

USF Board of Trustees Finance Committee NOTES Thursday, May 14, 2020 Microsoft Teams Virtual Meeting

I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Jordan Zimmerman at 11:25am. Chair Zimmerman asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Jordan Zimmerman, Mike Carrere, Les Muma, Charlie Tokarz, and Alan Bomstein. A quorum was established. Trustees Stephanie Goforth, Mike Griffin, Oscar Horton, Deanna Michael, and Byron Shinn and President Steven Currall were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 18, 2020 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Zimmerman requested a motion for approval, it was seconded and the February 18th meeting notes were unanimously approved as submitted by all committee members present.

b. 2020-21 Continuation Operating Budget

Nick Setteducato, Associate Vice President for Resource Management & Analysis, presented the 2020-21 Continuation Operating Budget. The USF Board of Trustees (the BOT) is required to adopt an annual budget for the operation of the University. The BOT must approve the budget prior to June 22, 2020 for the State Comptroller to process cash releases for state funds. The universities are still required to submit a detailed operating budget to the BOG by August 21, 2020.

We are requesting approval of a Continuation Operating Budget at the same level as the 2019-20 Operating Budget. We are requesting approval of a continuation budget due to pending state appropriation allocation decisions. Once those decisions have been finalized, USF will prepare an operating budget according to our guidelines and the laws and

c. Expenditure Authorization Requests

Mr. Trivunovich presented three expenditure authorization requests for approval by the Finance Committee.

New Expenditure Authorization Requests

o Microsoft Azure - \$2,000,000

Microsoft Azure is used for cloud-based storage for USF data and to build, manage, and display applications. USF relies on cloud services now and will need to in the future. We will purchase credits and use only what is necessary; unused credits will roll into the next fiscal year.

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

o Private Security Contract - \$2,545,000

This contract will provide support to the University Police (UP) by providing crosswalk assistance to pedestrians, reducing pedestrian/vehicular conflict during peak academic hours, and provid0.011 T 2(at)-2(e)-1.s-2(e6.9x5)-4.6(ng)10.9()]ede.9(i

The significant and sudden decrease in patient service revenue has had a detrimental effect on the Practice Plan's cash position. As a result, we will be taking on debt in FY2020 that we will need to repay in FY2021. To preserve cash, the Practice Plan is: 1) carefully reviewing and extending payment terms with our vendors; 2) working with AHCA (agency for Health Care Administration) in an effort to accelerate the delivery of our UPL/LIP funds; 3) pursing CMS (Centers for Medicare and Medicaid Services) Accelerated/Advance Payment Program (received \$6.4M to date); and 4) delaying payments to fund our USF convenience accounts. Once we receive that critical funding, we will begin to repay our debts to the University, CMS, and our vendors. The Practice Plan will be 011 Tc t Tc -0.002 Tw 2.348 0nm it0 Tw [(1.2(U0

A motion was made to approve the FY2021 Financial Plan for Sun Dome, Inc. The motion was seconded and approved by all Committee members present.

5. USF Institute of Applied Engineering

Dean Robert Bishop and Eric Forsyth presented the Financial Plan for USF Institute of Applied Engineering (USF IAE). USF IAE performs applied research and advanced technology development with contracts predominately through the Department of Defense (DoD). USF IAE directly supports the University's mission of research and education.

While our primary sector has not been directly impacted by COVID-19, we are beginning to face some of the challenges that the other DSOs are facing. COVID-19 is negatively impacting contract revenue in FY21. While multiple contracts and task orders are in the pipeline for award, USF IAE anticipates increased timelines for processing contract actions with the DoD. Additionally, we expect some contract awards to be shifted from Q4 FY2020 to Q1 FY2021 as the DoD refocuses priorities on combatting COVID-19. Finally, execution of existing contracts is slowed due to remote work requirements for interns. COVID-19 is negatively impacting FY2020 Hillsborough County Grant execution due to delays in construction of USF IAE's University Mall facility. Lack of a central research facility inhibits USF IAE's ability to perform required research for its customers. USF IAE is working diligently to mitigate these risks, and we believe we have a solid foundation going into the future. In order to be successful and maximize contract revenue, USF IAE needs people to do research and support research (increase staff in order to do the work); completion of facility in the Mall as well as expansion of facilities; and research equipment.

