USF Board of Trustees
Finance Committee
NOTES
November 16, 2021
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 9:37am. Chair Griffin asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Michael Griffin, Mike Carrere, Shilen Patel, John Ramil, 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 August 10, 2021 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 August 10th meeting notes were unanimously approved as submitted by all committee members present.

b. 2022-23 USF Parking System Budget

Fell Stubbs, University Treasurer, presented the 2022-23 USF Parking System Operating Budget and requested approval at this time to meet a February filing requirement by the Board of Governors (BOG). This is the University's annual approval of the Parking System Operating Budget for FY 2022-23. The Parking System supports the Series 2016A parking bonds and is a strong credit rated system. The bonds were issued by the Florida Division of Bond Finance, who requires the approval and submission of a detailed operating budget to the BOG at least ninety (90) days before the beginning of the fiscal year which means a filing deadline in February of the coming year.

The FY 2022-2023 Operating Budget for the USF Parking Facilities Revenue Bonds reflects increased revenue in FY 2021-2022, primarily due to the $1.825M of federal funds (CRRSAA) provided to cover lost revenues in FY 2020-21 related to the pandemic. FY 2022-2023 operations are still affected by a modest recovery in permits/decals revenue. The estimated FY 2021-2022 unrestricted funds of $15M does provide support for AA credit ratings. A voluntary disclosure was recently provided to bondholders and rating agencies describing current operating conditions.

Mr. Stubbs noted that the student Transportation Access Fee was last increased in 2009 (twelve years ago) from $2.25 per credit hour to $3.00 per credit hour.

Parking System actuals for FY 2020-21 were presented, along with an estimated operating budget for FY 2021-22 and a projected operating budget for FY 2022-23. Expecting a decrease in operating cash in FY 2021-22 due to a significant decline in parking permits/decals sold. Used operating cash to support debt service payment in 2021 resulting in a debt service coverage ratio of 0.45x coverage. Cash flow is estimated to turn positive in 2022 due to the federal funds contribution of $1.8M to cover the lost revenues due to the pandemic resulting in a debt service coverage ratio of 1.92x coverage. Projected cash flows in FY 2023 are still under pressure due to the slow recovery of permit sales at approximately 78% of 2019's pre-pandemic level, resulting in a debt service coverage ratio of 1.34x coverage.

Chair Griffin clarified that the increase in revenue is not associated with an increase in fees. Mr. Stubbs confirmed this.

A motion was made to approve the 2022-23 Operating Budget for USF Parking Facilities Revenue Bonds, Series 2016A. The motion was seconded and approved by all committee members present.

c. Revised St. Petersburg CITF List

David Everingham, Regional Vice Chancellor, presented a revision to the CITF project list for the St. Petersburg Campus. St. Petersburg's CITF list currently has two projects. First is a Co-Curricular & Wellness Facilities project dating back to 2017. This project is fully funded at $2.1M. This project was originally intended to modify spaces in Heller Hall which surround the existing swimming pool and restroom, locker room, office space and check-in areas utilized by Campus Recreation. While the purpose of the project remains the same today in support of student wellness, St. Peterburg is now seeking approval to revise the details and location of the project. The second project on the list is a remodel in the University Student Center. This will provide needed enhancements and improved utilization of existing space. The project total of $1.5M is 59% funded as of FY22 and the remaining request is included in 5-Year Capital Improvement Plan. Hoping to have the project fully funded in the next year or two based on the level of appropriations received in recent years. No changes requested for this project.

