



**USF Board of Trustees
Finance Committee
NOTES
November 19, 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 9:06am. Chair Griffin asked Brittany Dix to call roll. Ms. Dix called roll with the following committee members present: Michael Griffin, Sandra Callahan, Rogan Donnelly, Fredrick Piccolo, and Will Weatherford. A quorum was established. Shilen Patel 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 August 20, 2024 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 20th meeting notes were unanimously approved.

also anticipate that the university will continue to provide merit increases for its staff, which is incorporated here. The reduction in debt service from FY24 down to \$1.3M in FY25 and FY26 reflects the amortization of the Series 2016 bonds, which mature on July 1, 2026. Operations are expected to generate \$1.8M in FY25 and \$1.4M in FY26. However, total cash is expected to decrease in both FY25 and FY26 to continue funding major capital improvements or purchases that were deferred during and post COVID. In FY25, the largest projects are the parking lot resurfacing at \$1.2M and various preventative structural renovations totaling \$500K. In FY26, Parking plans to purchase 2 new diesel buses to add to its aging fleet. Notwithstanding these significant capital contributions and investments, the total fund balance will remain strong at \$17M, with over \$5M in unrestricted operating cash, which provides a strong liquidity that supports our AA credit ratings on these bonds.

A motion was made to approve the 2025-26 Operating Budget for USF Parking Facilities Revenue Bonds, Series 2016A. The motion was seconded and approved by all committee members present.

c. Expenditure Authorization

Jennifer Condon, Vice President and CFO, presented the expenditure authorization request for the facilities service agreement with Southeast Service Corporation (SSC). USF intends to enter into a 15-year agreement with SSC to provide custodial, grounds, plant maintenance and small project management services. The University's partnership with Compass Group, which includes our agreement with SSC, is projected to be worth nearly \$320M in cost savings and additional revenue for USF over the next 15 years. It will also result in efficiencies and advancements for our university that otherwise would not have been possible. It also supports the goal our university strategic plan of having a strong, sustainable and adaptable financial base. This \$30M expenditure authorization covers the first three operational services from December 1, 2024 to June 30, 2025, on all of our campuses and incorporates academic and auxiliary facilities. S

BOT Finance Committee meeting. Ms. Rodriguez noted that all DSOs have adopted, and are in compliance with, the USF Investment Policy and the DSOs are governed by independent boards of directors and their investments are governed by their own DSO investment committees. Ms. Rodriguez provided the following FY24 highlights of the three DSO investment reports:

- USF Foundation (USFF)
 - x Total assets under management approximate \$900M as of June 30, 2024. That includes \$743M in their endowment pool and \$156M in their operating pool.
 - x The endowment generated a strong 14% return for the year ended June 30. At 14%, USFF endowment generated the strongest return in the SUS for FY 2024. The second highest return was 12.9% and the lowest was 7.2%. Over the trailing 10 years, the endowment has generated a strong 8.3% return, which exceeds its 10-year expected return of 7.85%. The endowment continues to perform remarkably well, maintaining its top quartile ranking amongst its peers and its investment consultants universe over most time horizons, and particularly over the long term.
 - x The operating pool also had a strong year returning 7.8% and the pool did outperform its benchmark over the trailing 10 year periods as well as since inception.
- University Medical Services Association, Inc. (UMSA)
 - x Total portfolio was approximately \$38M at June 30 with \$26M in its short term pool split approximately evenly between cash and cash equivalents and its fixed income pool and \$12M in its long term pool, solely in domestic equities.
 - x Strong one year return of 14.5% and since inception the portfolio has generated over a 5% return. Considering that this portfolio is heavily tilted toward cash and cash equivalents and fixed income, that is a strong return.
- USF Research Foundation, Inc.
 - x Research investment portfolio was approximately \$41M at June 30 with \$37M in the long term pool that is solely invested in the endowment. This \$37M was included in the \$743M in the endowment pool. \$1.4M is in held in their intermediate pool and \$2M is held in their short-term pool.
 - x Strong one year return of 13.5% and since inception, this portfolio has returned approximately 9%. With a large allocation to the endowment pool, they get the benefits of the Foundation's strong performance.
 - x Outside of the \$41M, they have another \$15M in unrestricted cash for operations and this unrestricted cash provides for very strong liquidity of 377 days cash on hand.

