USF Board of Trustees
Finance Committee
NOTES
August 16, 2022
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 9:05am. Chair Griffin asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following Committee members present: Michael Griffin, Mike Carrere, Rogan Donelly, Shilen Patel, Melissa Seixas, Will Weatherford, and Chip Newton. A quorum was established.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of Meeting Notes

1. **May 13, 2022**
2. **May 24, 2022**

Upon request and receiving no changes to the draft meeting notes, Chair Griffin requested a motion for approval, it was seconded and the May 13th and May 24th meeting notes were unanimously approved as submitted by all Committee members present**.**

b. 2022-23 Operating Budget

Rich Sobieray, Sr. Vice President & CFO, and Masha Galchenko, Assistant Vice President & Budget Director, presented the 2022-23 Operating Budget. The USF Board of Trustees (BOT) is required to adopt and approve an annual budget for the operation of the University to submit to the Board of Governors (BOG). On June 15, 2022, the BOT approved a FY2022-23 continuation operating budget at last year's level with the understanding that USF would prepare a 2022-23 budget for its approval and subsequent submission to the BOG by August 19, 2022. A high-level summary of the FY2022-23 Operating Budget (OB) will be presented today.

Mr. Sobieray explained the impacts that were considered in developing the FY23 budget. These impacts included: record legislative session which helped this budget tremendously; State Performance Based placement; enrollment and tuition collections; less federal funds support; bargained wage increases, internal equity and state-mandated benefit costs; cost duplications still exist and are a top priority for FY23 as we address budget for FY24; and the economy – inflation, labor markets. All of this was considered in developing the FY23 budget.

Expecting a record year for enrollment which will help the budget. However, this is largely a volume issue as tuition rates still are frozen and we have not had an opportunity to do anything with that. Tuition collections are always a challenge. We do not necessarily collect 100% of our fees (financial aid, waivers, etc.), which ultimately affects the net collections of the University.

Ms. Galchenko provided additional information on tuition collections. USF overall across all four budget entities (Tampa, Health, St. Petersburg, Sarasota-Manatee) is steadily increasing in tuition collections from $268M in 2018 to $271M in 2022 while fundable SCH (student credit hours) remains at almost the same level of 1.2M. This is due to student mix changes (in-state vs out-of-state and undergraduate vs graduate). Ms. Galchenko introduced the new term "distributed budget." This is the amount of budget distributed at the beginning of the fiscal year throughout Academic Affairs that needs to be covered with tuition collections each year. Except for Tampa campus, all other budget entities are collecting enough tuition to support distributed budget authority. Tampa for the last two years has had to supplement with carry forward funds to cover these costs.

Ms. Galchenko reviewed the funding sources (revenues) for the FY23 budget, which total almost $2.5B, and explained the major differences from FY22 to FY23. State appropriations increased 20% over last year. The major allocations that make up this increase are $44M operating support, $20.5M cyber allocation, $11.96M for Nursing, and $11M in national rankings funding. Contracts & Grants decreased over 20% from last year. To explain this decrease, we need to separate out COVID-19 federal funds that we have received from other research activity funds. Those COVID funds were non-recurring and most were expended in FY22. In doing so, all other contracts & grants funds steadily increased 4.5%. Overall, E&G (student tuition and state appropriations) makes up 33% of USF's budget. This is followed by DSOs at 22% (largely due to faculty practice plan); local funds (fees, financial aid, athletics, etc.) at 18%; contracts & grants at 15% (17% if include other state allocations thru other agencies); and auxiliaries at 10%. Funding source distribution differs by campus. For Tampa, E&G makes up 36% of the budget. For Health, E&G makes up only 20% of the budget; the largest part of Health's budget is DSO, due to access to faculty practice plan funding. Student tuition and state appropriations account for much larger portions of the funding sources at St. Petersburg campus (65%) and Sarasota-Manatee campus (82%). Auxiliaries at St. Petersburg account for 17% mainly due to their housing operation as opposed to Sarasota-Manatee (7% auxiliaries). 70% of USF's operating budget sources for FY23 are restricted and 30% are unrestricted, as this relates to higher education spending. Distribution of the operating budget by expense category shows the majority of new funds from year to year going towards salaries & benefits and expenses. Over the last fiscal year, USF has moved in the direction of switching from temporary employees (OPS) to permanent position employees with paid benefits to retain and improve our workforce base.