Over the years as funds were being accumulated for the Wellness project, circumstances have changed quite a bit, including the condition of existing facilities and developments in the layout of the campus with the addition of a new dining and residence hall. Seeking approval today to revise the Co-Curricular & Wellness Facilities project with consideration of the current circumstances. This project continues to be the most important with regard to student spaces on campus. The revised plan now includes replacement of the dilapidated 84-year-old swimming pool (with prohibitive repairs and maintenance costs) and relocation to Pelican Apartments and Student Life Center (improve accessibility due to proximity to fitness center and housing; enhance student wellness, life and engagement). The project is advocated by Student Government and Student Success as top priority and is recommended by St. Petersburg Campus Board. Estimated completion is Spring 2023. Trustee Seixas stated that this is a critical part of St. Petersburg's overall plan to enhance student life and is an important part of recruitment and overall campus plan. This remains the number one priority for students. Chair Griffin asked if St. Petersburg is confident that $2,055,429 for the project is sufficient in the current environment for materials, labor, etc., and the project will stay within that number. Mr. Everingham responded yes and they will be doing design/build for this project so they can stay within that budget. Chair Griffin stated that it is his expectation that they stay within that number and do not come back through this process. Chair Griffin supports this project as long as the project stays within that number and they do not ask for an increase in funding.

A motion was made to approve the revised St. Petersburg CITF list as presented. The motion was seconded and approved by all committee members present.

d. Energy Savings Contract and Award to Siemens

Mr. Stubbs presented the agenda item. This item is requesting approval of an award of the energy performance contract agreement to Siemens Industry, Inc. The Siemens contract will replace the Tampa Campus central plant heating system that is in a current state of failure. We are currently renting boilers at a cost of $200K per year. The central plant heating system supports 2.4M square feet of campus research buildings, medical buildings, academic buildings, residence halls, and the Marshall Student Center. The Siemens scope of work to renew the Tampa Campus heating system consists of the installation of five boilers, two heat exchangers, base lighting, the northwest plant optimization and demand flow technology, construction commissioning, and design and engineering costs to meet 95.5% of the campus base heating load, with a current estimated cost of $9.4M and a not to exceed cost of $9.9M. The contract will guarantee energy savings to the university of approximately $15.6M over 20 years, which is guaranteed to exceed the costs of the heating system and the cost of the financing. The contract will also provide a guaranteed maximum price (GMP) and 100% public construction bond. USF conducted a competitive RFP process for lease purchase financing for the central plant upgrades and received seven proposals. The University's financing payments are subject to annual appropriations. The University expects to complete negotiations with Siemens in the next one to two months and select and negotiate the financing for the energy savings project in the next month. The energy savings project with Siemens is expected to produce a reduction in university energy costs of $15.6M, which is required to exceed the acquisition, construction, installation and financing costs of the project.

Chair Griffin was pleased to see the number of responses to this procurement.

Trustee Carrere asked if the fuel source for the new system would be natural gas. Mr. Stubbs responded that it would be combination of gas and electric, but mainly natural gas. Trustee Carrere asked how Siemens can guarantee the savings with the price of natural gas increasing. Trustee Ramil explained that the savings is based on what old equipment would have cost versus new, more efficient equipment in its place. He urged that since we will be operating the facility, we agree upfront in contract to how we are going to operate it and stick to it. That is where we can get in trouble with Siemens because if the savings don't happen, finger pointing starts as to whose fault it is and we want to make sure we cover the risks for ourselves since we are the ones operating it. He is comfortable that this is the right way to do this replacement but as we negotiate the details we need to be sure to cover the risk of operations for the University.

A motion was made to Award Energy Performance Contract Agreement to Siemens Industry, Inc. as presented. The motion was seconded and approved by all committee members present.

e. Oracle Cloud HR/Payroll System

Chair Griffin introduced the agenda item and explained that we are asking the Finance Committee to allow management the opportunity to initiate negotiations with Oracle. Financial impacts and completed negotiations will come back to the Finance Committee. Want to give management authorization without associating a dollar amount yet so as not to impact negotiations. This is a little different than our normal process.

Mr. Trivunovich explained that a new HR/Payroll System has become a critical need for the University.

