Sarasota- Manatee	Health	TOTAL USF
Calculated 8.5% E&G Budget Reduction :					
General Revenue	(20,213)	(2,956)	(1,720)	(5,811)	(30,700)
Ed Enhancement (Lottery)	(4,548)	(201)	(174)	(1,083)	(6,006)
Total Estimated E&G Budget Reduction :	\$ (24,761)	\$ (3,157)	\$ (1,894)	\$ (6,894)	\$ (36,706)
Current Budget Holdback	17,430	2,229	1,337	4,895	25,891
<i>Difference</i>	<i>\$ (7,331)</i>	<i>\$ (929)</i>	<i>\$ (557)</i>	<i>\$ (1,999)</i>	<i>\$ (10,815)</i>

All amounts in thousands

Next Steps

- August 19 vote to approve:
 - budget including holdback
 - 8.5% reduction scenario

- Actual reductions to meet 6% holdback or 8.5% reduction will be determined through a strategic renewal process

Strategic Renewal Process Overview



Current Environment / Challenges

- **Legislative Actions / Uncertainties**
- **State is holding back 6% from SUS - likely permanent**
- **Costs currently being funded by cash**
- **New law on use of carryforwards for “recurring costs”**
- **Additional costs:**
 - COVID-19 and related expenses
- **Other considerations**

Investments Requiring Permanent Funding

- Legislative reductions from FY20
- FY20 salary increases
- Foundation campaign funding
- IT funding
- Facilities and repairs
- Class size initiative
- Student mental health
- Communications and marketing
- Library resources
- Deferred maintenance

Restrictions regarding E&G carryforwards

FLBOG Regulation 9.007:

“(carryforward plan may include).....operating expenditures that support the university mission and that are nonrecurring”

Non-recurring is defined as an expenditure that is not expected to be needed or available after a point in time. Non-recurring expenditures have distinct elements:

- a) *Time limited in nature, where an **end date** to a given contract or activity is **known**,*
- b) *There is **no promise or guarantee of future funding**,*
- c) *May **cross multiple years**, **but** the above **two provisions apply**,*
- d) ***May address** financial challenges resulting from **external factors** (examples could include, but are not limited to, federal government shutdown, drop in state revenue resulting in a mid-year reduction)*

Additional Costs Related to COVID19

CARES Act Institutional Funding Received	\$19 million
Estimated COVID expenses (to 12/31)	\$31 million
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Additional Funding Needed	(\$12 million)

Tuition and enrollment trends by campus

Net Tuition Collections by Campus (\$ in millions)					
Campus		2018	2019	2020*	2021 Projection
Tampa	Collections	\$ 183.0	\$ 181.5	\$ 180.4	↓
	Fundable SCH	905,176	902,192	901,669	
Health	Collections	\$ 54.8	\$ 56.8	\$ 58.8	↑
	Fundable SCH**	124,276	130,812	142,231	
St. Petersburg	Collections	\$ 21.0	\$ 20.5	\$ 19.5	↓
	Fundable SCH	123,952	120,945	114,315	
Sarasota-Manatee	Collections	\$ 9.5	\$ 9.9	\$ 10.5	↔
	Fundable SCH	56,952	59,782	62,832	
USF Total	Collections	\$ 268.3	\$ 268.7	\$ 269.2	↓
	Fundable SCH	1,210,356	1,213,731	1,221,047	
* Forecasted, not yet final					
** Health SCH excludes Professional Programs					

Other Considerations

Issue

Tuition
Distance Learning Fees
Other Fees

Impact

~\$3.1 million per 1% reduction in gross student credit hours
Total generated in FY2020 - \$17.9 million
~\$873K per 1% reduction in gross student credit hours

Auxiliaries

Housing
Parking

Impact

TBD
TBD

NOTE: Impacts listed are for all of the University of South Florida including Health

Financial Management vs Strategic Renewal Process

➤ Financial Management

- Ensuring continued financial liquidity and cash flow for the University

➤ Strategic Renewal Process

- Annual financial resource allocations, and re-allocations, to reinforce USF's trajectory of excellence