Mr. Sobieray explained that two things remain a challenge. The first is people; we still have not addressed market equity. We are trying to address this internally, but external market equity is still a challenge. We still need to work on this in FY23 and it is most likely a multi-year plan, as it cannot be addressed and fixed in one year. The second is the cost duplication that exists inside the University's infrastructure. We need to address this in FY23, so that as we come around to the FY24 budget, we are better prepared to reallocate some of those duplicate costs to other more meaningful investments (research, teaching, new revenue lines).

Trustee Seixas asked for examples of the cost duplication. Mr. Sobieray responded that it is in our support unit areas. Many of our budget entities have developed their own infrastructure around HR, business & finance, and the like, largely as a result of frustration from a lack of service from a central model. We hired a consultant, HelioCampus, to look at this and identify where opportunities exist. Opportunities were also identified during the budget process where services could be provided more efficiently in a more centralized environment.

BOT Chair Weatherford agreed that we cannot use the investment from the state as an excuse not to make the tough choices and the efficiency decisions to make ourselves a better university and a more efficient organization. With this investment, the state expects us to be even more diligent in our efforts to be efficient and good stewards of the resources that we are given. We need to take this time to be thoughtful on how we position ourselves for the future and give ourselves the ability to weather any storm in the long-term.

Mr. Sobieray explained that this is the operating budget, not the cash budget. We are working through the current cash budget. Historically we have not optimized our use of cash and we are working through a plan to ensure our cash is optimally invested and used to support the operations of the university. Our $2.5B operating budget does not include carry forward which is a cash/balance sheet item. Carry forward comes into play as part of the cash plan.

Provost Eisenberg explained that the Budget Committee has a subcommittee on operational efficiencies. This subcommittee has a long punch list to create greater efficiencies. A number of them have already been implemented. The committee plans to present these to the board to show how we've moved the needle on efficiencies, and we are very much in line with both using new money/asking for new money and also becoming more efficient.

Mr. Sobieray explained that we are still working on the E&G budget allocation – getting close, but still a few tweaks that need to be made. He assured that the campuses, including Health, continue to work on the allocation of the new discretionary resources and that these allocations will align with our strategic plan, performance-based funding and our national rankings. The focus of distributions for FY23 include: non-discretionary investments; prior-year deficit (partial); bargained base salary increases and minimum wage, including internal equity issues; basic support unit infrastructure issues; and investment in Colleges (teaching, research, student success).

Our focus areas for FY23 are a new resource scorecard and an operational efficiency scorecard. The new resource scorecard is being finalized and a target will be set in terms of new resources we would like to see over the next five years. The purpose of these funding sources will be investments in students and faculty, administrative overhead, capital infrastructure and athletics. We will be looking not only at state funding, but outside state funding to include contracts & grants (including F&A), philanthropy, sponsorship agreements, and concession agreements. The operational efficiency scorecard is also being finalized and a target being set. Opportunities include: elimination of duplication across shared services environment; strategic procurement; instructional capacity; re-envisioning Academic Portfolio; financial aid optimization; and capital projects (manage effectively). This is what we are focusing on in FY23 so as we come around to FY24, we have a different discussion. As the University brings in additional dollars (from the state or other sources), we are not investing those dollars in supporting areas as much as we are investing in our teaching and research missions.