Angie Sklenka, Vice President and Chief Human Resources Officer, explained that this new technology implementation links directly back to the President's goals and a focus on internal relations and culture. In support of this, HR has modernized its motto, "People are at the heart of everything we do." This applies to students, faculty and staff. In this focus, HR has realized that some of its processes are not as efficient and effective as we want them to be. With these cumbersome processes, we've learned a lot of our money and our time is being wasted in a very manual and heavy-lifting effort where we could be doing things differently and preserving our funding to focus on our students and our faculty. This is the first ever cultural HR strategy that the institution has had. HR looks at the strategic priorities of an organization and links the cultural priorities to those. In doing so, we don't just keep up with status quo but look to the future in a predictive way. We can look at trends in our people landscape that give us indicators on how we need to focus for the future. Some of the things we look at are turnover, talent availability and the changing demographics of our students and workforce. When we look to the future, we can close gaps to grow in the way we attract, develop, retain and engage people. These are renewal engines for HR. When we focus on these areas proactively and predictively, we can then use our workforce as our competitive advantage. This results in best brand, best place to work at USF, which ultimately helps our student experience be premium and helps us to achieve our goals externally. In order to achieve that framework, we have to have an architecture that is supportive and transformational. The following four pillars can help us achieve this future success: recruitment, onboarding and training, talent planning and performance management. This is a hire to retire strategy. If we hire externally every time we have an initiative, it costs about 2x rather than growing talent from the inside. We want to be mindful when we think about talent and succession planning. In the end, we need to have a pay for performance culture where we are focusing our labor budget on those high performing individuals that can help us achieve greatness in the future. Implementing empty tech will not help us achieve success in the future. HR technology will give us the integrative platform that we need in order to treat our people how they expect to be treated in the modern environment today. USF's current processes are dated. With the modern technology, our processes will improve at about 80% streamlined activity. As we focus on future improvements and continuous effort, we can use our data and systems to target continued growth.

Next, Sidney Fernandes, Vice President and Chief Information Officer, explained that we looked to the marketplace to meet HR's requirements. The good news is we have Oracle/Peoplesoft right now and the upgrade to the Oracle HCM Cloud (another Oracle product) would get us about everything HR is looking for. Oracle and Workday are the leaders in the Gartner magic quadrant with Oracle having about 18% of the education market. Upgrading our existing system will benefit USF and meet HR's goals. We are looking to do an upgrade cycle quickly to get us to the HCM Cloud. This will also help us to increase speed to market. With a cloud-based system, do not have to wait for long upgrade cycles; you essentially get the upgrade when the cloud makes it. It will also give us a time and labor system which we are lacking right now. By doing this upgrade, we will be able to seamlessly move to the modern infrastructure that HR is looking for and at the same time reduce dependency on infrastructure as a service type. USF does have its systems right now in the cloud but it has infrastructure as a service; this will give us software as a service which is eminently faster.

Ms. Sklenka further explained that HR is committed to is measuring outcomes. With this upgrade, we are estimating a cost avoidance of about $50M over the next several years. Top benefit drivers are improved productivity, reduced turnover, reduce payroll leakage and overtime use as well as eliminating some of the legacy systems that are not effective any longer. Ms. Sklenka has done several of these upgrades at other organizations. She suggests for higher education, and specifically USF, a two-year runway for this process so we can ensure the proper change management techniques are used and that this system is sticky and allows people to understand how their roles are changing so we can recast their efforts in a way that is most meaningful for our organization. Ms. Sklenka presented a proposed timeline, kicking off in April and finishing our implementation in a couple years. First component will be focusing on core and time and labor with payroll then we use the talent management component in the second part of the implementation. Looking to release in phases. Once we get into vendor selection and partner selection, the timeline will be further enhanced and nailed down.

Trustee Ramil explained that costs get out of control when we customize the off the shelf software to match your processes versus changing your business processes to match the software. He asked what we are planning to do. Mr. Fernandes responded that we cannot let current business process and old habits as well as the way we did things drive an ERP process, especially a cloud ERP process. If you do, you will miss the efficiencies of a cloud ERP process. The value of a cloud ERP process is that you are gaining the best practices these cloud vendors provide to gain those efficiencies. Its best to implement as vanilla, run the software for two quarters, and then take a look at enhancements. This is how EPIC was implemented at USF Health. This will help to prevent "stove piping" and keep costs from increasing. Ms. Sklenka indicated that they have been working with the deans and provost on this and are looking forward to changing our habits.