Guiding Principles

1. We must maintain liquidity
2. We must balance the budget no later than 30 June 2022
3. We must utilize the full range of resources available
4. We must prioritize financial allocations and re-allocations to align with USF's strategic vision

Strategic Renewal Process - Refining USF's Strategic Vision

During your deliberations, consider USF's strategic aspirations when deciding in what to invest and what to reduce. When describing continuing investments or reinvestments, briefly describe how the decision:

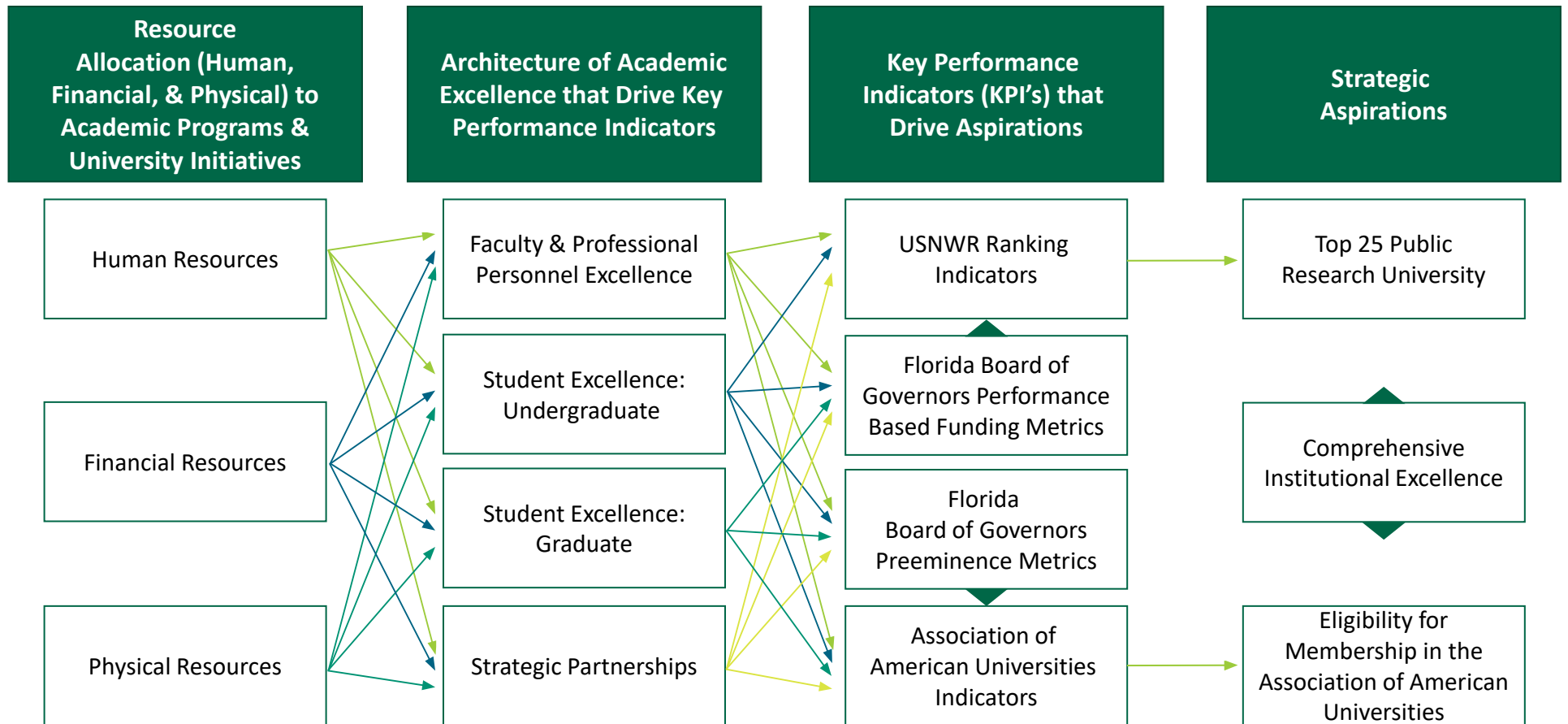
- Reaffirms that talented faculty and staff are fundamental to the mission of the University and to achieving our strategic goals?
- Maintains the health, safety and security of faculty, staff, and students?
- Elevates, or does not diminish, your unit's contribution to meeting or exceeding performance-based or preeminence funding metrics?
- Elevates, or does not diminish, your unit's contribution toward top 25 public university rankings (or rankings of the college, department, program or initiative)?
- Elevates, or does not diminish, USF's AAU performance metrics?
- Promotes comprehensive institutional excellence?

