



**USF Board of Trustees  
Finance Committee  
NOTES  
August 20, 2024  
Microsoft Teams Virtual Meeting**

**I. Call to Order and Comments**

The meeting of the Finance Committee was called to order by Chair Michael Griffin at 10:05am. Chair Griffin asked Kiara Gayle to call roll. Ms. Gayle called roll with the following Committee members present: Michael Griffin, Sandra Callahan, Mike Carrere, Rogan Donnelly, Shilen Patel, and Melissa Seixas. A quorum was established. Fredrick Piccolo and Will Weatherford joined the meeting after roll call.

**II. Public Comments Subject to USF Procedure**

No requests for public comments were received.

**III. New Business – Action Items**

**a. Approval of May 23, 2023 Meeting Notes**

Upon request and receiving no changes to the draft meeting notes, Chair Griffin requested a motion for approval, it was seconded and the May 22<sup>nd</sup> meeting notes were unanimously approved as submitted by all Committee members present.

**b. Legislative Budget Request (LBR)**

Mark Walsh, Assistant Vice President, presented the 2025-26 USF Legislative Budget Request (LBR). This is an annual exercise required of each state agency to submit to the Legislature a list of financial needs. The legislative budget request is required by statute for state agencies. It is the beginning of the 2025/26 fiscal year budgeting process. State agencies are required to submit to the legislature and the governor what they determine are their needs.

For the State University System (SUS), the Board of Governors (BOG) is the state agency. They allow boards of trustees to make recommendations to them as they formulate what will be the statewide ask. This will be submitted to the BOG to help shape what they will officially ask on behalf of SUS. This is in no way the last or final opportunity for our university to request funds of the Legislature; this is the beginning of the 2025-26 process. Our priorities may shift and change as the economy does and as our needs change between now and session. This is our request for \$75M recurring through the preeminence program, which will fund all the needs at the discretion of the BOT. It is largely untethered income, should it be awarded. Our request is not out of line with the amounts we have received in the last three years. The theme of this request is consistency. We're trying to be consistent with the process that we've used in the last three years. It's ended up being so successful to us with legislative appropriations under President Law. We want to be consistent with the board strategic plan in particular. The strategic plan has been approved by this board and by the BOG, it is available

to the public, and our taxpayers and legislative investors bought into it as well. It is consistent with that and it is consistent with the information that we as a staff have provided to the BOT in prior meetings and the budget workshop about strategies to achieve our ultimate goal of top 25 public university in America, as measured by U.S. News & World Report (USN&WR), and someday a billion dollars in annual research expenditures.

This LBR is strictly for the university's operating budget; it does not include facilities funding requests (that is a separate process; the capital improvement plan for the University has already been submitted).

Mr. Walsh reviewed the details and specific investments of the request. USF's request for 2025-26 is a \$75M recurring increase through the Preeminence/National Ranking Program for the express purpose of implementing USF's Strategic Plan, with the goal of reaching the top 25 national public universities as measured by USN&WR. These funds will be utilized to continue to implement and achieve the goals outlined in the university's strategic plan for 2022-2027 (*In Pursuit of Excellence*). This proposed investment will provide the recurring resources necessary to accelerate USF's Strategic Plan goal of ascending into the top 25 national public universities, as measured by USN&WR, and further capitalize on USF's admission in 2023 into the nation's most prestigious association of research universities, the Association of American Universities (AAU). If this new investment is fully funded and supplemented with additional state, philanthropic, and other resources going forward, USF is projected to reach the top 25 public universities following the conclusion of the *In Pursuit of Excellence* Strategic Plan in 2027.

The *In Pursuit of Excellence* plan outlines seven approved "strategic areas of focus" for USF to excel in, which will drive the university's ascent into the top 25. *In Pursuit of Excellence* further outlines five specific goals that USF intends to achieve throughout the lifespan of the plan, with objective measures of success defined for each goal. Mr. Walsh explained how closely aligned our institutional measures of success are with our top 25 ranking aspirations. Achieving each of the specific goals and measures (and the many others contained in the full plan) will directly contribute to USF's climb up the USN&WR national public rankings.

