



Board of Trustees Finance Committee

Thursday, October 12, 2017

1:15 – 2:00pm

Tampa Campus - Marshall Student Center Room# 3707

Trustees: Brian Lamb, Chair, Mike Carrere, Stan Levy, John Ramil

Foundation Board Liaison: Alan Bomstein

Vice Presidents: John Long and Nick Trivunovich

Staff Liaison: Gina Lombardi

A G E N D A

- I. Call to Order and Comments Chair Brian Lamb
- II. Public Comments Subject to USF Procedure Chair Lamb
- III. New Business – Action Items
 - a. [Approval of August 17, 2017 Meeting Notes](#) Chair Lamb
 - b. [Expenditure Authorization Request](#) Vice President/CFO Nick Trivunovich
- IV. New Business – Information Items
 - a. [Draft 2017 USF Financial Statements](#) Nick Trivunovich
 - b. [DSO Investment Reporting Process](#) Nick Trivunovich
- V. Adjournment Chair Lamb



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**USF Board of Trustees
Finance Committee
NOTES
Thursday, August 17, 2017
Tampa Campus - Marshall Student Center Room# 3707**

I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Brian Lamb at 1:43pm. The following committee members and liaisons were present: Brian Lamb, John Ramil, Stan Levy (phone), Judy Genshaft, Dipayan Biswas, Ninon Sutton, and Alan Bomstein. A quorum was established. The following Trustees were also present: James Garey, Stephanie Goforth, Byron Shinn, and Nancy Watkins.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of May 18, 2017 Meeting Notes

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

b. 2017-18 Operating Budget

Nick Trivunovich, Vice President for Business & Finance and CFO, presented the 2017-18 Operating Budget. The USF System 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 July 1, 2017 for the State Comptroller to process cash releases of state funds. On May 18, 2017, the BOT approved a 2017-18 continuation operating budget at last year's level with the understanding that the USF System would prepare a 2017-18 budget for submission to the Board of Governors (BOG) by August 21, 2017 and for presentation to the Board of Trustees at this meeting.

This is a new process of submitting the full budget to the Board for approval prior to submission to BOG on August 21. We are requesting the board approve the 2017-18 Operating Budget and authorize the President (or the Designee) to implement budget amendments issued by the state during the fiscal year or other changes approved by the Board Chair.

The USF System 2017-18 Operating Budget excluding Direct Support Organizations (DSOs) and carry forward totals \$1.79B, an increase of \$97.7M or 5.4% over the previous year's

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budget (excluding Self-Insurance and Faculty Practice Plan). The increase resulted primarily from increased state support and tuition, contracts and grants as well as auxiliary enterprises.

E&G funding increased by \$38.5M for the USF System. This reflects incremental funds of \$45.7M less vetoes resulting in cuts to specific programs of \$7.2M. The incremental funds include \$8.7M Emerging Preeminence; \$10.5M World Class Scholars; \$5.7M Professional and Graduate Excellence; \$13.0M Performance Based Funding; \$5.8M - Specific Appropriations (\$.7M Midtown Early Care and Education Collaborative; \$1.3M Programs of Strategic Importance; and \$1.5M Operational Support); and \$2.0M additional tuition from SCH/Out of State mix (no increase in student tuition/fee rates).

Across the USF System, investments will be made in the following areas:

- Retention of USF faculty by offering nationally competitive compensation packages;
- All campuses continue making further investments in Faculty in Areas of Strategic Emphasis to support degree production and continued improvement in graduation rates;
- All campuses are investing in infrastructure including Information Technology, Student Services, and Campus Safety to support Student Success;
- All campuses are making investments in Student Services for advising, recruiting, and faculty development which will allow USF to continue to improve retention and graduation rates.

Mr. Trivunovich reviewed priority infrastructure projects over \$1M that are included in the Budget (replace cooling tower \$2.4M and campus feeder replacement \$1M) as well as contingency-funded projects (\$6M budgeted).

Like last year, the Budget was broken down by funding source, fungibility, and expenditure category for the System as well as for each campus. We have a very diverse revenue stream which is good for our bond rating. Two-thirds of our Budget is non-fungible (contracts & grants and financial aid); one-third is fungible (state dollars). The System's largest expenditure is salaries and benefits, indicating our greatest investment is in people, our greatest resource.

