

**USF Board of Trustees
Finance Committee
NOTES
Tuesday, May 22, 2018
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 1:00pm. The following committee members were present: Brian Lamb, Mike Carrere, Les Muma, and Charlie Tokarz. A quorum was established. The following Trustees were also present: Stephanie Goforth, Oscar Horton, Deanna Michael, and Byron Shinn.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 22, 2018 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 February 22nd meeting notes were unanimously approved as submitted by all committee members present.

c. 2018-19 Continuation Operating Budget

Nick Setteducato, Associate Vice President for Resource Management & Analysis, presented the 2018-19 Continuation 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, 2018 for the State Comptroller to process cash releases of state funds. The universities are still required to submit a detailed operating budget to the Board of Governors (BOG) by August 21, 2018.

We are requesting approval of a Continuation Operating Budget at the same level as the 2017-18 Operating Budget. We are requesting approval of a continuation budget due to pending performance based funding decisions. Once those decisions have been finalized, the USF System 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. The final budget will come back to the Finance Committee for approval.

A motion was made to approve the 2018-19 Continuation Operating Budget at last year's Operating Budget level. A subsequent approval will be needed once the USF System annual budget has been established. The motion was seconded and approved by all Committee members present.

d. 2018-19 Preliminary Fixed Capital Outlay Budget

Nick Trivunovich, Vice President for Business & Finance and CFO, presented the 2018-19 Preliminary Fixed Capital Outlay Budget. This is an annual request for authority to spend funds appropriated for capital outlay budget to include prior year appropriations (unspent funds from previous authority), new appropriations, and debt issuances. All fixed capital projects have been previously approved by the BOT. This action will allow the university to spend capital funds that have been appropriated but not yet spent.

A motion was made to approve the 2018-19 Preliminary Fixed Capital Outlay Budget and authorize the President to make necessary non-material adjustments to the 2018-19 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.

e. USF System Five-Year Capital Improvement Plan (2019-20/2023/24)

Mr. Trivunovich presented the USF System Five Year Capital Improvement Plan. This is an update to our Capital Improvement Plan (CIP). The CIP, as used by the Florida Board of Governors, is intended to present the additional academic and academic support facilities needed for a five-year period for which state funds are requested. Separate sections on the CIP are provided for CITF projects and future projects which require state funding or may be funded from non-state sources, such as debt. Each institution's CIP will be used to select projects for inclusion within the SUS Three-Year PECO Project Priority List, to prepare the SUS Five-Year Capital Improvement Plan.

Mr. Trivunovich noted that the attachment for this item is different than what we submit to the BOG as this report includes what we have received to date for each project. The report is made up of three sections. First are the PECO-eligible project requests. Priority is the same as last year. The top priority is still infrastructure even though we have not received any funding for this in recent years. This is a shortened list compared to last year in order to only look at items that have a possibility of being funded. Second are the CITF project requests. And third are the requests from non-state sources, including debt. Most of these projects will be funded with fundraising.

After a brief discussion, some modifications were suggested. Mr. Trivunovich will make the necessary changes and present the item to the full board for approval at the June 12th meeting.

Trustee Ramil, President Genshaft, and Foundation Liaison Alan Bomstein joined the meeting at this time.

f. Expenditure Authorization Requests

Mr. Trivunovich presented several expenditure authorization requests pursuant to the University's Expenditure Authorization Policy. 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 ten requests for approval.

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

New Expenditure Authorization Requests

○ Elsevier Ejournals Renewal Agreement	\$6,244,437
○ USF ISA Medical Engineering Lab Buildout	\$2,500,000
○ USF Central Plant – 2300 Ton Chiller Replacement	\$2,000,000
○ 3T MRI for USF Health Heart Institute	\$2,000,000
○ USF Health Wired and Wireless Network Infrastructure Upgrades	\$2,000,000

Approval of updated Expenditure Authorization Requests:

	<u>New Total</u>	<u>Increase</u>
○ USF New Entry/Laurel Drive Extension	\$6,485,000	\$1,630,000
○ USFSM College of Hospitality & Tourism Expansion	\$2,768,000	\$314,000
○ USF Honors College	\$2,350,000	\$350,000
○ USF MSL 2nd Floor Lab Renovation	\$2,223,000	\$437,000
○ USF ISA Egress Stair Addition	\$2,270,000	\$320,000

The updated requests either exceed 10% of the original approved amount or the new amount crosses over \$2M. The initial request for each of these items was previously approved according to policy. Funds are in place (budgeted) for all items and we are asking for approval to spend.