Mr. Walsh made the point that we are not chasing the rankings. We believe that being successful in all of those individual measures and the measures that are outlined in the plan are going to be the drivers of our success and we think the byproduct of that success is higher rankings. We are not doing this for the rankings; we are doing it for our students, for our faculty, for our outcomes, for our community, and what we have come to find out is as we do that and we improve, our rankings have improved.

Mr. Walsh explained how USN&WR made a substantial overhaul to their rankings formula last year. More emphasis is now on six-year graduation rates across several metrics, but the peer assessment score remains the individual metric with the largest percentage weight. While USF continues to improve on these measures, there is still room for improvement and work to be done to close the gap between USF's AAU and top 50 peers.

Trustee Seixas asked how the regional campuses fit in. Mr. Walsh explained that resources will be deployed across all campuses including USF Health; the request is for OneUSF. Trustee Weatherford stated that this is a better strategy from the legislators' perspectives versus different asks from each campus.

There was also discussion about the number of new faculty needed to reach our goals.

Mr. Walsh explained the motion to be approved. He added that the BOG is taking a significant interest in the SUS' potential deficit in maintenance dollars and there is a chance that they may want us to account for, which the Board has already done, what our maintenance needs are. So if there is a need to make a material adjustment like that, Mr. Walsh would like to get a sense that the board remains in agreement that we have those needs and if we're asked to include those, maintenance of existing facilities which are critical to our goals, into some requests before it is finalized that we have the board's consent to do so.

A motion was made to: 1) approve the 2025-2026 Legislative Budget Request (LBR) for \$75,000,000 per BOG request; and 2) authorize the President (or their designee), in consultation with the Board Chair, to make necessary adjustments to the Legislative Budget Request, including the material addition of maintenance needs, if asked to do so. The motion was seconded and approved by all Committee members present.

(Ultimately, the BOG did not make the request to include maintenance dollars in the institutional LBR, so the document was submitted to BOG as approved by the Committee.)

**c. 2024-25 University E&G Carryforward Spending Plan**

Masha Galchenko, Associate Vice President and Controller, presented the 2024-25 University E&G Carryforward Spending Plan. Per Florida statute, annual spending plans are approved by USF BOT. Ms. Galchenko will present the Carryforward Spending Plan and Carole Post will present the Fixed Capital Outlay Plan in the next agenda item. These plans are then certified by the CFO, President and Chair of the BOT. Once certified, they are submitted to the BOG for approval during their fall meeting.

As of July 1, 2024, universities are authorized to retain an annual reserve beyond the required 7% BOG reserve. University CFOs have begun developing best practice guidelines for recommending additional reserves. USF currently holds the 7% required reserve only. While FY24 has not officially closed, our current estimates for year-end cash and investments across all funding sources is just over \$1B. \$358M or 36% of this cash and investments balance is in carryforward. The carryforward plan is divided into two major sections: restricted and committed. Both restricted and committed balances are then subdivided into pre-defined categories (Compliance, Audit and Security; Academic and Student Affairs; Facilities, Infrastructure and IT; and UBOT-approved Operating Requirements).

The FY24 carryforward cash and investments balance of \$358M is \$3.7M lower than the prior year's balance. Once we adjust for accounts receivables and payables and subtract summer tuition collections, we are left with almost \$323M, which is almost \$6M lower than the prior year. This decrease reflects the tremendous efforts USF has made to deploy carryforward funds in a strategic manner. This year's plan shows increases in both rolled encumbrances and the 7% BOG required reserve, which is a derivative of our increased annual state appropriation. The remaining balance of almost \$224M is split 40%/60% between restricted or contractually obligated balances and committed balances. Digging deeper into the restricted section, the majority of these funds are tied to infrastructure projects, which the Board has either approved already or is expected to approve during the expenditure approval process later today. These projects include: East Campus Maintenance Facility; MDD 9th floor buildout; College of Nursing expansion; and labs on the St. Petersburg and Sarasota-Manatee campuses. This section also includes funds tied to specific appropriations such as Florida Institute of Oceanography (FIO), Florida High-Tech Corridor (FHT), Nursing Center, HBOT Clinical Trial, etc. Finally, and perhaps most importantly, this section also houses faculty startup costs

supported by signed offer letters. For the commitments portion, almost half of those funds are for facilities and infrastructure projects across all campuses.