A motion was made to approve 2017-18 Operating Budget and to authorize the President (or the Designee) to implement Budget amendments issued by the state during the fiscal year or other changes approved by the Board Chair. The motion was seconded and approved by all Committee members present.

c. USF Regulation 4.0095 Employee Debt Collection

Hilary Black, Sr. Associate General Counsel, presented the amended USF System Regulation 4.0095 Employee Debt Collection. The existing regulation has been amended/updated to track current practices. The amended Regulation includes guidance for USF System departments regarding the methods of overpayment recovery such as retraction of the original payment, automatic reduction of the immediate next payrolls, and set-off procedures.

A motion was made to approve the amendment of USF System Regulation 4.0095 Employee Debt Collection. The motion was seconded and approved by all committee members present.

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d. Expenditure Authorization Requests

Mr. Trivunovich presented various items related to the University's new Expenditure Authorization Policy. The Expenditure Authorization Policy has been in effect since April 2017. The policy states that all contracts for the procurement of goods and services over \$1M be approved by the Finance Committee Chair and all contracts over \$2M be approved by the Finance Committee. The Finance Committee is being asked to consider exceptions to the Expenditure Authorization Policy and to consider eight requests for approval each over \$2M. An authorization document has been created to provide relevant information to approvers. 19 projects/initiatives have been approved to date at a total cost of \$42.8M. 34 purchase orders over \$1M were issued in 2016/17 (21 purchase orders between \$1M and \$2M and 13 purchase orders above \$2M). Benefits realized from the new process include responsive turnaround (generally within 24 hours) from the Finance Committee Chair on approvals between \$1M and \$2M; transparency and visibility to Board on major University expenditures; and more consistent University documentation on expenditures over \$1M. The process can be further improved by the University continuing to adjust to the lead times necessary for Board approval and by the elimination of expenditure approvals that are redundant or have no material financial impact.

Mr. Trivunovich explained the proposed exceptions to the contract approval requirement:

- Direct Owner Purchase Orders (no material financial impact)
- Items subject to Real Property Policy (approvals are redundant)
- Research Sub-awards (no financial impact)
- Payments obligated under a multi-year contract
- Resolutions for projects approved by the Board of Trustees

Mr. Trivunovich presented the eight requests for approval by the Finance Committee:

Non-Construction

- | | |
|-------------------------------|-------------|
| ○ Office Depot Contract | \$2,150,000 |
| ○ Microsoft Contract (3 yrs.) | \$3,970,348 |
| ○ Oracle Contract (3 yrs.) | \$5,077,920 |

Construction

- | | |
|--|-------------|
| ○ USFSM College of Hospitality & Tourism Expansion | \$2,454,000 |
| ○ USF Holly Renovations (C, D, G) | \$9,000,000 |
| ○ USF Kosove Renovations | \$5,000,000 |
| ○ USF New Entry/Laurel Drive Extension | \$4,855,000 |
| ○ CPT- Replace Failing Cooling Tower #5 | \$2,482,338 |

All of these requests are in the operating budget just approved.

Trustee Ramil asked if we are getting the best rates for the software. Sidney Fernandes, Vice President for Information Technology, noted that the Microsoft and Oracle contracts are renewals. Microsoft was negotiated as part of a consortium at 2011 pricing levels. Oracle guarantees the same price over the three years (no new increases). Trying to keep incremental costs low.

Trustee Ramil asked if the Housing projects are consistent with the housing rate increases. Mr. Trivunovich responded yes. Also, it is the industry standard in housing to do a complete renovation of facilities after 18-20 years.

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A motion was made to approve the eight expenditure requests as presented. The motion was seconded and approved by all Committee members present. A motion was made to approve the proposed exceptions to the approval requirement. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Annual Finance Policy Reports

The Annual Policy Report is required by the three BOT Finance Policies (investment, debt management, derivatives). The policies were adopted in 2006, and apply to the University and the Direct Support Organizations (DSOs). Fell Stubbs, University Treasurer, presented highlights of the results of the management of USF's Investment, Debt, and Derivatives Portfolios.

1. Investments

The USF System investment portfolio consists of 10 USF and DSO portfolios. The System investment portfolio has kept pace with the growth of the USF System and has grown to \$1.29 billion. All investment portfolios are governed by the BOT Investment Policy and active investment committees. The University portfolio is an operating portfolio. The goals are to maintain liquidity; avoid losses; and support annual cash expenditures. Our portfolio liquidity measures are in line with our Aa2 peers. However, the size of the operating portfolio has slipped relative to annual expenditures. University investment returns have been stable and positive each year over the past 10 years, despite market volatility. The portfolio structure cushions exposure to market volatility, the key being conservative asset allocation. We missed our benchmark return in FY 2017 by 20 basis points due to underperformance in foreign equities and cash portfolios. This is the first report where we have underperformed our benchmarks. During the year, we terminated two managers and hired four new managers.

