



**USF Board of Trustees  
Finance Committee  
NOTES**  
**Thursday, August 25, 2016**  
**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 11:00 am. Chair Lamb explained that the former Finance & Audit Workgroup is now two committees – Finance Committee and Audit & Compliance Committee.

President Judy Genshaft called roll with the following committee members present:

Brian Lamb  
Mike Carrere  
Scott Hopes  
Stan Levy

The following liaisons were present: Dipayan Biswas, and Carl Pacini. And the following Trustees were also present: James Garey, Stephanie Goforth, Christopher Griffin, 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 19, 2016 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 19<sup>th</sup> meeting notes were approved as submitted.

**IV. New Business – Information Items**

**a. 2016-17 Operating Budget**

Nick Trivunovich, Vice President and CFO, presented an overview of the USF System 2016-17 operating budget. The USF System 2016-17 operating budget excluding Direct Support Organizations (DSOs) and carry-forward balances totals \$1.69B, an increase of \$85.1M or 5% over the previous year's budget. The increase resulted primarily from increases in state support (about half from Performance-Based Funds), tuition (due to change in student mix and slight increase in students), contracts and grants (driven mainly by USF Health) as well as auxiliary

enterprises. The budget continues to both expand due to the University's growth and continues to diversify by revenue sources.

Mr. Trivunovich also reported on Performance Based Funding (PBF) for 2016-17, noting specific investments. The incremental amount for the USF System is \$8.6M, distributed to the campuses based on performance by campus. All campuses are making investments in student success, faculty, and infrastructure to support faculty and students. Chair Lamb asked about our student/faculty ratio. Provost Wilcox reported that the student/faculty ratio on the Tampa campus is 24:1 and slightly lower on the regional campuses. The AAU ratio is 18:1. Chair Lamb asked how much it would cost to get from 24:1 to 18:1. Mr. Long responded that about three years ago, the cost was \$50M. Chair Lamb would like for more thought to be given to getting the ratio to 18:1. He would also like us to look at all 10 AAU measures and quantify the gaps (what is the economic side of this).

Like last year's presentation, 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 balanced budget with significant strengths. The USF System has a diversified revenue stream, which the credit rating agencies like. In looking at the regional campuses, the differences in mission shows up in the revenue streams – particularly evident in the amount of contracts and grants for each. The System's largest expenditure is salaries and benefits. This is appropriate because our greatest return on investment is from our spending on personnel. However, it should be noted that it is difficult to make quick, unanticipated adjustments to our spending because of our large investment in personnel. Mr. Trivunovich stated that we should be very thoughtful in our planning process when it comes to personnel costs.

Trustee Carrere asked how concerned should we be with the \$7M decrease in financial aid. Mr. Trivunovich responded that we should be concerned. However, this is largely due to the change in criteria for Bright Futures and other programs. USF financial aid is increasing, but other sources (federal, state, etc.) are decreasing slightly.

Chair Lamb would like to see the student debt levels over this same time period.

## b. Annual finance Policy Reports

Fell Stubbs, University Treasurer, presented the annual finance reports, pursuant to the BOT policies. The policies were adopted in 2006, and apply to the University and the Direct Support Organizations (DSOs).

### 1. Investments

The USF System investment portfolio consists of 10 USF and DSO portfolios. The System portfolio has seen a modest five-year increase. The University portfolio is an operating portfolio. The principal portfolio goals are to maintain liquidity (different than the Endowment) and avoid losses (preserve capital). University investment returns have been stable and positive each year over the past 9 years, despite market volatility. University investment performance has equaled or exceeded benchmarks for 1-year, 3-year, and 5-year returns. John Long, Sr. Vice President and COO, stated that our goal is to never lose money and hope to make slight gains.