Chair Weatherford stated that he is excited about this project and it is critical to get this right and avoid mission creep. Adopting Cloud will help us to be competitive and live in the 21st century. We will be a much more efficient organization when this is done.

Trustee Carrere asked if the absolute dollar cost of the new software will be more than what we are currently paying for the existing software. Mr. Fernandes explained that the absolute cost of the new software will exceed the cost of the existing software but we will gain efficiencies and cost avoidance. Trustee Carrere stated that we need to careful in managing these soft savings.

Trustee Seixas asked if other SUS institutions already use this system, and if so, what have we learned from their experience. Ms. Sklenka explained that she has talked to several universities outside the SUS and they have echoed the same things the Trustees have said. It is best to take advantage of these best in class processes so that when you implement you are getting the gains you hope to achieve from the implementation. Also, it is important to spend time with the change management component so people will do work differently and understand the value in the future of work that they are facing. Mr. Fernandes responded that Oracle and Workday are the two leading vendors for HCM and finance. The key isn't the technology as both are cloud-based; the key is how we implement and manage. FSU and UF use Oracle. USF will be the first in the SUS to go to Cloud HCM. UCF is looking at Workday for an upgrade.

A motion was made to authorizes the University to initiate negotiations with 1) Oracle on an upgrade to our current HCM system and 2) an appropriate third party implementation partner to assist with the upgrade. The motion was seconded and approved by all Committee members present.

f. Judy Genshaft Honors College Scope Changes

Chair Griffin explained that the project was previously approved at $54.5M and any changes need to come back to the Board. What we have today is a request to increase the project budget to $55.6M.

Jay Stroman gave an update on fundraising for the project. Philanthropy makes up a large percentage of this budget along with state funding which we did receive in the last cycle. The goal was to raise $43M and we have had success and raised a little over $44M. Hope to close the fiscal year at closer to $45M.

Mr. Setteducato stated that the changes in scope were requested by the major donor. The project is on-time to be completed in February 2023. This request will not affect the schedule. The request is for an increase to $55.6M (an increase of $1.071M, all in private sources). The increase consists of four components (exterior signage, food and cultural studio enhancements, finishes, and landscape) totally funded through additional philanthropic support.

Mr. Setteducato explained that we are asking for approval for this increase in scope to $55.6M, funded through philanthropy. Also asking the board to consider if we have similar situations during the course of this project (which will be running for the next year or so) where additional scope changes are generated and funded by donor/philanthropy, that we do not have to come back in advance of these things happening, but we can proceed and report back during periodic updates, so as not to delay the project. Trustee Patel also asked that where there is a 1:1 relationship with these scope changes and philanthropy and no impact to state funds or university funds, is there an opportunity for a streamlined process on the governance side when these types of changes come up.

Trustee Ramil stated that he is not in support of this. He has been an advocate for when we approve major projects, we are approving both the budget and the scope. He explained that we have had issues in the past where scope has been changed to stay within budget and that is not what the board approved. We have been avoiding this recently and need to continue to do so and follow our governance process. Chair Griffin agreed, we have a process in place for approving expenditures and we need to follow that process like we are doing here, particularly with capital projects with significant spend.

Chair Griffin explained that the motion does not include Mr. Setteducato's last suggestion; the motion is only to approve the scope and budget change.

A motion was made to approve the increased scope of project and associated budget (as presented) only. The motion was seconded and approved by all Committee members present.

g. MDD Buildout

Dr. Lockwood explained that this request is for the buildout on the 8th floor and core facilities of the 6th and 7th floors. This is the next iteration of the building's completion. Beyond that, will be looking for additional support to build out the 10th floor (not part of this request) which is administrative space. Once built out, we be able to decant current administrative space present in clinical facilities and allow us to turn that into revenue generating space. On the 11th and half of the 12th floor is space allocated to the future Taneja College of Pharmacy which will require some additional identification of funding sources. On the 9th and the other half of the 12 floor is the space that TGH is leasing from us and together we will come up with a plan for that space (such as cardiology, pulmonology, research space, clinical trials).