2. Debt Management

Core debt management strategies have not changed. Recent year activities have focused on refunding outstanding bonds to capitalize on the lower yield curves, rather than new debt. Five transactions were completed in FY 2015 and FY 2016 for \$188M (\$18.2M net present value savings); two transactions were completed in FY 2017 for \$41M (\$4M NPV savings); and two transactions are planned in FY 2018 for \$81M. The University is utilizing, as appropriate, "Public-Private Partnerships" to deliver certain capital projects.

Mr. Stubbs reviewed the 10-year change in debt issues, long-term rate and mix. Over the past 10 years, we added \$170M of new debt. Over this period, we converted/refunded \$180M. Our credit ratings have improved over this period as well. There has been a reduction in variable rate bonds from \$196M to \$84M (from 59% to 22% of outstanding debt). Outstanding debt has been managed downward since FY2011, while funding strategic projects.

3. Derivatives

The BOT Derivatives Policy governs all derivatives. We have no unhedged positions and no new swaps since 2007. Recent events include the conversion of \$38M of USF

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Financing Corporation variable rate bonds to fixed rate (7/1/16) – \$38 M of interest rate swaps expired; and the conversion of \$18M of USF Research Foundation variable rate bonds to fixed rate and paid off \$9M in variable rate bonds (8/1/16) – \$27M of swaps expired. Over the next 12 months, we will convert \$19M of USF Financing Corporation variable rate bonds to fixed rate (7/1/18). Note that expiring swaps create an opportunity to convert to fixed rates at lower levels. There is a downward trend in outstanding swaps from \$278M in 2008 to \$85M today. All swaps performed as expected.

Trustee Ramil asked if we should have routine reporting on DSO investment portfolios (this is currently done just for the Foundation). Chair Lamb responded yes, just for the significant ones. This is consistent with our focus on transparency. At our next meeting, we need to explain how we are going to do this (frequency, etc.).

Chair Lamb thanked Mr. Stubbs for the good report noting that this maintains the integrity of our balance sheet which is very important and a strategic priority.

b. Construction Update

Calvin Williams, Vice President for Administrative Services, gave a brief update on the following board-approved projects over \$500K: USF Health Morsani College of Medicine and Heart Institute – there will be a future meeting to discuss/approve the two floor buildout; USF Student Housing Village (P3) Phase I – two buildings (885 beds) and The HUB are complete and the FIT will open in September; USF Grocery (P3) – construction will now begin in January 2018; and USF Laurel Drive Roadway and Parking (P3) – will provide access to the Village.

Chair Lamb asked if the opening date of the Grocery store would change as construction has been delayed. Ms. Black responded that this has not yet been discussed.

V. Adjournment

Having no further business, Chair Lamb adjourned the Finance Committee meeting at 2:42pm.

Agenda Item: IIIb

USF Board of Trustees
Finance Committee
October 12, 2017

Issue: Expenditure Authorization Request

Proposed action:

- Approval of the following expenditure over \$2,000,000:
- Tampa Sports Authority License Agreement \$10,816,500
-

Executive Summary:

The USF System Policy for Delegations of General Authority and Signatory Authority requires the approval of the Finance Committee Chair for the procurement of goods and services above \$1 million and the approval of the Finance Committee for the procurement of goods and services above \$2 million. Approval is being requested for the item listed above.

Financial Impact: Authorization is being requested for a \$10,816,500 contract.

Strategic Goal(s) Item Supports:	Goal 4: Sound Financial Management
Committee Review Date:	October 12, 2017
Supporting Documentation Online (<i>please circle</i>):	Yes No
	Expenditure Approval Form
USF System or Institution specific:	USF System
Prepared by:	Nick Trivunovich, Vice President/CFO (813) 974-3297

USF System Approval of Expenditures Exceeding One Million Dollars

Project/Initiative Name: USF Athletics – Tampa Sports Authority

Total Project/Initiative Cost: Estimated at \$10,816,500 for six years, this cost is estimated because it is dependent on the number of games per year and the attendance at those games. Year 1 cost estimate is \$1,554,000 and Years 2 thru 6 are estimated based on 7 games with attendance of 30,000 fans per game.