A motion was made to approve the FY2021 Financial Plan for USF Institute of Applied Engineering. The motion was seconded and approved by all Committee members present.

6. USF Health Professions Conferencing Corporation

Carole Post and Greg Vannette presented the Financial Plan for USF Health Professions Conferencing Corp. (HPCC). Ms. Post explained that like the other DSOs, HPCC's FY2021 Financial Plan reflects a series of adjustments and adaptations as a result COVID-19. At the time of the closure orders, CAMLS was on track to meet its FY2020 Financial Plan. When the shutdown occurred, all private sector and academic programming ceased. Most of the private sector cancellations have been rescheduled for FY2021. CAMLS will have to absorb the losses in FY2020. CAMLS took immediate actions around austerity to control costs and expenses (hiring freezes, reduction of non-essential expenses, cutting utilities), resulting in some substantial savings. Keen focus on d(8q.9(1)-peen)12.9 0 Tc -0011 Tw stnfff h sa clients and to fill the building. Clients books 30 days out and this also has come to a halt. This translates to a \$2M hit to revenue. The cost cutting measures have saved \$400K, so net effect is about a \$1.6M change to the bottom line. FY2021 plan assumes little or no business in Q1 (like Q4 FY2020), with a gradual ramp up to 75% of the business in Q2. Projecting a \$474K loss in FY2021. This changes week to week as we get more visibility and how the virus effects people's willingness to meet in person and to get on a plane and travel. Still looking at ways to diversify the business and minimize the projected losses. Looking to bring revenue back into the building in any way that fits our mission. CAMLS has also been working on several efficiency projects while business has halted, which will add to cost savings.

Chair Zimmerman asked if there are any new revenue streams to offset the huge losses. Mr. Vannette explained Hillsborough County received funding through the CARES Act and CAMLS is training TGH employees on how to wear protective gear – would like to expand to other hospitals throughout the county; and working on how to retrain employees back into the workforce. Trustee Carrere asked the current status of training for robotic surgery (which was the main driver of the initial investment in CAMLS years back). Mr. Vannette explained that several manufacturers are getting into the market and this has diminished the training at CAMLS but the space has been repurposed and continues to evolve, not nearly as focused on robotics. Trustee Carrere asked if there was any opportunity on the nonmedical manufacturing side for roboy credit strength of USF financial partners. All Financing Corp. bond programs are current on debt service obligations and bond covenants. Management is working closely with the DSOs and Auxiliaries to mitigate debt service payment and construction risks. The Financing Corp. has fully funded debt service reserves and has additional unrestricted reserves to provide essential liquidity to support debt service payments. The two current bond-financed construction projects (USF St. Petersburg Housing & Dining Center Project and USF Research Park Project) are being monitored closely to mitigate schedule and cost issues. The Research Park Project is on budget and on schedule. The St. Petersburg Dining Center portion of the project is over budget and expected to be delayed due to the termination of the previous Dining Center operator and engagement of replacement Dining Center operator from the Tampa Campus. The housing portion of the project is just slightly over budget and is scheduled to open in August. The rating agencies are well aware of the COVID-19 impact on all universities revenues across the country and are currently requesting detailed information on Florida's universities. Voluntary disclosures on Financing Corp.'s bonds are also being prepared for filing - this is for public bonds (Parking, Housing, and Marshall Center bonds).

The financial plan projects \$2-3M operating profit for this year and the next, reflecting the pass-thru of debt service payments to bond holders. The plan reflects stable revenues and pass-thru expenditures (no employees are paid by the DSO). Cash flow is also stable. Cash and Investments are held at the trustee.

Chair Zimmerman asked about the voluntary disclosures. Mr. Stubbs explained that the Financing Corp. is not required to make voluntary disclosures. It is required to make audited disclosures on our public bonds to bondholders. We are being

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