A motion was made to: 1) approve the 2024-25 University E&G Carryforward Spending Plan; 2) Board Chair approves (along with the USF President and the USF CFO) the FY 2025 Budget Certification Form; and 3) authorize the President, in consultation with the Board of Trustees Chair, to make necessary non-material adjustments to the Carryforward Plan, with the requirement that material changes be approved by the University Board of Trustees. This authorization does not modify the Board's expenditure policies. The motion was seconded and approved by all Committee members present.

**d. Fixed Capital Outlay Budget**

Vice President Carole Post presented the 2024-2025 Fixed Capital Outlay Budget. This is an action item to seek approval of our annual Fixed Capital Outlay Budget, the FCO. This is a state required exercise that is used to reflect each university's existing or planned capital improvements. There is a lot of material as part of this submission but this presentation will give just a brief review of the components, some highlights of the plan, and the action to approve. The process is regulated by statute and the Board's action will enable USF to certify the list to the state. This is an annual process.

The FCO accounts for all fund sources, including E&G, Carryforward, State Appropriated, and Non-State Appropriated. The key thresholds for each category were noted. Ms. Post reviewed a roll-up of the values across each category and noted that it is a rolling list so each year new projects get added and completed projects roll off, but because most capital projects are multi-year efforts there is always a remaining balance.

Ms. Post provided examples of the projects in each category, demonstrating alignment with the University's strategic plan and priorities, such as investments in infrastructure, academic spaces, spaces that serve student success, and research spaces (largely driven by USF Health). Ms. Post explained that this is not an approval of specific fund requests; this is a step to capture the full list of projects in process or contemplated. Of note is the inclusion of the on-campus stadium in the 'State Appropriated' category – the project is in that category only because of the use of CITF (Capital Improvement Trust Funds) on behalf of the student contributions. The way this filing works is that if even \$1 of 'state-appropriated' funds is used for a project, the project falls into that category for tracking purpose. (\$31M of CITF funds noted.) In cases where there are multiple funding sources for an individual project, we include it in the most appropriate category per the regulatory requirements. Ms. Post noted the addition of the new veterans, military families, & first responder project on this year's FCO consistent with the recent legislative appropriation and pointed out that the FCO list reflects investments across all the branches and health.

Trustee Simmons observed that the FCO report reflects significant investment in research space related to USF Health (well over \$100M). However, the investment in research space outside of USF Health is not as significant, only about \$5M. He asked about developing a plan to get a better alignment between this part of our budget and our institutional goals. A discussion followed about how to achieve that balance.

Trustee Carrere inquired about how the state was looking financially at this point and whether we believed the legislature and governor will have the capacity to support these capital projects as well as USF's and other universities' new funding requests. Mr. Walsh explained that the state's official Revenue Estimating Conference met on August 14th and they added

approximately a billion additional dollars in projected state revenue collections to the current fiscal year and about a billion dollars more to the subsequent fiscal year's expected collections. Mr. Walsh further explained the legislative process around this matter in more detail and suggested that state economists' funding projections remained fairly conservative this far away from the next fiscal year, but state revenue collections were definitely trending positive at this point. Chair Weatherford concurred that the state appears to be very healthy financially at this time and that USF would be wise to continue to request state support for the institution's highest priority needs.

Trustee Piccolo noted that he had recently spoken with the FDOT Secretary of Transportation regarding their budgeting outlook generally relative to capital investments. He also commented on USF's tuition rates and the challenge of meeting growing capital needs when tuition rates are not rising.