Description: (description and rationale for the project/initiative)

This is a 6 year renewal for use of Raymond James Stadium for up to 8 collegiate football games per season. It includes the game fee, ticket surcharge as well as the support costs incurred by the Tampa Sports Authority for the USF Football games. The agreement provides USF with a top NFL stadium to play football games. The facility allows USF to ensure top level security and an in-stadium experience.

Objective: (strategic priority or needs the project/initiative addresses; include strategic goal this project/initiative supports)

In line with the USF Athletics strategic plan, this contract meets many of USF Athletics' strategic goals. A new section has been added to the contract that relates to goal number three (first class fan-engagement) by identifying a specific area external to the stadium which is identified as the "Bulls Zone" This allows for the Bulls Zone space and activities to be supported. Goal four of growing revenue and increasing financial sustainability is reinforced by locking in the licensing fee for the duration of the contract and expanding revenue sharing for any season that has a seventh or eighth game. This renewal also has escalating percentages of revenue sharing for parking and concessions related to these additional games. Due to these favorable terms, USF Athletics felt it most appropriate to extend the term of this new agreement to 6 years. Goal five is to provide top level facilities which allows our football program to be successful within our conference and the NCAA. Raymond James Stadium is regarded as one of the best football facilities in the industry.

Funding Source(s):

Athletics Auxiliary

Are the funds supporting the project budgeted or non-budgeted? Budgeted for current year and will be incorporated in future year budgets.

Prior Approval Process:

Contract was reviewed and signed by USF General Counsel. Prior to signing, consultation was done with BOT representatives and USF Sr. Administrators.

List Related Projects/Initiatives: (if any)

N/A

USF System or Institution specific: USF System
Prepared by: Kevin H. Toso
Date Requested: 10/09/2017

USF System Policy 0-100 requires approval of this expenditure by the USF Board of Trustees Finance Committee Chair. Approval must be granted in writing and may be granted by electronic communication.

Agenda Item: IVa

USF Board of Trustees
Finance Committee
October 12, 2017

Issue: Preliminary University 2017 Annual Financial Reports (System)

Proposed action: Informational

Executive Summary:

Nick Trivunovich, Vice President and Chief Financial Officer will provide highlights of the Fiscal Year 2017 Financial Statements. Presentation will include a discussion of 2017 versus 2016 variances in excess of \$10 million and 10% as well as variances in excess of \$20 million.

Financial Statements provided as supporting documentation include:

- A. 3 Year Comparable Statement of Net Position (University only)
- B. 3 Year Comparable Statement of Revenues, Expenses and Changes in Net Position (University only)

Financial Impact:

N/A

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

Committee Review Date: Finance, 10/12/2017

Supporting Documentation Online (*please circle*):

Yes

[Financial Statements Highlights](#)

[Financial Statements](#)