Rich Sobieray explained that this request is for approval of $14.6M to complete the 6th and 7th floors and the complete buildout of the 8th floor. Totally funded from the Dean's fund; no state funds for this. The Dean's fund is accumulated through taxing (5%) clinical revenues, which generates about $14M per year. This sits in the Practice Plan. Dr. Lockwood does not spend all of this each year, so funds are accumulating (about $4M per year). Will be using cash reserves for this project.

A motion was made to approve the buildout of floors 6, 7 and 8 of MDD at a project cost of $14.63M in support of the research mission for USF Health. The motion was seconded and approved by all Committee members present.

h. Expenditure Authorization Requests

Nick Trivunovich, Vice President for Business & Finance and CFO, presented five expenditure authorization requests for approval by the Finance Committee. USF's expenditure policy requires Finance Committee approval for all expenditures in excess of $2M.

- Waste Collection Services/Tampa Campus

  This request is for a new contract in the amount of $3.83M over 8.67 years for waste collection services (and potentially recycling services), inclusive of rental of various size containers (temporary and fixed), pull charges, and lawful disposal fees for the Tampa Campus. The University is required to select one of the three providers that the county has awarded, and we normally engage our selected provider for the same contract period as the county. In addition, we are able to piggyback off the county's contract as a starting point for further negotiations in order to achieve the lowest cost possible.

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

- Door Access System

  This request is to issue a new ITN to select vendors to provide installation, support and maintenance of the USF Door Access System, with an estimated spend of $3.5M over 5 years. This contract would be for a 3-year period with two possible one-year renewals. This contract does not obligate us to spend the entire $3.5M, but rather establishes the costs and requirements of various services. While we use one software system for our card readers which is purchased from one vendor, we normally engage a couple of vendors through this ITN to do the installation and servicing.

  Trustee Seixas asked about the plan on how we would prioritize the upgrade. Mr. Trivunovich explained that housing facilities are first for security purposes, and then academic buildings and we would prioritize within those.

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

- Elsevier ScienceDirect Ejournals Renewal Agreement

  This request is for the renewal of the Elsevier ScienceDirect ejournal package and book series. This renewal extends USF's participation under the Elsevier ScienceDirect Master Agreement, negotiated at the state level by the University of Florida for and on behalf of the universities of the State University System of Florida, through 12/31/2024. This request is for $3.49M over 3 years. This contract has already been negotiated with no increase for FY2022 and 3% increases for the next two years.

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

- Springer Nature Ejournals Renewal Agreement

  This request is for the upcoming renewal of Springer, Nature, and Palgrave ejournal content. This anticipated 3-year agreement is currently 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 for the 2022-2024 period. The total for the three years is estimated not to exceed $3M for both the Tampa and Health Sciences libraries. The estimate is based on history as well as estimated cost increases.

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

- Greek Village HVAC

  This request is for the Greek Village HVAC replacement and upgrade. Estimated cost is $2.65M and is based on a comprehensive assessment by a third party engineering firm of all areas associated with the HVAC system (attic, duct work, AHU, etc.) in Greek houses 1-14. The Greek Village was built in 2003, so the air handling units are at the end of their useful life. In performing our due diligence, we've also found additional construction deficiencies that contribute to excess humidity and less than optimal environmental controls in the buildings. Expected deliverables for this project are a properly balanced system that controls humidity and maintains a comfortable environment for the residents. We are planning for this project to be executed in Summer 2022. Therefore with the long lead times on materials and equipment, we are asking for approval at this meeting in order to meet our schedule.