If answers to these questions are not affirmative, the department, program or initiative may be a candidate for reduction. Resources saved from reductions may be reinvested in units or programs or initiatives that will advance USF's strategic aspirations.

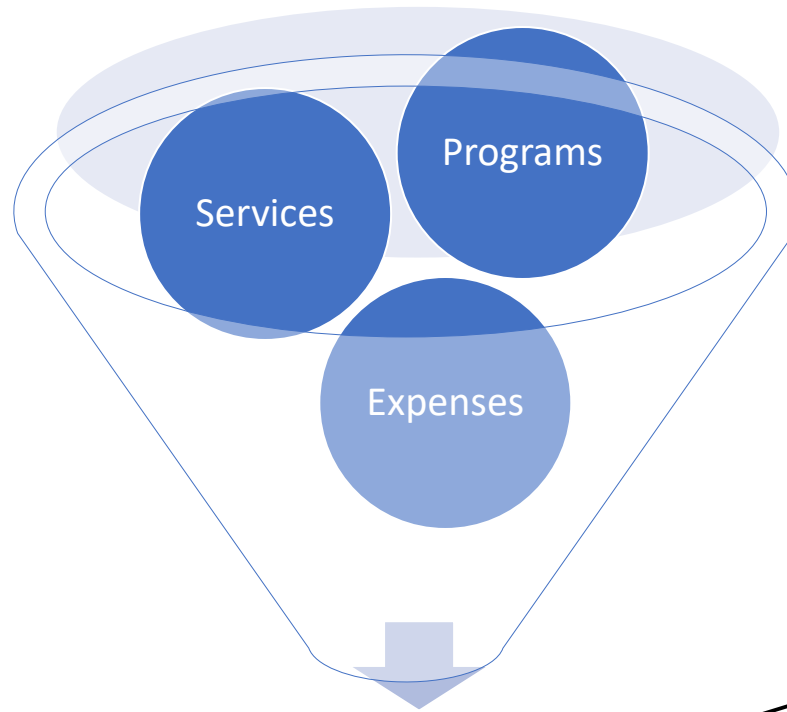
Other Considerations in the Strategic Renewal Process

- Consider allocations that promote competitive parity and/or sources of sustainable competitive advantage that drive key performance indicators; divest resources that do not
- As transitional cash flow funding during FY2021, consider using existing reserves
- Consider the future impact of new revenue streams for colleges

Strategic Performance Management Framework



Prioritizing Allocations



Candidates for Reductions

Considerations

Promote comprehensive institutional excellence?

↓ NO

Elevate PBF / Preeminence?

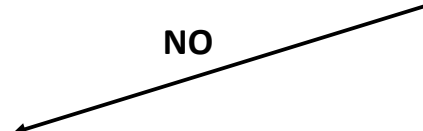
↓ NO

Elevate to top 25 / AAU?

↓ NO

Create competitive advantage?

NO



Update on Debt Refinancing



Process Overview

- Examined portfolio for savings opportunities
- Current status:
 - \$382 million outstanding – 19 issues - public and private placement
 - Three private placement loans were refinancing candidates
 - Two loans relating to athletics - \$16 million
 - One loan relating to CAMLS - \$14 million

Results

- Negotiated with Truist Bank – holder of the three lines
- Outcomes:
 - Reduced rates from average of 3.5% to about 2.25%
 - Rates very favorable to market
 - Waived refunding premium

**Achieved savings of \$1 million on each issue
\$100,000 decrease in debt payments for each over remaining ten years**

Questions