USF System or Institution specific: USF System

Prepared by: Jennifer Condon, (813) 974-7696



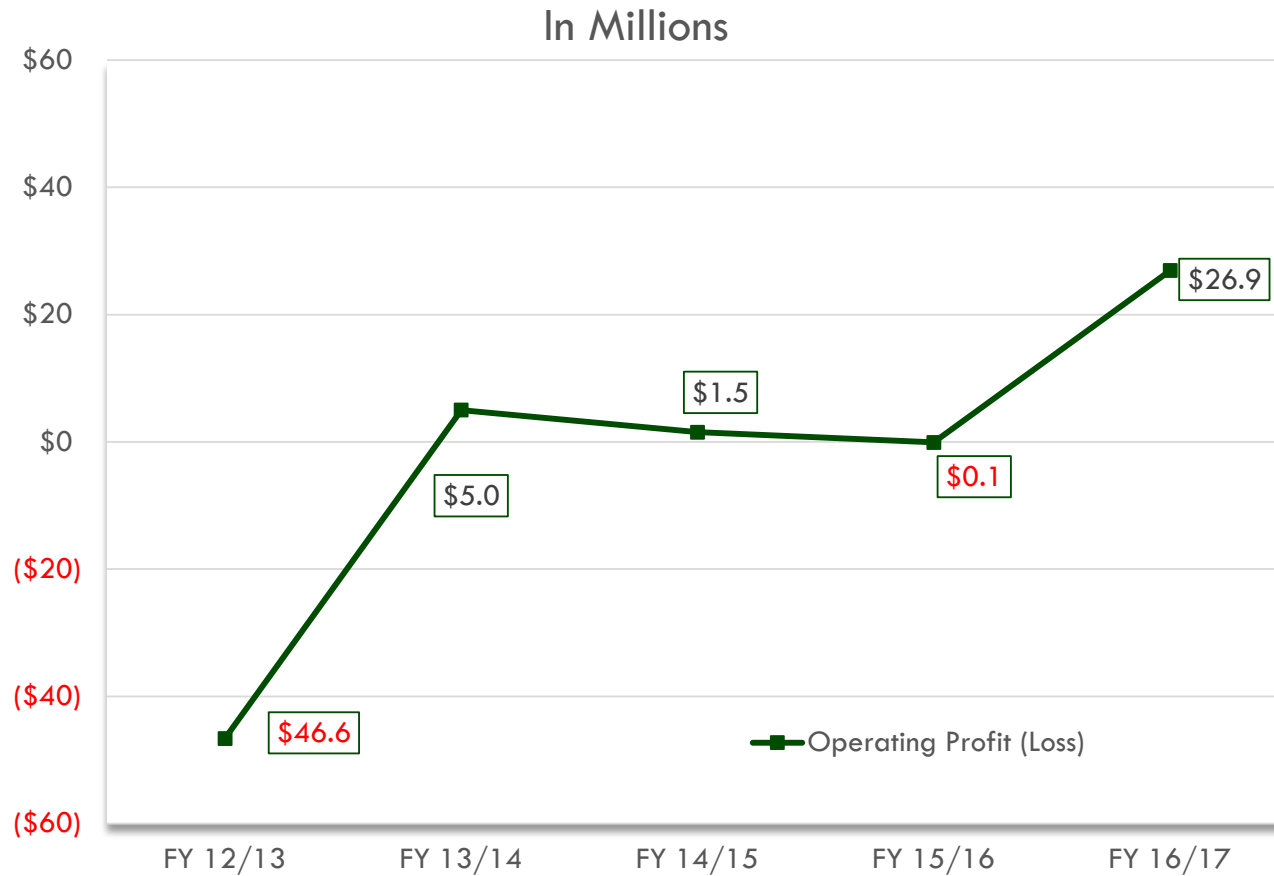
Fiscal Year 2016-2017 Financial Statement Highlights

*Board of Trustees Finance Committee Meeting
October 12, 2017*



Fiscal Year 2016-2017 Financial Statement Highlights

HISTORICAL OPERATING RESULTS



Operating Profit / Loss is a key Moody's bond rating metric.



Fiscal Year 2016-2017 Financial Statement Highlights

NET OPERATING RESULTS

*** FY16 operating results **IMPROVED** to \$26.9 million in FY17 ***

Primary FY17 vs FY16 Drivers	Millions
Increased State Appropriations	18.4
Investment Income (Realized & Unrealized)	14.8
Contracts & Grants	14.7
Auxiliary Sales & Services	14.4
Compensation & Employee Benefits	(57.3)
Increase: Wages (25.3), Benefits (10.3)	
Increase: GASB 68 (22.2)	
Decrease: OPEB/Compensated Absences (.5)	
Miscellaneous Other	<u>21.9</u>
Total Net Operating Results	\$26.9



Fiscal Year 2016-2017 Financial Statement Highlights

SCOPE OF REPRESENTED VARIANCES

- **Changes from fiscal year 2016 to 2017 in excess of 10% and \$10 million, plus**
- **Changes from fiscal year 2016 to 2017 in excess of \$20 million regardless of percentage**

KPI = Key Performance Indicator



Fiscal Year 2016-2017 Financial Statement Highlights

SELECTED DATA – REVENUE & EXPENSES (IN MILLIONS)

Account	2015	2016	2017 *	\$	%	KPI	PY KPI	Notes
Auxiliary Sales & Services	\$128.2	\$133.2	\$147.7	\$14.5	11%	●	●	Athletics, Housing
Investment Income	\$6.1	\$10.2	\$25.0	\$14.8	146%	●	●	Realized: \$17.9 Unrealized: \$7.1
Gain/(Loss) on Disposal of Capital Assets	\$(6.3)	\$(.8)	\$10	\$10.8	(1328)%	●	●	Gain on sale of assets, net of loss on buildings demolished for USF Village
Compensation & Employee Benefits	\$772.2	\$825.1	\$882.4	\$57.3	7%	●	●	Employee wages, benefits, GASB 68 pension impact
Other Non-Operating Expenses	\$39.8	\$45.5	\$31.5	\$14.0	31%	●	●	Predominantly change in amounts due to component units

* Fiscal year 2017 figures are unaudited.