  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. Draft 2021 Financial Statements

Jennifer Condon, University Controller, provided highlights of the draft FY 2021 financial statements. Ms. Condon reviewed significant items on the income statement and the balance sheet. GASB Accounting for Pension & Other Post Employment Benefits (OPEB) are actuarially estimated liabilities of promises to retirees which are out of USF control and significantly impacted by annual investment returns, covered payroll proportions, and various other actuarial assumptions. Even though the State of Florida pays the contributions, USF must record the liability and cannot record the offsetting receivable. This is an issue for every public higher education institution. OPEB and GASB continue to impact net operating results and net position. Our Unadjusted Net Operating Results for FY2021 is ($41M). After adding back the annual expenses booked for pension and other post employment benefits, we get a more reflective picture of a surplus of $40.3M. This is an increase over the prior year's deficit. The $88M year over year variance (from FY20 to FY21) in net operating results is primarily caused by increases of $36M in noncapital grants & donations (CARES institutional funds) and $32M in net investment income; a decrease of $42M in services & supplies expense; and offset by a $23M decrease in auxiliary sales & services revenue. Significant deficits have accumulated in our Unadjusted Unrestricted Net Position. For FY2021, this number is ($381.4M). After adding back many hundreds of millions of dollars of accumulated liabilities and net deferrals for pensions and other post employment benefits to yield Adjusted Unrestricted Net Position of $487.7M for FY 2021. Again, this is happening all over the country because GASB requires state agencies account for these liabilities, but at this point USF is only making contributions on the net pension liability. The State of Florida is covering the other benefits which is why the credit rating agencies are currently adjusting for them.

Ms. Condon then explained variances between 2020 and 2021 in excess of $10M and 10% as well as variances in excess of $20M. This year, as expected and with limited exception, most of these variances resulted from the COVID19 pandemic. The most significant change on the balance sheet was in cash & investments balances. Our FY2021 yearend balances have almost returned to the FY2019 and pre-pandemic level. 3 additional accounts fit the criteria on the balance sheet, including Net Receivables which increased $22M and 25% due to CARES and other federal grant and award receivables and increases in affiliated hospital receivables for our medical resident program. Increases are caused by year end timing and these receivables have since been collected. 7 accounts fit the criteria on the income statement. The most significant cause of variance on the income statement was COVID-19. FY2021 saw a decrease in auxiliary sales and service revenue of $23M or 18% which was partially offset by a $13M or 32% decrease in auxiliary expenses in the other non-operating category. There was also a university-wide decrease in travel and consulting expenses. COVID-19 was also responsible for an $18M increase in Federal & State Financial Aid and an offsetting increase of $30M in scholarships, fellowships & waivers expense. Capital appropriations decreased $12M or 62% as we received our last installment for the USF Health Morsani COM & Heart Institute in FY2020. Net Investment Income increased $32M or 770% in FY2021. This category combines real investment income and unrealized gains and losses. A graph of Net Investment Income was provided which showed investment income and unrealized gains/losses separately over the past three years. Investment income was constant from year to year. Unrealized gains and losses accounted for the entire variance ($23Min gains in FY2019, $14M in losses in FY2020, and $18M in gains in FY2021).

Chair Zimmerman thanked Ms. Condon for an excellent presentation. He asked how this information ties into strategic realignment/renewal and are we seeing any savings now. Mr. Trivunovich explained that strategic realignment/renewal gives us a roadmap for how we want to use our resources.

In closing, Ms. Condon noted that the audit is closing out and the exit conference has been scheduled in the next week or two, and the official financial report should be issued right before the holidays.

Chair Griffin thanked Ms. Condon for her comprehensive presentation.

b. Budget Planning Project

Mr. Sobieray gave an update on the proposed process for addressing resource challenges and a new budget process. He spent the first five weeks in his new role as Interim Sr. Vice President and COO meeting constituents and getting feedback. He stressed the fact that we have been listening and addressing their concerns with the budget process over the past few years. The impressions are not surprising and are consistent: all want a transparent and predictable budget model; all campuses want to ensure they're respected, and needs are addressed; the Deans want back some local control of their respective Colleges; all believe that the Colleges and some support areas are severely under- resourced; all want to ensure we don't lose sight of quality, cross-college investments, and performance-based expectations; all agree that any changes in budget process and resource allocation should be tied to the developing strategic plan; and all agree that a strong linkage needs to exist between authority and accountability. In the end, we all want a process that people are engaged in, that they feel they have some input, that senior leadership and trustees are listening to their needs; and we come up with an allocation model of resources that is both fair and consistent in support of our mission of teaching, research, even clinical care, but ultimately to impact the strategic plan and strategic vision and mission of this organization.