A motion was made to: 1) approve the FY25 Fixed Capital Outlay Budget; 2) authorize the President, in consultation with the Board of Trustees Chair, to make necessary non-material adjustments to the FY25 Fixed Capital Outlay Budget, with the requirement that material changes be approved by the University Board of Trustees (this authorization does not modify the Board's expenditure policies); and 3) authorize the President, Board Chair, and CFO to execute a certification required by the State University System Board of Governors relating to the Fixed Capital Outlay Budget. The motion was seconded and approved by all Committee members present.

**e. Reallocation of CITF Funds**

Ms. Post presented the Reallocation of CITF Funds. This is an action item seeking approval to reallocate CITF funds on behalf of student groups in Tampa, Sarasota-Manatee, and St. Petersburg.

Each year, student representative groups convene to identify projects that they want to allocate Capital Improvement Trust Funds toward, typically capital initiatives that have a very direct and tangible benefit to student life.

As previously noted, often the projects are on a larger scale and can span multiple years and as student needs evolve, the students can change their priorities. We have several of those requests today which require approval to redirect the funds.

Ms. Post presented a roll-up of the totals for each campus and the fiscal years that those funds were originally allocated. There is a process to effectuate these changes which starts with the student groups initiating the change and moving through a number of procedural steps.

Ms. Post reviewed the detail of each project for each campus.

For Tampa, the students are seeking to redirect funds that had previously been identified to build a fountain on campus to the stadium project. This is largely driven by the fact that a fountain requires ongoing maintenance funds that would have had to have been committed. It was noted that the funds will be used to pay down the existing student fund contribution, it is not an additional commitment.

For Sarasota-Manatee, the introduction of the Student Residential Housing Center and the amenities that it offers has obviated the need for several previously identified projects noted here, so that student group is re-directing to a co-curricular wellness student life center.

And for St. Petersburg, those prior commitments are tied to repairs that the student body wanted to seek for their student swimming pool on campus. Over the past couple of years, those repairs were made so they no longer need to use the CITF funds, and the students are opting to redirect those funds to their university student center remodel project.

A motion was made to approve transfer of CITF funds from prior fiscal years to current projects as presented. The motion was seconded and approved by all Committee members present.

**f. Authorized Signers/USF Bank Accounts**

Dawn Rodriguez, Acting University Treasurer, presented the action item requesting approval of the authorized signers on USF bank accounts. Pursuant to statute, the Board needs to approve each of the signers by name and title. These titles are the same as have been approved in the past with new individuals in these positions. Asking for approval for Jennifer Condon, CFO, Dawn Rodriguez, Acting University Treasurer and Masha Galchenko, USF Controller, to be signers on USF bank accounts.

A motion was made to approve authorized signatories on USF's bank accounts as presented. The motion was seconded and approved by all Committee members present.

**g. Expenditure Authorization**

**1. Threshold Changes**

Jennifer Condon, Vice President for Business & Finance and CFO, presented the request to increase USF expenditure approval authorization limits. The BOT Finance Committee last reviewed the expenditure authorization thresholds in November 2022. The committee recommended a modest increase to the thresholds effective July 1, 2023 and endorsed a plan to review the thresholds again after a year of operating with the new thresholds.

Ms. Condon presented the SUS benchmarking information for expenditure authorization. USF expenditure approval authorizations are more constrictive than our SUS benchmark peers. Ms. Condon noted that we are not recommending an increase to the authority provided to the Procurement Office. The request is restricted to:

- Authorize the Chief Financial Officer to approve transactions up to \$3M
- Authorize the BOTFC Chair to approve transactions up to \$5M
- Require BOTFC approval of transactions greater than \$5M

Ms. Condon explained the impact the change would have had on the last three years of historical transactions approved by the Finance Committee Chair and the full Finance Committee. Looking at FY23-24, 25 expenditure authorizations required either the FC Chair or the full Finance Committee's approval. The new thresholds would still require 17 of them to be approved at this higher level. More specifically, this committee approved 14 transactions, 11 of which were over the new threshold of \$5M. These expenditures are deemed material and would still be reviewed and approved in the Finance Committee meetings.