Fiscal Year 2016-2017 Financial Statement Highlights

SELECTED DATA – STATEMENT OF NET POSITION (IN MILLIONS)

Account	2015	2016	2017 *	\$	%	KPI	PY KPI	Notes
Cash & Investments	\$625.7	\$673.3	\$748.9	\$75.6	11%	●	●	Operations accumulation
Accounts Receivable, Net	\$74.9	\$75.1	\$110.1	\$35.0	47%	●	●	C&G, Self-insurance, P3, Investment liquidation
Due from State	\$66.6	\$75.0	\$90.5	\$15.5	21%	●	●	FY'17 Morsani CoM
Due to Component Units	\$92.5	\$88.2	\$78.0	\$10.2	12%	●	●	USFFC (\$6.3) UMSA (\$1.8)
Governmental Accounting Items								
Deferred Outflows of Pension Resources	\$54.9	\$73.1	\$137.4	\$64.3	88%	●	●	GASB 68 (investment returns)
Post Employment Health Care Benefits Payable	\$92.2	\$119	\$145.3	\$26.3	22%	●	●	More healthcare claim costs, less contributions (retiree) than expected
Pension Liability (Current & Net)	\$106.4	\$170.8	\$277.5	\$106.7	62%	●	●	FRS: \$192M (+\$94M) HIS: \$84M (+13M)
Deferred Inflows of Pension Resources	\$75.8	\$25.9	\$2.0	\$23.9	92%	●	●	GASB 68 (investment returns)

* Fiscal year 2017 figures are unaudited.

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
in thousands
2017 UNAUDITED

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016 Increase (Decrease)	Percent
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$44,777	\$40,783	\$70,037	\$29,254	72%
Investments	521,438	574,744	611,679	36,935	6%
Receivable, Net	74,913	75,053	110,057	35,003	47%
Loans and Notes Receivable, Net	1,093	2,079	2,142	64	3%
Due From State	66,636	75,022	90,478	15,456	21%
Due From Component Units	9,268	15,904	8,981	(6,923)	-44%
Inventories	240	236	232	(4)	-2%
Other Assets	1,343	2,180	1,110	(1,070)	-49%
Total Current Assets	719,707	786,001	894,715	108,715	14%
NON-CURRENT ASSETS:					
Restricted Cash and Cash Equivalents	1,329	876	2,051	1,174	134%
Restricted Investments	58,125	56,911	65,165	8,254	15%
Loans and Notes Receivable, Net	4,162	4,193	3,973	(220)	-5%
Depreciable Capital Assets, Net	797,834	785,847	791,479	5,632	1%
Nondepreciable Capital Assets	38,868	59,837	60,862	1,025	2%
Total Noncurrent Assets	900,318	907,665	923,530	15,865	2%
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Pension Resources	54,883	73,082	137,405	64,323	88%
Total Deferred Outflows of Resources	54,883	73,082	137,405	64,323	88%
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$1,674,908	\$1,766,747	\$1,955,650	\$188,903	11%
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$23,695	\$22,465	\$27,149	4,685	21%
Construction Contracts Payable	1,721	4,109	3,695	(414)	-10%
Accrued Salaries and Wages	21,747	28,087	32,791	4,705	17%
Deposits Payable	15,234	13,959	13,902	(58)	0%
Due to Component Units	92,460	88,225	78,033	(10,192)	-12%
Unearned Revenues	34,226	40,620	43,588	2,968	7%
CIP Debt Payable	3,159	2,222	2,483	261	12%
Installment Purchase Notes Payable	27	27	61	34	127%
Capital Leases	41	16	43	27	165%
Accrued Self-Insurance Claims	1,961	771	1,332	561	73%
Compensated Absences Liability	6,419	6,592	6,342	(250)	-4%
Pension Liability	0	2,751	2,607	(144)	-5%
Total Current Liabilities	200,690	209,844	212,028	2,184	1%
Noncurrent Liabilities					
Capital Improvement Debt Payable	22,109	19,887	17,473	(2,414)	-12%
Installment Purchase Notes Payable	83	56	174	119	213%
Capital Leases	68	16	17	0	2%
Accrued Self-Insurance Claims	17,469	20,059	25,085	5,027	25%
Compensated Absences Liability	68,000	71,706	75,779	4,074	6%
Federal Advance Payable	4,294	3,217	3,087	(130)	-4%
Post Employment Health Care Benefits Payable	92,231	118,976	145,284	26,308	22%
Net Pension Liability	106,378	168,055	274,846	106,791	64%
Total Noncurrent Liabilities	310,631	401,971	541,744	139,773	35%
DEFERRED INFLOWS OF RESOURCES					
Deferred Service Concession Arrangement Receipts	0	0	3,611	3,611	
Deferred Inflows of Pension Resources	75,841	25,915	2,060	(23,854)	-92%
Total Deferred Inflows of Resources	75,841	25,915	5,672	(20,243)	-78%
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	\$587,162	\$637,730	\$759,444	\$121,715	19%
NET POSITION:					
Invested in Capital Assets, Net of Related Debt	712,410	723,763	743,215	19,452	3%
Restricted for Expendable:					
Debt Service	1,754	1,738	1,752	15	1%
Loans	6,682	5,781	5,801	21	0%
Capital Projects	74,322	79,813	100,735	20,922	26%
Other	103,017	113,946	131,630	17,684	16%
Unrestricted	189,560	203,977	213,073	9,095	4%
Total Net Position	1,087,746	1,129,017	1,196,206	67,188	6%
Total Liabilities and Net Position	\$1,674,908	\$1,766,747	\$1,955,650	\$188,903	11%