Trustee Tokarz noted that most of the amounts are round numbers. Mr. Trivunovich explained that these are programmatic numbers as final numbers are not yet available for some of the projects. Trustee Goforth asked if \$2M is a good number for the threshold for this approval by the Finance Committee or is it interrupting progress. Mr. Trivunovich stated that it seems to be working fine so far.

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

b. DSO 2018-19 Annual Financial Plans

The DSOs are governed by independent boards of directors who have previously approved these FY2019 Financial Plans. The DSO Financial Plans are presented to the Board of Trustees for review and approval, pursuant to Florida Statutes and DSO bylaws.

1. Sun Dome, Inc.

Mark Harlan and Kevin Toso presented the Financial Plan for Sun Dome, Inc. (SDI). The Tampa Bay Entertainment Properties (TBEP) team (Bill Abercrombie, Kevin Priest, Casey Rogers, Derrick Brooks, and Rhett Blewitt) was also present. Mr. Abercrombie explained that TBEP wants to treat its relationship with USF and the Sun Dome as a true partnership that values transparency. They want to provide the best service possible for students and all customers. They “shop score” each event and are consistently scoring around 95%. The Sun Dome is in good shape as far as being able to cover debt service. The main goal is to bring key promoters back to the facility. Did not have enough premium events in 2017-18. Going forward, want to

have big, premium events, not small events. TBEP is considering resetting the existing deal with USF as they want the deal to be equitable and fair to both parties as this is a true partnership.

Mr. Toso and Mr. Rogers reviewed the financial plan. Sun Dome is projecting a breakeven year for FY2019. Net profit is projected to be \$4K and revenue is projected to increase. The plan reflects a conservative approach – looking for a little bit of growth each year, also want to be realistic. Nine events are currently booked for FY2019; last year there were five events. Operating expenses are projected to increase \$604K in FY2019. Did not realize a full year of operating expenses in FY2018 due to the transition; will realize a full year in FY2019. FY2019 also includes a built in contingency. TBEP will be looking at incentive fees and resetting going forward. Already built in are a \$150K management fee and a \$250K HR/administration fee. Financials show spending into cash. This is largely due to the transition in type of events. Two years until Sun Dome turns the corner on financials.

Trustee Ramil asked what events fit well in the Sun Dome. Mr. Priest explained that there are many considerations including production weight, culture and design, and size of attendance. Need to educate promoters about the Sun Dome; the Sun Dome had previously fallen out of relevance. Trustee Goforth asked what other similar structures are in the area. Mr. Abercrombie explained there are none that wouldn't have to be scaled down. Sun Dome is unique in market for size. Trustee Goforth asked if there is anything lacking in the Sun Dome. Mr. Abercrombie responded that concessions could be improved as well as adding character to the building (hard structure items).

Trustee Horton asked how much we can expect the Sun Dome to make. Mr. Rogers stated that a \$300K bottom line would be a sustainable model and we should see this after FY2020.

Chair Lamb asked the team to make sure there are synergies with USF's rebranding effort going forward. President Genshaft thanked Jeff Vinik as she will be honored as a Lightning Community Hero at tomorrow night's hockey game.

Chair Lamb stated that he is not impressed by the Sun Dome's financials and knows they can do better and should take another look.

A motion was made to approve the FY2019 Financial Plan for Sun Dome, Inc. The motion was seconded and approved by all Committee members present.

2. USF Health Professions Conferencing Corp.

Carole Post and Greg Vannette presented the financial plan for USF Health Professions Conferencing Corp. (HPCC). CAMLS was launched in 2012 and fell short of meeting certain objectives; there were financial challenges with underperforming business lines. Management and structural changes took place in 2017 that turned things around – now exceeding performance targets and continuing to improve. Current financials show improvement and stability. HPCC will meet FY2018 targets and are very confident in the FY2019 plan. Planning to retrofit the building to make better use of space as well as a better fit for experiential training for

College of Medicine students. HPCC is currently focused on rigorously reviewing expenditures and on performing business lines. Projecting modest growth in FY2019 with a responsible and achievable budget.