Chair Griffin stated that this is very good news thanks to our great investment policies. This shows how well we stack up with our peers and others around the state.

b. Draft 2024 Financial Statements

Ms. Condon provided highlights of the draft FY24 financial statements and explanations for all variances above certain thresholds. Supporting materials include two three-year trend analyses: 1) the university's statement of net position; and 2) the statement of revenue, expenses and changes in net position. For this presentation, these statements will be referred to as the balance sheet and the income statement, respectively. These financial

costs. Like most medical schools across the country in response to these challenges, UMSA is expanding its partnership with its primary hospital partner, TGH. UMSA received a clean, unmodified audit opinion with no findings or audit adjustments. The mid-year forecast will be provided at the February meeting, so we'll look forward to some updates at that time. At this time, there are no changes to their FY25 financial plan and they anticipate breaking even with 28 days cash on hand. The reason for the anticipated breakeven operations is due to the partnership with TGH where UMSA will essentially be shifting its risk and operating losses to TGH. The agreement with TGH has been signed and this is going to continue to expand that very positive momentum and partnership that we have with TGH. This is great news.

For FY25, TGH's estimated incremental investment is \$32.5M and includes the following:

- \$2.7M for the GME program
- \$14M to support clinical faculty
- \$15.8M for overall mission support

USF Health has begun implementing the new MCOM faculty compensation plan for its clinical faculty. This will align with the funds flow from TGH and it will compensate based on benchmarks for all missions and assignments. Implementation has begun. Half of the eligible faculty were implemented in October, and the remaining are expected to be implemented this month, and so far it's going very well.

2. HPCC

HPCC ended the year with a \$104K net operating profit and 20 days cash on hand.
HPCC

concerned about Research Foundation from a business sustainability perspective, with a solid business model and very strong liquidity with 377 days cash on hand. The issue is the delayed lease up of the new building. All of their other buildings are fully leased up and continue to generate positive results for the Research Foundation, which is helping to fund operations on the new building. At this time,

An outline of the plan was provided to the full Board in June 2022, followed by updates to the Finance Committee in August 2022 and Feb 2023. We now approach a significant milestone regarding use of the funds.

As a recap about the program which awarded all state universities an allocation of funds tied to previously reported deferred maintenance priorities, USF's priorities were developed across all branches and USF Health. The allocation we received was sufficient to fund the first 87 initiatives on our priority list. Factors that were considered in setting those priorities included likelihood of a system failure based on age or current condition or the impact of a particular system failing. These 87 projects are all essential infrastructure – systems that make our university work every day, like HVAC, electrical, plumbing, roofing, and also ADA related initiatives. The breakdown by project category or discipline, as well as by campus recipient, noting that many of the Tampa projects are deemed university wide improvements, was provided.

A significant milestone for this program is to have all funds encumbered by 12/31/24. We will meet that deadline. This is good news. To achieve that, we worked with the BOG and adapted the budgets of nearly every project to align the budget with the actual cost as bids came in and work was initiated. Some projects were coming in over budget, others were under budget. Initially we were not able to adjust budgets, but the requirements were changed to provide greater flexibility to move funds around to achieve the intended goal. Notwithstanding fairly prescriptive requirements, we will successfully encumber 100% of \$72.8M in a little less than 2 years. There are many people to credit for this success, but especially Hari Patel and Scot Berrian of the OAS team.

The next deadline is to complete the projects and spend the funds by the end of 2026. The majority of projects are in construction, some are already completed, and just a few, the more complicated efforts are in design. We are right where we want to be and confident we will meet the next deadline. And while the tracking and reporting is important, it's more important to emphasize how transformational this investment will be when we have these projects completed and the improvements to many of our aging buildings.

Looking ahead, while we have 2 years left to continue this specific effort, we are not waiting for 2026 to continue tackling deferred maintenance. Ms. Post reviewed three slides providing a quick snapshot of what we are looking at to continue these efforts. First is a high-level summary of the age of our physical assets. This is a snapshot of Tampa and we have this data for St. Petersburg and Sarasota-Manatee as well. Sarasota-Manatee is relatively new and St. Petersburg is a mixed range of building age and conditions, like Tampa. This shows the average age of the buildings on the Tampa campus and the same assessment by gross square footage. The data at this level is reasonable, reflecting half the asset stock less than 25 years old, and a quarter each in the middle age range (25-50 years) and older stock (more than 50 years old). The next slide has the same measures, but now looking at just the 'conventional' academic and research facilities, so excluding housing, athletics, and CITF funded buildings. This changes the output to reflect that these buildings trend older than the overall stock. The measure by square footage is similar, reflecting nearly 40% now in the middle age category. A few other key factors to note is that our newer building stock is generally larger in size than our older stock, which is a good thing – we now typically build larger to account for growth including projects that specifically include future build or shell space, which is more economical. What it also shows is our need to address our smaller, older, and continuously aging academic and research buildings. This is just a snapshot at how we've developed greater metrics and data to guide our strategic decisions about capital investments. As previously discussed, it's

critical for us to align our investments into capital that drives our academic and research priorities. The other challenge is tackling the systems within the buildings, it's not just the age of the building but how essential systems are accounted for. The third slide is another high-level summary that gives a sense of how we are approaching essential systems within