This action includes expenditures of both USF and DSOs. The requested increases would be effective on January 1, 2025.

Chair Griffin stated that this is something that we've been discussing and evolving on over the past few years and he fully supports this. We had mentioned about 18 months ago that we would bring this back to the Board. Chair Griffin welcomes the change.

A motion was made to adjust USF expenditure approval authorization levels to align with SUS benchmark peers (UF, FSU, UCF) as presented. The motion was seconded and approved by all Committee members present.

## **2. Requests**

Ms. Condon presented three expenditure authorization requests for approval by the Finance Committee.

The first is an updated request.

- College of Nursing Tampa Expansion

The USF Health College of Nursing Tampa Expansion is currently approved for a project value of \$30.4M. Seeking additional authority of \$6M. In 2022, USF received state funds to expand its College of Nursing program. In response, USF planned for a facility expansion which involved a partial demolition and rebuild of a 2-story facility. In response to growing demand for the program, we asked our design team to add a third floor. The \$6M of authority currently requested will provide approximately 10,000 square feet of shelled space. The additional cost will be funded by carryforward funds, which is an allowable source. In addition, the contemplated \$6M was included in both the carryforward and fixed capital outlay plans just approved.

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

The remaining requests are new.

- Sarasota-Manatee (SM) Science Lab Renovation

The SM campus currently leases lab space from Mote Marine. Mote would like to end the lease agreement. This request is to build out one biology and one chemistry lab where the bookstore was located as Follett has relocated to the new student center. The EA request lists three sources, carryforward, federal contract and grant funding, and PECO, all of which are allowable. The allocation of sources is not specified as planning is still fluid. The request is for a project not to exceed \$3.8M. This project was included on the carryforward and fixed capital outlay plans just approved.

Trustee Piccolo expressed a concern about this project because of its location. The existing bookstore is in what is called the runway protection zone of one of the Sarasota airport's runways. So this project could end up

being opposed by the FAA. And since the PECO funds expire by 2026, if the FAA does oppose it, he is concerned we could lose that funding.

Eddie Beauchamp, SM Vice Chancellor, explained that they have started the preliminary design on the location being proposed. It is in the runway protection zone. They met with the airport operations team to get to an understanding of whether this will be approved or will not be approved. And through those discussions, initially it was discussed that it could possibly be approved, but as its designers moved forward and it started communications with FAA, they have been opposing it.

Additional discussion ensued.

Given the significant regulatory uncertainty, Chair Griffin tabled this item pending additional information.

- Service Agreement for Operation of ROV Taurus

This request is for a \$10M not-to-exceed professional services agreement between the Florida Institute of Oceanography (FIO) and Pelagic Research Services to operate our new Remotely Operated Vehicle (ROV) Taurus. Pelagic is the engineering verification dive partner and warranty provider for the Taurus, making them best-qualified to provide operational support. The \$10M agreement is for a period of 10 years and is based on the estimated number of operational days and a rate sheet provided by Pelagic. The service agreement is auxiliary funded, and any operational costs incurred will be funded via rental rates charged for use of the Taurus, making the operation self-supporting.

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

#### **IV. New Business – Information Items**

##### **a. Budget Update**

Ms. Condon provide an update on the FY25 budget process. The budget process is yearlong, but for the purposes of this presentation, we are focusing on the relevant board approvals. We started with BOT committee meetings in May when Finance Committee approved our DSO plans. The plans were subsequently approved on consent, along with the overall operating budget at the June board meeting. Now, it's August, and in addition to more detailed operating presentations to the campus advisory boards, Finance Committee just approved both the Fixed Capital Outlay and carryforward spending plans. The final step is to submit all of them to the BOG for final approval.