Chair Lamb stated that HPCC made good on their commitment of turning the business around. They now have the stability, cash flow and positioning to be a healthy business.

A motion was made to approve the FY2019 Financial Plan for USF Health Professions Conferencing Corp. The motion was seconded and approved by all Committee members present.

3. University Medical Services Assoc., Inc.
4. USF Medical Services Support Corp.

Rich Sobieray and Dr. Mark Moseley presented the combined Financial Plan for University Medical Services Assoc., Inc. (UMSA) and USF Medical Services Support Corp (MSSC). In 2015, the Practice Plan was in transition and asked the BOT to allow reinvestment into the Plan. The Practice Plan has turned around, which was difficult as we are not an integrated medical facility. Now out of spend phase and in growth phase. The Practice Plan now generates positive cash flow and positive margins. Physician compensation is now aligned with productivity and consultants have been eliminated. UPL renegotiation was a big win; it has leveled the playing field and will help to solidify financials. Still working on fixing the call center; have hired a national expert. Still struggling with the Ambulatory Surgery Center (ASC). The success of the ASC has the greatest risk on the FY2019 financial plan. Although an improvement plan has been developed and implemented, the impact on the bottom line has been slower than expected. The Practice Plan is focused on sustainable fixes and sustainable operations (process improvements) to make life better for patients and their families and the University.

Trustee Ramil stated that this is a good turnaround, a good job has been done. Chair Lamb wants to see a breakdown by division and would like the Practice Plan get out of unprofitable businesses.

A motion was made to approve the FY2019 combined Financial Plan for University Medical Services Assoc. Inc. and USF Medical Services Support Corp. The motion was seconded and approved by all Committee members present.

5. USF Foundation, Inc.

Joel Momberg and Rob Fischman presented the Financial Plan for USF Foundation, Inc. The Foundation had another good year. This was the last official year of the \$1B campaign. The Foundation has raised nearly \$1.1B through the 3rd quarter of FY2018. The cost to raise \$1 is \$0.16; this is the value of what they bring to the University. The endowment will soon hit the \$500M level. The rate of return thru 03/31/18 was 9.9%. Main revenue drivers are gifts and donations and investment earnings. No major changes to expenses.

Alan Bomstein, Foundation liaison, stated that Rob Fischman's leadership is excellent; endowment investment is in the top percentile of NACUBO. Mr. Fischman stated that it is a team effort and thanked the Foundation Investment Committee for all their work and guidance.

A motion was made to approve the FY2019 Financial Plan for USF Foundation, Inc. The motion was seconded and approved by all Committee members present.

6. USF Alumni Association, Inc.

Bill McCausland and Melissa Schaeffer presented the Financial Plan for USF Alumni Association, Inc. The Alumni Association is in the alumni engagement and cultivation ("friend raising") business. The focus of the Association is to strengthen relationships with Alumni through myriad activities, thus leading to their long-term involvement with the University. The association is projecting a 5% increase in revenues from a 4% increase in investment (expenses). The expected redesign of the USF license plate in the Fall (August/September) should result in a 10% increase in license plate revenue. There are currently 14,880 USF license plates on the road. The Association currently has 5,107 life members and continues to focus on life membership as a priority engagement initiative for alumni and friends of the university.

A motion was made to approve the FY2019 Financial Plan for USF Alumni Association, Inc. The motion was seconded and approved by all Committee members present.

7. USF Research Foundation, Inc.

Patricia Gamble presented the Financial Plan for USF Research Foundation, Inc. The Research Foundation provides a mechanism for the funding of licensed research and development activities at the University. As a DSO, the Research Foundation provides broad and flexible financial mechanisms to administer private research contracts and grants, including corporate and private foundation-sponsored programs. The Research Foundation assists the University by working in cooperation with the University's Technology Transfer Office/Patents and Licensing, in the commercialization of University inventions including license agreements, and receipt and distribution of royalties related to intellectual property. On behalf of the University, the Research Foundation manages the fiscal operations of the USF Tampa Bay Technology Incubator Program. The Research Foundation also owns and manages real property assets that include the USF Research Park and various buildings located on the property. Activities within the Research Park generate revenue primarily through long-term leases of facilities utilized by the University research enterprise and private sector entities seeking research relationships with the University.