A motion was made to approve the USF FY 2022-23 Operating Budget as presented 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 motion was seconded and approved by all Committee members present.

c. Legislative Budget Request (LBR)

1. USF LBR

Eric Eisenberg, Interim Provost, and Mark Walsh, Assistant Vice President, presented the 2023-24 USF Legislative Budget Request (LBR). Provost Eisenberg explained that additional state investment is necessary to continue USF's trajectory. This is a proposed recurring investment of $50M which will provide the resources necessary for us to implement our strategic plan of ascending into the top 25 of national public research universities as measured by *U.S. News & World Report (USN&W*R) and position us further for eligibility in the AAU. Five of the ten *USN&WR* metrics in which USF most lags the current public AAU average are related exclusively, or predominantly, to USF's relative lack of financial resources compared to our aspirational peer institutions in the AAU and the *USN&WR* Top 25. Notably, by *USN&WR's* measurement standards, the average public AAU institution has the financial resources at its disposal to invest 77% more per student than USF's students currently benefit from and to pay their average faculty member 34% more than a typical USF faculty member earns. But most of USF's student success outcomes are already comparable, and in several cases superior, to the public AAU institutions' average outcomes. USF is doing very well with the items over which we have the greatest control.

Mr. Walsh explained the LBR to the group. State agencies are required by law to submit an LBR. We submit our LBR to the BOG and the BOG submits to the state for the SUS. Over the summer, the BOG asked the universities to submit proposals to them within certain parameters. The BOG will make the request for performance-based funding, so we did not need to address that. We were asked to focus on which category of institution we fall into – preeminent or not yet preeminent. Preeminent institutions were asked to make requests within the preeminence and national rankings category which is in effect elevating the entirety of the institution. The non-preeminent institutions were asked to make requests within the universities of distinction category and focus on one particular area that the institution might be nationally prominent in. We are looking at our institution as a whole as a preeminent institution and making our request within in preeminence and national ranking category. Ours is a $50M request. The deadline to submit was July 15, so it has been submitted pending BOT approval. Every institution essentially did the same thing because the Trustees typically do not meet, except for emergency situations, over the summer. BOG knows this and is aware of the number and also aware that the Trustees can make any amendments to this that they see fit. We will advise the BOG of any amendments, should there be any. Again, this is a $50M request to carry out the strategic plan, which has already been approved by the BOT and BOG.

This LBR is very similar to what the board approved last year. Mr. Walsh reviewed the details and specific investments of the request. He also reviewed *USN&WR's* metrics for their rankings, as this is our path to the Top 25. *USN&WR* used 19 metrics to calculate their 2022 rankings and each of those 19 metric inputs are documented in the LBR. The documentation outlines USF's current performance on each metric and also how we perform against peer institutions. For 9 of these 19 metric inputs, USF already achieves at the level of the average AAU or top 25 ranked institutions. USF currently ranks within the top

50 on all of these metrics; and on average for these metrics, USF performs like the 29th ranked institution in the country right now. USF's average on the other 10 metrics, where we think we still have room to grow, is 70th. Overall, on all metrics, USF ranks about 49th or 50th. This is accurate as USF is currently ranked 46th but we are in a band of 8 institutions ranked 46th. USF is furthest behind in the financial resources metrics. Based on the analysis presented, USF performs today like the 35th best public institution in the US, but we are funded like and perceived like the 83rd best. Given our current performance and record with student success, we are asking the BOG to imagine how much more we could do with the additional investment.

Chair Weatherford commented that this is well done and well thought out; this is a very data driven approach for what we are asking for and is very clear in explaining what the state will get in return for its investment and this will help us to be successful in this process. Being laser-focused on where we are going as an institution and where we plan to make improvements and how we will be judged by our peers by making those investments is going to help us continue to gain ground.

Chair Griffin further commented that it is good for us to continue to be bold in our asks and our aspirations. He would like to have clear talking points for the Trustees to be able to convey this message.

Trustee Schneider commented that student success is clearly institutionalized at USF; we are really focused on our students. What this is now showing is faculty success is where we now need to take the turn and provide the infrastructure that helps all the faculty to be successful.