Ms. Condon next reviewed the budget framework discussed at the board budget workshop in May. The budget process is guided by the following principles:

- transparency,
- simple and sustainable processes,
- diversification of revenue streams,
- cost-effective and strategic use of resources and
- enhanced responsibility, authority and accountability.



The overall operating budget was approved by the Board in June. The authority granted was for a continuation operating budget of approximately \$2.5B with known adjustments and new state resources of nearly \$100M.

Ms. Condon reviewed the filters for decision-making that have been incorporated into our budgeting and resource allocation process. These filters were developed for FY24, and they continue to aid decision-making through FY25 and beyond.

USF received \$96M in new resources (state appropriations) for FY25. A breakdown of resources by general category was presented as well as some of the restrictions that are placed on the funds received. USF received a \$5M budget amendment for the Florida Center for Behavioral Health Workforce which was received after the June approval. USF also received two state capital appropriations - \$31M for East Campus Infrastructure & Safety Improvements and \$10M for Veterans, Military Families, & First Responder Service Complexes.

The \$50M in recurring allocations received from the state enabled investments across all of our filters. \$14.75M of the \$46M non-recurring funds received from the state were direct appropriations for the USF Health hyperbaric oxygen therapy clinical trial and the TIP Risk to Resilience Lab in St. Petersburg. That left \$31M non-recurring to invest across multiple filters.

Chair Griffin stated that the new resources are going exactly where we said they were going to go and having a budget ready July 1 was a big milestone. He is very encouraged at where we are and how these dollars are being allocated in a manner that is inclusive.

**b. Series 2012B Remarketing Transaction**

Ms. Rodriguez presented the series 2012B remarketing transaction. This is being presented as an informational item because there are no material changes to the debt or the related interest rate swap, so this does not require approval by BOT or BOG. For transparency purposes, we will also provide notice to the BOG. The Financing Corporation Board approved this transaction on August 1<sup>st</sup>. The Series 2012B bonds are currently outstanding in the amount of \$43M. These bonds were initially issued as the Series 2007 Certificates to finance the construction of the Juniper-Poplar residence halls. They were initially issued as public variable rate bonds with a fixed pay interest rate swap that goes out to maturity in 2037. In 2012, Wells Fargo Bank directly purchased these certificates, initially for five years, and then for an additional 7 years. The current facility with Wells Fargo expires on October 1, 2024. The Financing Corporation sought proposals and received the most attractive proposal from JP Morgan Chase Bank. We negotiated with them to meet some of our key objectives, including:

- 13-Year Term – to final maturity on 7/1/2037. This will eliminate the need to extend or replace the facility every five to seven years.
- Very attractive rate of 0.83% spread to the variable rate index; compared to 1.05% spread for a 7-year term from a competitive proposal.
- JP Morgan Chase Bank agreed to maintain substantially the same financial covenants, security and other terms and conditions.
- At our option, we will be able to convert these certificates to a fixed rate when the market is attractive for us to take out the interest rate swap with a reasonable termination payment.

### **c. Annual Finance Policy Reports**

The Policies were adopted in 2006 and apply to the University and all Direct Support Organizations (DSOs). The DSO boards have adopted all of the policies. The Annual Finance Policy Report is required by the three BOT Finance Policies (Investment, Debt Management, Derivatives). Ms. Rodriguez presented highlights of the results of the management of USF's Investment, Debt, and Derivatives Portfolios.