### 2. Debt Management

All debt is managed centrally and is approved by the BOT and BOG. Debt is managed to achieve low cost, low risk, long-term financing. The University maintains strong, stable “AA” credit ratings. The System currently has \$405M in debt, which is a mix of public and private placements and fixed and variable rates. Recent debt management results include refunding \$189M of bonds at lower rates, resulting in \$18.2M of savings, and converting \$144M of variable rate debt to fixed rate debt. We have been rewarded by the rating agencies with 2 upgrades (Marshall Center bonds - Moody’s, S&P, and Housing System - S&P) and 8 affirmations (all rated bonds - Moody’s, S&P). Debt has declined over 9 years, despite new issuance.

Trustee Hopes asked if we have considered moving housing or parking debt to a concession model.

### 3. Derivatives

The University manages interest rate swaps centrally. We only utilize swaps to hedge variable rate bonds – no unhedged positions. We are winding down our swap portfolio – no new swaps since 2007. Recent events include the conversion of \$38M of USF Financing Corporation variable rate bonds to fixed rate (7/1/16) – \$38M of 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 18 months, we will convert \$19M of USF Financing Corporation variable rate bonds to fixed rate (7/1/18); expiring 5-year private placement creates opportunity – associated \$19M swap will expire.

The University has six interest rate swaps outstanding (\$154M, 06/30/16) - three swaps are scheduled to expire in July and August 2016. The swaps were structured correctly; swap counterparties carried “AA-“ ratings; thus were successful.

A brief discussion occurred on capitalized leases and off balance sheet financing/debt (P3).

#### c. USF Health Downtown Center

Dr. Ed Funai, COO/USF Health, introduced the agenda item. The project is on time, on scope and on budget. This will be a timeless and iconic building, representative of USF Health’s brand and mission.

Dr. Charly Lockwood, Sr. Vice President/USF Health, and Chris Duffy, Assistant Vice President/Facilities Management, gave a progress summary on the USF Health Morsani College of Medicine & Heart Institute project. Items completed include leadership coordination, establishing guiding principles/success factors (especially meeting schedule expectations and optimizing resources/most value for budget), and project timeline. Currently working on the project dashboard. The next milestone is the building design approval process.

Discussions were held on the project budget overview including costs already incurred and fundraising that still needs to be done. This is the number one priority for fundraising for the University. This is the largest project in USF history.

A brief discussion occurred on developing a process for the BOT to be aware of project costs changing and determining at what level a change/overage in project budget has to come back to the BOT.

**d. USF Tampa Housing Development Project (P3) Update**

Mr. Long gave an update on the USF Tampa Student Housing Development Project (P3). The first phase of Andros buildings are demolished.. Asbestos abatement has been completed in 6 of 6 buildings. Utilities (electric, water, sewer) are in process. Precast concrete is currently under production by an Orlando firm. Financial close is targeted for the week of September 23, 2016. Construction will commence immediately following the financial close. We are using precast concrete because our buildings must have a minimum useful life of 62.5 years (per BOG, buildings must last 1.25x the lease).

Mr. Long noted that we advanced some funds for demolition and asbestos (in order to stay on schedule) and we will be reimbursed.

Mr. Long reviewed conceptual plans for the project; indicating that it is a village, and will be considered a destination location (will have retail space). This is the second largest single project in USF history.

Mr. Long reminded everyone that the companion project is a Publix grocery store on campus. The Publix will open in April 2018. Publix will hire 75 students and have 2 job fairs each year.

Chair Lamb stated that the BOG has been very pleased with how USF has been working with them on the project and he wants us to be sure to share known issues/lessons learned with USFSP as they embark on their P3 housing project.

**V. Adjournment**

Trustee Levy asked Mr. Trivunovich to make sure there are no surprises with the capitalized lease items and off balance sheet financing. Mr. Trivunovich will update the Committee on this at our next meeting.

Trustee Carrere would also like to know what the impact will be if the items need to be included on our balance sheet.

Having no further business, Chair Lamb adjourned the Finance Committee meeting at 12:30 pm.