Trustee Carrere asked if any other SUS institutions are trying to get into the AAU. Mr. Walsh responded that UF is the only one in Florida (public or private) currently that is AAU and FSU wants to be AAU. Provost Eisenberg explained that not every AAU institution is the same; it will be up to us to bring the USF "flavor" to AAU and there are opportunities with the AAU to distinguish ourselves as to who we are and what our identity is. Trustee Seixas asked if there are plans for a campaign for external stake holders (donors, business community, etc.) to understand why this is an important pursuit/objective for USF. Mr. Walsh explained that we are hopeful to see whether the BOG will take a state-wide policy position that AAU is good for the state, in which case we would certainly express why it is good for the Tampa Bay region, USF and others.

A motion was made to: approve the 2023-2024 Legislative Budget Request (LBR) for $50,000,000 per BOG Request; and authorize the President (or their designee), in consultation with the Board Chair, to make necessary adjustments to the LBR. The motion was seconded and approved by all Committee members present.

2. FIO LBR

Monty Graham, FIO Director, presented the Florida Institute of Oceanography (FIO) Academic Infrastructure Support Organization (AISO) 2023-2024 Legislative Budget Request in the amount of $6.2M recurring. The purpose of this LBR is to accommodate a critical need for FIO's research vessel, Keys Marine Laboratory and scientific equipment use support directed to the SUS marine science community.

The process to develop this LBR was more strategic than in past years. There were also additional steps in this process, one of which was Council on Academic Vice Presidents (CAVP) endorsement. This plan was presented to the CAVP on August 3, 2022, and received unanimous support/endorsement.

FIO is an SUS-wide institution hosted by USF. Consistent with the BOG regulation, any legislative requests by the AISO require consideration and approval by the Board of Trustees of the host institution or its designee. FIO is one of only two AISOs in the state; the other is the University Press hosted by UF. FIO is direct supported through a special allocation category and receives $2.2M E&G budget per year. FIO actually operates at a level closer to $5M, most of which is based on its role as an auxiliary. FIO operates under a strategic plan that goes through 2025 (adopted/approved last year). FIO supports four areas as an AISO: operational support of research vessels and Keys Marine Lab; support of SUS institutional academic programs; support of Florida's research university enterprise; and leveraging SUS capacity to support business engagement across the state. FIO requests $6.2M recurring funds to support critical needs of the SUS in areas of research and development, scholarship, and graduate workforce readiness goals of the SUS. The expected outcome is increased competitiveness of SUS institutions. FIO plans to collect and house the appropriate data from across the SUS and then do a head-to-head benchmarking against two institutions that FIO has picked - Scripps Institution of Oceanography (UC San Diego) and University of Washington, School of Oceanography. These institutions were picked because they are both AAU members and Top 25. Key metrics FIO will support through new recurring investment are: increased student retention rates; increased graduation rates; increased annual R&D expenditures; attracting and supporting talented SUS faculty; and enhanced diverse student enrollment and degree production. The expenditure plan will target four specific areas: 1) dedicated resources for newly hired SUS faculty (faculty start-ups); 2) additional at sea experiential learning opportunities for undergraduate and graduate students (currently support 60 days with existing $2.2M E&G budget; will be able to easily triple that with the new investment); 3) new near peer and peer to peer mentoring programs (promoting student success); and 4) updated and enhanced capabilities at the FIO operated Keys Marine Laboratory.

A motion was made to approve the 2023-2024 Legislative Budget Request (LBR) for FIO. The motion was seconded and approved by all Committee members present.

d. Expenditure Authorization Requests

Jennifer Condon, Vice President for Business & Finance and Deputy CFO and Controller, presented seven expenditure authorization requests for approval by the Finance Committee, two are updated requests and five are new requests (per USF policy, expenditures over $2M are brought to the Finance Committee for approval).