#### **1) Investment**

- USF has 10 investment portfolios.
- All portfolios are governed by investment committees.
- All portfolios are governed by and in compliance with the USF Investment Policy.
- The total value of USF's investment portfolio reached a new record of \$2.1B (06/30/24). Annual growth in the portfolios reflects investment performance and net cash flows.
- The University portfolio at \$926M (06/30/24) and the Endowment portfolio at \$745M (03/31/24) are the 2 largest of the 10 portfolios.
- Each portfolio plays a different role. USF has two types of portfolios – one endowment portfolio (held at the USF Foundation and focuses on long-term investment horizon mostly with restricted funds) and nine operating portfolios (shorter term investment horizon and focus on key liquidity) including the University's portfolio and all the DSOs.
- The University's portfolio is managed to preserve capital, provide essential liquidity, and achieve positive annual returns in all market conditions. Pursuant to statute, returns are secondary to safety and liquidity.
- The University has a strong liquidity position compared to our Moody's AA peers (229 Days Cash on Hand vs. 189 Days).
- The University's portfolio is structured to balance risk and return.
- We enhance our net investment returns by holding our investment expense ratios very low, at only 5 basis points.
- We have great conviction regarding our portfolio structure to achieve our investment portfolio objectives. We have the right asset allocation to protect against downside risks and the right investment managers and funds. Our funds are diversified and low cost.
- The portfolio has generated positive returns in 94% of the past 16 fiscal years (actually all but one and that was FY2022).
- Our current portfolio strategy is to limit buy/sell transactions. We are not trying to time the market and we are investing our positive cash flows currently earning over 5% in both cash and money market funds.
- FY2024 was very strong with \$64M in annual investment income; \$31M in cash and the remaining portion unrealized largely due to the S&P 500 strong return of 24.5%. The total return of 7.9% is the strongest in the portfolio's history; however, returns are likely to stabilize and return to our long-term average return of approximately 3%.
- We capitalized on market opportunities by locking in high rates with longer durations.

## 2) Debt Management

- USF currently has \$565M outstanding in debt.
- All 21 debt issues are in compliance with the BOT Debt Management Policy, as well as state and federal laws, and bond covenants.
- Long-term weighted average interest rate is 4.72%; still very attractive even with the recent addition of \$200M of taxable debt.
- We structure our debt conservatively and capitalize on market opportunities.
- We seek to protect the University's strong AA credit ratings with Moody's and S&P.
- Preserve debt capacity and structure debt to reduce risk.
- Since 2005, we've closed \$2.2B in transactions and we have restructured bonds to realize \$30M of NPV savings.
- Our P3s are operating as expected.
- Moody's and Standard & Poor's both affirmed our AA credit ratings last year. These credit ratings are very important as they affect our ability to access capital markets on favorable terms, both in terms of cost and covenants.
- Only one financing transaction was closed in FY24 – \$340M USF Stadium Project financed with \$200M fixed rate, taxable loan and \$140M equity.
- Anticipated financing projects
  - 2,100-Bed Argos Redevelopment Project – currently assessing costs, financial feasibility, impact on credit ratings, impact on university debt capacity and also considering financing structure and timeline for the project.
  - Remarketing of the \$43M Series 2012B Certificates (discussed earlier).
- Focus on funding key capital projects and maintaining appropriate leverage and other key measures.
- Against our AA rated peers, we compare very favorably from a liquidity and leverage perspective and we are about on par in terms of operations.
- Profiles for the University's three bond systems:
  - USF Housing System – Solid "A1" rated system, driven by consistent strong demand with occupancy of 99% in FY24; high debt service coverage ratios with a small reduction in FY25 due to the addition of the USF Sarasota-Manatee Housing Student Center debt coming online this fall.
  - USF Parking System – Strong "Aa3" rated system; continued pressure on revenues but otherwise strong performance; healthy reserves despite significant investments in facilities; Series 2016A bonds mature on July 1, 2026.
  - USF Marshall Student Center – Strong "Aa3" rated system; steady, consistent revenue growth; consistently strong debt service coverage ratios.

## 3) Derivatives

- Have been winding down our derivatives portfolio for the last 16 years from a high of \$278M in 2008 to \$46M in 2024. This is related to the one swap currently outstanding - Variable Rate Bonds Series 2012B. We are watching this and will eventually be able to convert this to fixed rate and terminate this swap associated.