University of South Florida
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
in thousands
2017 UNAUDITED

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016 Increase (Decrease)	Percent
Operating Revenues					
Student Tuition & Fees	382,075	401,838	403,982	\$2,144	1%
Less: Tuition Scholarship Allowances	(107,340)	(110,795)	(110,784)	11	0%
Net Student Tuition & Fees	274,735	291,043	293,198	2,155	1%
Federal Grants & Contracts	183,370	193,876	201,794	7,918	4%
State & Local Grants & Contracts	22,432	25,127	26,825	1,698	7%
Nongovernmental Grants & Contract	136,359	161,963	167,072	5,110	3%
Sales & Services of Auxiliary Enterprises	128,237	133,239	147,665	14,425	11%
Interest on Loans Receivable	224	177	204	27	15%
Other Operating Revenue	10,599	10,280	11,411	1,130	11%
TOTAL OPERATING REVENUES	755,956	815,705	848,169	32,464	4%
Operating Expenses					
Compensation & Employee Benefits	772,152	825,087	882,382	57,295	7%
Services & Supplies	266,867	291,174	298,359	7,185	2%
Utilities and Communications	25,011	24,217	24,412	195	1%
Scholarships, Fellowships and Waivers	77,295	74,844	70,601	(4,243)	-6%
Depreciation Expense	49,457	49,547	49,082	(466)	-1%
Self Insurance Claims & Expenses	2,947	3,877	7,867	3,990	103%
TOTAL OPERATING EXPENSES	1,193,729	1,268,746	1,332,703	63,957	5%
Total Operating Income (Loss)	(437,773)	(453,041)	(484,534)	(31,493)	7%
NonOperating Revenues (Expenses)					
State Appropriations	352,851	368,733	387,160	18,426	5%
Federal and State Student Financial Aid	100,562	94,867	91,884	(2,984)	-3%
Noncapital Grants and Donations	26,897	24,949	23,735	(1,214)	-5%
Investment Income	22,333	16,459	17,887	1,428	9%
Unrealized Gains & Losses	(16,256)	(6,298)	7,065	13,363	-212%
Net Investment Income	6,076	10,161	24,952	14,791	146%
Other Non-Operating Revenues	319	1,710	6,030	4,320	253%
Gain/Loss on Disposal of Capital Assets	(6,282)	(812)	9,965	10,777	-1328%
Interest on Asset-Related Debt	(1,373)	(1,130)	(763)	367	-32%
Other Non-Operating Expenses	(39,763)	(45,517)	(31,488)	14,029	-31%
TOTAL NON-OPERATING REVENUES (EXPENSES)	439,287	452,962	511,475	58,513	13%
Income (Loss) Before Contributions and Transfers	1,514	(78)	26,941	27,019	-34421%
Contributions and Transfers					
Capital Appropriations	43,842	40,094	39,311	(784)	-2%
Capital Grants, Contracts, Donations and Fees	3,229	1,256	937	(319)	-25%
Change in Net Position	48,585	41,272	67,188	25,917	63%
Total Net Position - Beginning	1,174,890	1,087,746	1,129,017	41,272	4%
Adjustments to Beginning Net Position	(135,729)	0	0	-	0%
Total Net Position - Ending	1,087,746	1,129,017	1,196,206	67,188	6%

Agenda Item: IVb

USF Board of Trustees
Finance Committee
October 12, 2017

Issue: DSO Investment Reporting to the USF Board of Trustees

Proposed action: Informational

Executive Summary:

The USF Board of Trustees adopted the USF System Investment Policy in 2006.