Updated Expenditure Authorization Requests

	<u>**New Total**</u>	<u>**Increase**</u>
Springer Nature Ejournals Renewal Agreement	**$3,681,782**	**$681,782**

At the November meeting, the Finance Committee approved the renewal of Springer, Nature and Palgrave ejournal content in the amount of $3M for three years based on the anticipated agreement that was being negotiated at the state level by the University of Florida for and on behalf of the universities of the State University System of Florida. After the November meeting and during negotiations, a fourth year was added to the contract. The now 4-year agreement is in the final stage of negotiation of terms. The total for the four years at the agreed upon rates is $3,669,282 plus an allowance for added titles of approximately $12,500 totals $3,681,782 covering both the Tampa and Health Sciences libraries subscriptions. This change exceeds 10% of the originally approved contract value and now requires additional approval.

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

	New Total	**Increase**
STG Remodel – Mechanical System & Research Lab	**$4,500,000**	**$1,500,000**

The original request for the Science, Technology and General (STG) remodel on the St. Petersburg campus was approved by the Finance Committee in February 2022 with an original scope to include both a teaching lab and a research lab. After the meeting and during bid solicitation, the construction manager found that the costs will far exceed the preliminary estimate of $3M. The additional cost resulted from two primary factors: 1) the existing mechanical system will not handle the increased demand for airflow so the project will require construction of an additional mechanical space and equipment to accommodate new laboratories; and 2) the project has been impacted by the cost inflation that is prevailing in the construction industry at the present time. Given the increased costs, the project scope has been adjusted to include the mechanical system and the research lab. This renovation will support the launch of a new major in Environmental Chemistry on the St. Petersburg campus in Fall 2023. The new major necessitates the hire of two new faculty requiring research space.

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

New Expenditure Authorization Requests

Four of the five new requests involve capital appropriations. While these funds will not be available until September/October, we want to be ready to move forward once the funds are available, so seeking approval now.

- **FY23 Capital Renewal Projects exceeding $2M - $41,837,500**
  This is a request for approval to proceed with design and construction of a bundled set of 16 deferred maintenance projects, each of which is projected to exceed $2M in total costs with an estimated consolidated cost of $41.84M, as part of the FY23 Capital Renewal Plan of $72M. This will enable a faster and more streamlined process to achieve the spending deadlines and more rapidly bring critical infrastructure repairs and replacements online. This will also help to stay ahead of supply chain delays, and to mitigate the impact of competing demands for the materials and resources needed. The projects will follow all procurement requirements and will be subject to audit by the BOG and/or federal government to ensure proper stewardship of taxpayer funds. Of the 16 projects, 6 are utility, 8 are building systems, 1 is fire code, safety, and ADA, and 1 is roadway; all projects are between $2M - $4M. These projects were reviewed and approved at the last BOT meeting as part of our submission to the State. This

request is being made at this time as funding may be released by the state prior to the next regularly scheduled committee meeting.

Chair Griffin asked if we have sufficient staff to manage these projects timely and within budget. Vice President Carole Post explained that this will be a challenge, but a good challenge to have, and we do have a rigorous plan in place to be able to execute and meet our objectives (both the spending objectives, which require a great deal of urgency and also the rigor around tracking the appropriateness, the compliance, and the spending criteria; and being very fact-based around how we are applying these funds so they go to the deepest need, the most vulnerable gaps that we have). This is all part of our master plan and it does take additional resources. To give perspective, this $72M is relative to our average capital funds which over the past five years has averaged $6.5M per year. We have asked for additional resources in our budget request to handle the workload; we are looking at assessing our current staff and how to reposition people to align with the evolving needs; and also looking at staff augmentation where we can flex up using professional services as a project becomes intense, and then flex back down as that project is completed. Chair Griffin thanked Ms. Post for response and is grateful for her and her team. He would like to discuss further (offline), as we scale these projects some of these dollars will not be recurring, how we scale quickly and prudently but also that we are not adding too much to the team that the volume cannot sustain itself as these projects get completed.