The facts are clear: the budget process is viewed as top down and transactional without transparency; the Tampa campus has fronted the investment in its growth with the hope the State of Florida would provide more resources for operations and capital; and the branch campuses (Sarasota/Manatee, St. Petersburg) and Health Sciences have managed their resources independently but effectively. The result has been frustrated Deans and faculty; E&G (Tuition, Lottery and General Funds) resources have been overcommitted; and Deferred Maintenance has not been funded across USF. Bottom line is resources have not kept up with the pace of growth and success of the University.

Two-part process to address this: 1) we need a budget process and to define what that process is going to be in a transparent way and we need to come up with an allocation of resources or a funds flow model that makes sense; and 2) we need to address the structural deficit. To so this we need to implement a Budget Committee which will design a new value driven university-wide budget process and resource allocation model that builds on the diverse, equitable and inclusive culture at USF. We want to be sure this budget process is linked to the strategic plan. We have a very short timeframe in which to do this, but we can do this. The structural deficit has occurred in our E&G or state resources and the utilization and the overcommitment of those resources. The other sources of revenue across the enterprise are what is driving a lot of the margin we saw in the financial statements presentation. But those are not flexible resources (auxiliaries, DSOs). We need to expand our portfolio of resources so we can address some of these issues and take the pressure of off the state resources. State resources by themselves will not fix this entire problem. We need to do this through new resource generation, operational excellence, and innovative initiatives. The timeline on this is to develop a 5-year plan by the end of the fiscal year around the balancing of this budget. Success is defined as: 1) a balanced budget within 3 years (worst case scenario) by establishing a sustainable funds flow model with incentives that advance USF's mission of excellence; and 2) a new budget model that balances local autonomy with a strong sense of unity in vision and values, provides decision-makers with increased transparency into USF finances and fosters an information-rich disclosure on college priorities and budget matters, advances and encourages Campus and Health strengths and priorities, aligns authority and accountability, and provides for reasonable transitions and bridging strategies.

Trustee Ramil suggested that the organization take a hard look at spans of control and levels between the CEO and the front line because these tend to get out of whack from time to time.

Chair Weatherford stressed that getting this right is critical for the future of this university. It is important for us to have a more inclusive, more easily forecastable and data driven budget model to be able to thrive in the future.

Trustee Seixas commented that bridging and transition are an important part of this process as well as the challenges that will be present as this is a significant change that is needed. The internal change management plan around this will be critically important.

Chair Griffin stated that the Finance Committee stands ready to support and assist in any way needed.

c. Federal Funds Update

Mr. Trivunovich provided an updated status of the USF Federal Funds received as a result of the pandemic, to include CARES/CRRSAA/ARPA funding expended to date as well as commitments to be funded in the future. USF has received $195.3M in federal funding. This funding has come through three allocations: CARES funding of $34.8M (evenly split between Student Financial Aid funds and institutional funds) which has been fully spent; and CRRSAA and ARPA funding of $160.5M ($69M allocated as Student Financial Aid funds and $91M allocated as institutional funds). Institutional funds were to reimburse the university for any costs associated with the COVID virus. The grant period for the CRRSAA/ARPA funds requires it to be spent by May 25, 2022. Of the $91M of CRRSAA/ARPA institutional funds, $42.7M is lost revenue claimed, $30.4M is for direct COVID expenses, $2M has been set aside for contingency for unforeseen COVID-related expenses, and $11.5M is allowable overhead on direct expenses. This overhead is allowed to be spent on administrative and other support costs. After identifying all of our expended or committed costs, there is $4.4M in institutional funds that is uncommitted and will still need to be allocated. If we reach the end of the grant period with unspent funds, there is an additional $26M in lost revenue that has been identified as allowable under the grant guidelines that we will draw down to the extent necessary in order to maximize our use of the federal funds. We also still have $31M in unspent Student Financial Aid funds. These funds will be spent by the May 25, 2022 grant end date.

V. Adjournment

Having no further business, Chair Griffin adjourned the Finance Committee meeting at 11:40am.