



**USF Board of Trustees
Finance Committee
NOTES
August 27, 2019
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 Jordan Zimmerman at 1:20pm. Chair Zimmerman called on Chief of Staff Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Jordan Zimmerman, Mike Carrere, Les Muma, Charlie Tokarz, and Alan Bomstein. A quorum was established. Trustees Stephanie Goforth, Mike Griffin, Byron Shinn and Nancy Watkins were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of May 14, 2019 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Zimmerman requested a motion for approval, it was seconded and the May 14th meeting notes were unanimously approved as submitted by all committee members present.

b. Expenditure Authorization Requests

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

1) New Expenditure Authorization Requests

- Davis Hall Renovation \$5,100,000
Renovate the second floor of Davis Hall classroom/Office/Study building on USF St. Petersburg campus. Funded with PECO (\$3.1M) and E&G carry Forward (\$2M). This is an appropriate expenditure from E&G.
- 17 Davis Renovation \$2,050,330
Renovate all space UMSA leases at 17 Davis office building in South Tampa to increase clinical footprint and upgrade the space. Funded with landlord tenant improvement allowance (\$1.65M) and Practice Plan resources (\$400K).
- MR Solutions – MRI, CT, and PET \$2,730,000
Critical pieces of equipment for the cardiac research being done at the MCOM and Heart Institute downtown. The equipment will be used for studies involving small

animals. Additional Grant revenue expected to be achieved is \$10M. Funded with E&G Carryforward (Preeminence). The purchase of this equipment is an appropriate expenditure from E&G.

2) Updated Expenditure Authorization Request

	<u>New Total</u>	<u>Increase</u>
o Kognito Online Training Platform	\$2,200,000	\$900,000

Initial request of \$1.3M was approved in March. The new increased amount crosses the \$2M threshold. This expenditure is the purchase of “At Risk,” a one-hour, cloud-based, online training series about mental health that empowers educators and other school personnel to identify, approach, and refer students of concern. Funded by FDOE grant. This is year 2 of a possible 3 year project.

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

3) Mr. Trivunovich also requested approval of modified authorization exemption for Research awards. The current exemption is for expenditures and funding approved by a Grant Sponsor to create a Sub-award from a USF grant. This modification would exempt engaging a vendor to provide goods or services to fulfill a grant obligation or deliverable, which were already approved by the grantor in the submission or proposal for the program’s budget. In effect this expenditure operates as a pass through whereby no USF funds are obligated. An example of this type of expenditure would be the Kognito Online Training Platform as noted above.

A motion was made to approve the modified expenditure authorization exemption for Research awards as presented. The motion was seconded and approved by all committee members present.

Mr. Trivunovich announced that a list of all POs over \$1M and their action or exemption has been provided to the Trustees in the Diligent Resource Center.

IV. New Business – Information Items

a. Annual Finance Policy Reports

The Annual Finance 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. Investment

The USF System investment portfolio consists of 10 USF and DSO portfolios (9 operating portfolios and 1 endowment portfolio). Combined USF/DSO portfolios total \$1.5B, up \$80M over 2018. All portfolios are in compliance with BOT Investment Policy. All portfolios are governed by the BOT Investment Policy and Investment Committees. All portfolios are subject to central oversight. Mr. Stubbs reviewed the balances and asset allocations of the Endowment and 9 operating portfolios as of 03/31/19. All asset allocations are within policy limits. Mr. Stubbs reviewed the University’s operating

portfolio. He noted that the 3 large DSOs (Foundation, UMSA and Research Foundation) will report later in the year. The University's operating portfolio is managed to provide liquidity to fund University operations; preserve capital; achieve positive absolute returns in all market conditions, year-in and year-out; and provide key support for Moody's and Standard & Poor's ratings. Performance in 2019 and returns for 1, 3, 5 year periods closely tracks our benchmarks. University investment returns have been stable and positive year after year despite market volatility. This is due to prudent risk management through a diversified portfolio and conservative structure. We are helped in achieving parity with market returns by keeping fund manager costs low (weighted expense ratio is 7 basis points). Near-term initiatives include: managing risks to achieve objectives; maintain optimum liquidity; monitor investment managers; active assessment of market exposures; and investment discipline – will not chase yield by accepting higher risk.

2. Debt Management

BOT Debt Management Policy objective is to strengthen the balance sheet. To achieve this objective requires active management. This is accomplished with prudent governance (USF/USF Financing Corporation); maintaining strong Moody's and Standard & Poor's credit ratings; effective use of USF debt capacity; and managing long-term cost of capital and risk. We manage our financing programs within an effective governance structure. This structure supports our continuous compliance effort, and importantly, has gained the confidence of the rating agencies. Three bond transactions closed in FY 2019 for \$53M – 1) financed the new USF St. Petersburg Housing Project; 2) converted 2010 Housing bonds; and 3) financed the acquisition of the University Diagnostic Institute. We currently manage 19 separate series of bonds. Over the past 14 years (since the Finance Corporation was formed), the University's debt portfolio has had 10 ratings upgrades and closed 48+ bond transactions for over \$1.8B. S&P has placed a *Positive Outlook* on all of the rated bonds for possible upgrade. Over the past 10 years, we have financed new projects important to the University, while maintaining respectable margins, good liquidity and reducing leverage, compared to our AA2 peers. Our debt structure has been managed to reduce risk and leverage and/or capitalize on market opportunities. Near-term initiatives include USF Research Park Lab and Office Project - \$27M; assessing our debt portfolio for refinancing candidates (over the past 5 years, refunded 16 of 19 outstanding bonds for interest rate savings); and the USF Sarasota-Manatee Student Housing Project (in development).

Trustee Griffin asked if all future debt issuances will be fixed. Mr. Stubbs explained that we used to issue variable rate debt, then convert to fix rates; we now issue fixed rate debt.

3. Derivatives

The BOT Derivatives Policy governs all derivatives. We have no unhedged positions and no new swaps since 2007. We are winding down the swap portfolio. We have two swaps outstanding for \$59M. Looking to exit remaining swaps (convert to fixed rate bonds), one expires this December.

Trustee Zimmerman thanked Mr. Stubbs for the excellent reports and the outstanding work.

b. Supplier Diversity Program Update

Terrie Daniel, Assistant Vice President of Supplier Diversity, gave the annual program update for 2019. This is a holistic program supporting small, diverse businesses. The program provides educational tools and resources to USF employees and clients as well as in the community. The Program works to identify barriers and bring solutions. The Program gives minority businesses opportunities, making sure they have the right resources to compete in our process. USF's Supplier Diversity Program is larger than that of our SUS peers. USF has significantly invested in this program. In 2016/17, USF's spend with diverse-owned suppliers was \$18M. That spend increased \$10M in the first year of the program (2017/18 spend was \$28M) and an additional \$6M in year two (2018/19 spend was \$34M). The current percent of total spend with diverse suppliers is 8.9%. The goal is 13-20%. Trustee Goforth asked if our goal was an average. Ms. Daniel responded that our goal is based on the marketplace and would be different for other communities. Trustee Tokarz asked what are some of the barriers. Ms. Daniel explained that the biggest barrier is access to capital. Insurance requirements are also a barrier for small businesses. Ms. Daniel then showed the new promotional video for the Supplier Diversity Program. The video was well received by the Committee.

V. Adjournment

Having no further business, Chair Zimmerman adjourned the Finance Committee meeting at 2:04pm.