Trustee Palyam asked if the final number of $42M has any margin of error to calculate any of the unknown costs that might come up when executing the projects. Ms. Post explained that there is a lot of margin of error in these numbers, with supply chain and inflationary effects. All of these projects have long lead times or require design work to be done in advance. For most of these projects, we will not know the final numbers until the design work is completed. We are fairly confident that the $42M is consistent for the work for these 16 projects, but there certainly will be ebb and flow as workflow matures and as the details for the projects reveal themselves and we will be able to flex. This is all fluid (some will come in under budget, some will come in over budget) but we will be tracking and reporting back. We do have flexibility if we do encounter surplus and would be able to tackle more projects.

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

- **Taneja College of Pharmacy - $18,420,000**
  Bidding and construction of the Taneja College of Pharmacy in-fill project on the 11th and 12th floors of the USF Health downtown campus MDD high-rise building. Project began in FY2020-21. Total project cost estimate was initially set at $16.65M and is now estimated at $18.42M. Funded by philanthropy ($10M pledge from Taneja family), PECO appropriations and auxiliary funds.

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

- **College of Nursing Tampa Expansion - $28,000,000**
  Design and construction of the College of Nursing Expansion project on the Tampa Campus – USF Health district, as funded by the Florida Legislature to expand undergraduate nursing education to address the supply and demand of Florida's

nursing workforce. The purpose of this project is to repurpose existing space (some vacant, some occupied) to provide a superior physical environment for the expansion of the College of Nursing enrollment. Fully funded by PECO appropriations.

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

- **Academic STEM Nursing Facility – Sarasota-Manatee Campus - $2,950,000**
  Design and pre-construction services only for the Academic STEM Nursing Facility planned for the Sarasota-Manatee campus. Funded by PECO appropriations ($3M received in FY2022-23/Year 1).

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

- **BISK Renewal Agreement - $4,890,000**
  3-year renewal to agreement with Bisk Education, Inc. to provide online programs in Health Informatics. This is self-supported with auxiliary funds. Operates with a 5-8% margin. The auxiliary will have the 8-10% required cash reserve.

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

e. General Banking, Merchant and Purchasing Card Services

Fell Stubbs, University Treasurer, addressed the Committee seeking approval for the JP Morgan Chase Bank, N.A. to provide general banking, merchant banking, and purchasing card services for the University; approval authorizing the three signatories on the University's bank account; and approval designating JP Chase Morgan as the University's qualified depository for public funds (pursuant to Florida Statute). Mr. Stubbs presented information on the Banking Services ITN process, evaluation of six proposals, and ITN awards for the three banking services.

Chair Griffin thanked Mr. Stubbs for a great job on this ITN. He was pleased to see not only the amount of interest, but how well Mr. Stubbs negotiated the terms of this agreement.

A motion was made to: a) approve JP Morgan Chase Bank N.A. as USF's bank depository; b) approve authorized signatories on USF's bank account as presented; c) approve JP Morgan Chase Bank as USF's merchant services bank; and d) approve JP Morgan Chase Bank as USF's purchasing card services bank. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Annual Finance Policy Reports

The Policies were adopted in 2006 and apply to the University and all Direct Support Organizations (DSOs). The Annual Finance Policy Report is required by the three BOT Finance Policies (Investment, Debt Management, Derivatives). Mr. Stubbs 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 an investment committee. All portfolios are in compliance with the BOT Investment Policy recently revised on March 8, 2022. Each portfolio plays a different role for the respective institution. USF has two types of portfolios – one endowment portfolio and nine operating portfolios including the University's portfolio. The University's portfolio provides essential liquidity; seeks to preserve capital; and seeks to achieve a positive annual return in all market conditions over a long period of time. The University has a strong liquidity position compared to our Moody's AA peers (216 Days Cash on Hand vs. 210 Days). The University's portfolio is structured to conservatively protect against downside risks. The University's portfolio is supported by an outstanding investment committee and our investment consultant, Cambridge Associates. We have great conviction regarding our portfolio structure – right asset allocation and right investment managers. Portfolio is designed to preserve capital and minimize risk. We asked Cambridge Associates to model our portfolio over the past 20 years relative to these objectives and the analysis indicated that the portfolio generates positive returns in 93% of past annual investment markets. Portfolio is generating cash and bond funds are rapidly repricing as interest rates rise. During this unstable market, we are not buying or selling investments but increasing cash, as a result of our positive cash flow for the University. FY 2022 was a highly unusual investment market. Both equities and bonds declined, which has not occurred since 1999 and only occurred in 2 periods since 1926. This coincidental downdraft in equities and bonds resulted in the first year of loss (unrealized) for USF portfolio. Much of this loss has been recovered since June 30, however we expect market volatility to continue as the Federal Reserve increases rates to slow the economy and reduce record-high inflation.