- The USF Investment Policy applies to the University and Direct Support Organizations (DSOs).

DSOs are governed by independent Boards of Directors. DSO investments are governed by DSO Investment Committees.

Periodic DSO Investment Reports, for significant DSOs, will be provided to the USF Board of Trustees.

Financial Impact:

The Direct Support Organizations of the University of South Florida (DSO) are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services. These organizations are authorized by Florida Statute 1004.28 to receive, hold and administer property and make expenditures for the University.

Strategic Goal(s) Item Supports:	Goal 4: Sound Financial Management
Committee Review Date:	Finance - August 17, 2017
Supporting Documentation Online (please circle):	Yes No
	DSO Investment Reporting
USF System or Institution specific:	USF System
Prepared by:	Fell L. Stubbs, University Treasurer, (813) 974-3298



DSO Investment Reporting

Board of Trustees Finance Committee
October 12, 2017



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DSO INVESTMENT REPORTING

- **Reporting Frequency – Semi-Annual**
 - DSOs will present their investment portfolio performance to the BOT Finance Committee at the October and February meetings or when investment results first become available

- **DSO Presentation**
 - CFO presents the Investment Report for the DSO
 - Optional participation by the Chair of the DSO Investment Committee and/or Investment Consultant

- **Reporting Periods**
 - Investment performance is reported twice per year, as of June 30 and December 31



REPORTING DSOs

- **USF Foundation**
 - Endowment Portfolio
 - Operating Portfolio (new)

- **USF Research Foundation**
 - Operating Portfolio (new)

- **University Medical Services Association**
 - Operating Portfolio (new)



DSO REPORT FORMAT

- **Title Page**

- **Asset Allocation Table**

- **Performance Report**

- **Governance and Investment Management**
 - Describe Investment Portfolio Objectives
 - Examples: liquidity, long-term performance, support University programs, passive / active managers, favored / excluded investments, etc.
 - Tolerance for risk and investment horizon (short-term / long-term)
 - Investment Committee
 - Committee Chair
 - Expectations of Committee
 - Committee size, expertise, member tenure, committee stability, attendance
 - Committee authority, code of conduct, roles and responsibilities
 - Investment Consultant
 - Expectations of Consultant



SAMPLE DSO INVESTMENT REPORT					
As of September 30, 2017					
PORTFOLIO ASSET ALLOCATION					
ASSET CLASS	ACTUAL \$	ACTUAL %	Target %	LIMITS	
				<u>Minimum</u>	<u>Maximum</u>
Cash Equivalent (< 180 days)				0%	100%
SHORT TERM INVESTMENTS					
Fixed Income - Domestic (180 days +)				0%	90%
CASH & SHORT TERM INVESTMENTS					
LONG TERM INVESTMENTS					
Fixed Income - Domestic				15%	40%
Fixed Income - Foreign				0%	20%
Equity - Domestic				25%	50%
Equity - Foreign				15%	35%
Real Assets				0%	20%
Alternative Investments				0%	20%
TOTAL LONG TERM INVESTMENTS					



SAMPLE DSO INVESTMENT REPORT
As of September 30, 2017

INVESTMENT PERFORMANCE

<u>ASSET CLASS</u>	Inception Date	Market Value (\$)	Quarter To Date (%)	Cumulative Trailing 1 Year (%)	Annualized Trailing 3 Year (%)	Annualized Trailing 5 Year (%)	Annualized Since Inception (%)
-							
SHORT TERM INVESTMENTS							
Fixed Income - Domestic (180 days +)							
-							
LONG TERM INVESTMENTS							
Fixed Income - Domestic							
Fixed Income - Foreign							
Equity - Domestic							
Equity - Foreign							
Real Assets							
Alternative Investments							
-							
WEIGHTED PORTFOLIO RETURN							
PORTFOLIO BENCHMARK							
VALUE ADD							