#### **d. DSO Updates**

The FY25 DSO Annual Financial Plans were presented in May and included a projection for FY24. Three DSOs were either projecting operating losses or had thin liquidity margins, and this board is monitoring them more closely. Ms. Rodriguez presented the updates provided by the three DOSs – UMSA, HPCC, and Research Foundation.

##### **1) UMSA Update**

Originally forecasted a \$6.7M net operating loss; that loss has increased to a \$10M projected loss. UMSA has confirmed that is a non-cash accounting adjustment that was made and that was actually identified through an enhanced reconciliation process. No changes are anticipated to the FY25 approved financial plan. As previously reported, the healthcare delivery environment has changed drastically. Similar to most medical schools across the country, both public and private, UMSA is working with its primary hospital partner, TGH, to revise their funds flow model. The final agreement is under way and is expected to conclude by September 30, 2024. In the meantime, they've signed a bridge agreement which incorporates many of the key items that are going to be incorporated into the final agreement, and that includes \$22M in additional faculty salaries support, \$15.8M to replace the Dean's tax calculation, the assumption of UMSA deficits with an agreed upon cap. UMSA also provided an update on the USF Health Clinical Faculty compensation plan, which they have been working hard to finalize. The new compensation plan structure will align with the new funds flow model from TGH and new funding from USF.

##### **2) HPCC**

Prior net operating profit of \$881K has been revised downward to \$137K. However, this reflects a reduced reliance on a portion of the COVID-relief funds provided by the College of Medicine. No changes are anticipated to their FY25 approved financial plan. HPCC has reported that their most significant expense of approximately \$1.5M annually is related to the debt service on their \$10M of outstanding debt related to CAMLS. They are continuing to look for ways that they might be able to pay off that debt. In the meantime, they are working hard to establish a sustainable business model. They have expanded their research capabilities and received some federal grants, and they have also established a lease with the Florida Center for Emergency Medical Services. Finally, CAMLS is collaborating with TGH to engage large medical device companies.

##### **3) Research Foundation**

No major concerns from an overall business sustainability perspective. Liquidity is very strong. Their challenge has been in the delay of the lease up of their new building. Their forecast is on par. It actually improves slightly because of the net investment income. There is no change to their FY25 approved financial plan. For the new building, the first floor is fully leased up and their labs have waiting lists. The entire second floor has a very serious prospect. Most of the third floor will be leased up this fall following tenant build out by the College of Medicine virology facility and Dr. Albert Kim's medical engineering research facility. The remaining 9,000 square feet has a lot of interest from a federal entity as well as industry companies. They expect full lease up by FY26 and all of their other buildings are fully leased up and generating profit.

Trustee Simmons asked that since there is a critical need for lab space on campus and about 9,000 square feet in the new building, is there any pathway in which the university could actually lease that space to provide a short-term solution to the need to build out our research enterprise more. Ms. Rodriguez stated that there are some limitations on what we do with that space because it is a bond-financed facility. Ms. Condon explained that it has to do with the color of money and only DSO funds can be used on this bond-financed building. USF Health has access to UMSA funds so they are able to lease some of the space. It is more of a challenge for Academic Affairs and their funding sources. Provost Mohapatra added that the Research Council is looking at the use of F&A for this.

Chair Griffin stated that we want to fill this building so we can build more buildings for research and not just for our researchers, but third parties that can collaborate with our incredible faculty and leadership.

## **V. Adjournment**

President Law made the following comments about today's meeting. She recognized the fact that the items that were approved today at this meeting represent an incredible amount of work by numerous people across this university. She specifically thanked our government relations and our financial and facilities leadership. Our focus has been to make sure that our budget and our plans are aligned with our strategic plan. Our ability to get to our goals of being a top 25 institution and having a billion dollars in research awards is absolutely dependent upon that deliberate and effective implementation of those approvals. She also thanked the Finance Committee and the Board of Trustees as a whole, because as we move together, we are going to be able to accomplish these goals and we are going to be bold.

Chair Griffin thanked the President for her leadership as this all starts with her.

Having no further business, the Finance Committee meeting was adjourned at 11:58am.