Financial information has been restated to exclude the University's Incubator Program revenue and expense transactions. To improve financial reporting of USFRF operations, the accounting policy will be changed in FY2019 to account for Incubator Program receipts and expenditures as custodial funds, held on behalf of the University.

The FY2019 Financial Plan anticipates 7% increase in revenues to include a modest increase in rental revenue as the Research Park is at full capacity. Projected occupancy in FY2019 is 98%. Projecting to grow intellectual property revenue. Projected expenses include a new line item for temporary expansion space. With the need for additional research space, the Research Foundation will be executing a 5-year lease for 30,177 square feet of space that adjoins the University. This interim move will permit conversion of office space to laboratory within the existing buildings. Space vacated by administrative users will be converted to laboratory use for incoming faculty. This allows the Research Park to welcome new faculty and private companies with research relationships with USF in advance of building a new facility.

Valerie McDevitt, Associate Vice President for Technology Transfer & Business Partnerships, gave a brief presentation on intellectual property, showcasing some USF patented products. Trying to build a portfolio.

A motion was made to approve the FY2019 Financial Plan for USF Research Foundation, Inc. The motion was seconded and approved by all Committee members present.

8. USF Financing Corp. & USF Property Corp.

Fell Stubbs presented the Financial Plan for USF Financing Corp. & USF Property Corp. The Financing Corp. is the financing arm of the university and creates value by providing low cost, low risk, long-term financing for the University's major capital projects. Key drivers for FY2019 include the refunding/conversion of the \$18M Series 2013B Health Bonds (Medical Faculty Office Building) effective July 1, 2018, and the comprehensive program to amend all seven bank direct purchase of bond agreements, totaling \$168M, in FY2018. These initiatives will reduce interest expense and reduce risk. The Financing Corp. is a stable program.

A motion was made to approve the FY2019 Financial Plan for USF Financing Corp. and USF Property Corp. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Construction Update

Deferred to a future meeting.

b. Tampa Housing Update

In response to a request from the Finance Committee, Ana Hernandez, Assistant Vice President for Housing & Residential Education, presented the ten year USF Housing & Residential Education Facilities plan for deferred maintenance and capital renewal. The plan supports the USF Strategic goal of “enhancing the physical infrastructure of campus through fiscally responsible investments” and is aligned with the 2015-2025 Campus Master Plan Update.

Tampa Housing is a comprehensive student residential community with traditional rooms, suites and apartments consisting of 1,449,586 GSF in 60 buildings with 4,352 beds. The deferred maintenance program systematically addresses repairs and restoration of building components that have reached the end of their useful life. The currently identified deferred maintenance balance is \$51M (reduced from 2012 assessment of \$95M as result of demolition and re-investment). This plan does not address replacement or expansion of housing inventory.

Considerations for the deferred maintenance program plan include: critical safety needs (top priority); fiscal responsibility and debt service coverage; timing (do not want to reduce beds available in the academic year); enhancements to residential experience to support student success and maintain competitive advantage; and replacement cycles. Major components of the plan are condition, technology replacement and upgrades, and furniture.

From 2000-2009, the focus for Housing was on expansion. Now the focus is on reinvesting in facilities. \$4.2M has been budgeted for deferred maintenance projects in 2018-19, including \$250K for emergency repairs. Students are engaged in the processes for determining these projects.

The projected funding model for the program includes maintaining a steady reserve balance and demonstrates financial and facility stewardship. The plan is funded by student rental revenues and capital reserves.

Chair Lamb stated that this is a very thoughtful plan.

V. Adjournment

Trustee Horton asked about the status of the University Police facilities. John Long, Senior Vice President and COO, responded that it is an ongoing process and we are working on a cost/benefit analysis that will come back to the Trustees.

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