2) **Debt Management**

USF currently has $349M outstanding in debt. All 19 of our debt issues are in compliance with the BOT Debt Management Policy, BOG guidelines, Florida Statutes, SEC and IRS regulations, and bond covenants. Moody's and Standard & Poor's both affirmed our AA credit ratings on the University last year. We made our annual presentations to the rating agencies in June 2022, and requested ratings on our new bond issue for the USF Sarasota-Manatee project. Mr. Stubbs presented information on our FY 2022 completed and current financing projects. We have two anticipated projects including the pending USF Sarasota-Manatee Housing and Student Center Project ($43.5M). We are actively managing our debt. This is intentional to financing high-profile strategic projects for the University, maintaining our strong credit ratings, and creating opportunities to reduce interest rate costs and to reduce risk. Mr. Stubbs presented the 10-year history of new debt, outstanding debt, and our long-term financing cost. Mr. Stubbs noted the maintenance of strong liquidity and low leverage which again creates capacity for new projects. Mr. Stubbs then looked at the profiles for the University's three bond systems. The Housing System recovered well from the pandemic and is delivering strong numbers in terms of reserves as well as debt service coverage. Projecting an occupancy level of 95% for Fall 2022, but expecting 100% with a waiting list. The Parking System is still recovering from the pandemic, but is very strong in terms of reserves and debt service coverage. The Marshall Student Center is a well-managed system and is strong in terms of reserves and debt service coverage as well as the student fee that was pledged to this system.

3) **Derivatives**

We only have one remaining interest rate swap in our portfolio. We have successfully exited previous swaps and will exit this swap once the termination value becomes positive. Mr. Stubbs presented the 17-year managed trend for our interest rate swaps. Our swap portfolio did its job to reduce interest costs on our variable rate debt. Outstanding swaps peaked in 2008 and today we have only one swap that is hedging $51M in a variable rate bond structure.

Chair Griffin appreciated the disclosures and was glad to hear the meetings with the ratings agencies went well. He thanked Mr. Stubbs for his thoroughness and his advocacy and always being mindful of the University's best interests.

b. Federal Funds Update

Ms. Condon presented information to close out the use of USF Federal Funds received as a result of the pandemic. There were several installments of awards that were received (CARES, CRRSA, ARP). Most recently USF applied for and received a supplemental award specific to our branch campuses (July 2022). USF received almost $87M for student aid and $113M for institutional support. As of June 30, the Student Aid has been fully expended and received. Remaining institutional funds of $6M are fully committed. Because of the nature of the way the funds were awarded, we started off slowly with our student financial aid awards but hit our stride in Summer 2021 and then in Fall 2021 awarded almost $38M in federal financial aid. The awards were closed out in Spring 2022. For institutional aid, 44% was used to offset lost revenue in our auxiliaries (Housing, Parking, Marshall Student Center, Study Abroad, etc.), 40% was used for expenses directly associated with COVID (technology improvements and online instruction, campus safety and testing, HVAC improvements, etc.), 10% to support our facility and administrative costs, and 6% is remaining. We fully expect the 6% will be split between direct expenses and indirect expenses. We have no plans to award any other lost revenue as operations have recovered significantly.

Chair Griffin reported that the Trustees were very pleased with how these funds were distributed, confident that the funds were distributed within the guideposts given by the federal government. This is an incredible spend, especially when getting it in the hands of the students.

V. Adjournment

Having no further business, the Finance Committee meeting was adjourned at 11:02am.