USF Board of Trustees
Finance Committee
NOTES
February 21, 2022
Microsoft Teams Virtual Meeting

c. Expenditure Authorizations

Nick Trivunovich, Vice President for Business & Finance and CFO, presented six expenditure authorization requests for approval by the Finance Committee.

- Adobe Acrobat & Creative Cloud License Agreement

  This is a new 3-year agreement that will allow the University to continue the use of Adobe Acrobat and Creative Cloud for faculty, staff, students, and computer labs. The total cost is $2,555,214 over 3 years. The cost per user increased by 5.86% from the pricing in the 2019 agreement and is locked in thru the end of this new agreement in 2025. A 3-year term is the only option for this type of license agreement with Adobe.

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

- Microsoft Azure

  Microsoft Azure is used for cloud-based computing, storage and services for USF data and applications. Buying of Azure credits to support USF Infrastructure in the Microsoft Azure Cloud will help move USF into an operating expense model based on usage for IT infrastructure versus a capital model. This request is for $2M for one year. USF is continuing to move its IT infrastructure to the cloud to support the agile needs of the business units. Currently all of USF's ERPs are hosted within Azure, allowing USF much greater flexibility in solutions that go far beyond what USF IT could offer on premise. This shift is expected to continue as USF IT expands to meet its clients' needs.

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

- AV Equipment Installation and Resellers ITN

  IT would like to conduct an ITN to build a structured pool of vendors to provide AV installation and maintenance services as well as equipment to lock in costs. There will be no commitment for the University to spend any money with the vendors, this will just provide us with a contract avenue to conduct installations, maintenance, and repairs as needed. This will be a competitive procurement. Estimated spend is $14.25M over 5 years. The continual need for audio visual equipment is an ongoing

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- Baseball & Softball Batting Cage Enclosure

  Primary scope of work is to enclose batting cage structures at Baseball and Softball stadia and provide HVAC to protect practice activities from inclement weather. Cost is $1,950,000. Funded solely from philanthropy.

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

- Athletics Broadcast Production Service ITN

  Athletics is requesting authority to issue an ITN for services in executing broadcast and in-arena production of USF Athletics sponsored events for multimedia platforms at all Athletic facilities. These expenses were new to FY21 with the addition of our ESPN+ Broadcast Production Studio. This is required under our ESPN+ contract with our conference. The American Athletic Conference requires USF Athletics to broadcast a number of events on the ESPN+ platform to fulfill contractual obligations to receive Media Rights revenue distributions from the Conference. Seeking a 5-year contract with an estimated cost of $4M. This will be a competitive procurement.

  A motion was made to approve the expenditure request as presented. The motion was seconded and approved by all Committee members present. u2

- STG Remodel – Research & Teaching Labs as well as

effectiveness while enhancing the business strength of the Research Foundation. One of the key initiatives for FY22 is the new Research Park Mixed Use Lab and Office Building. A certificate of occupancy was issued on February 3rd for the shell and core. Construction costs were on budget. Leasing interests have ramped up. FY22 revenues are projected to be $364K less than budgeted; expenses are projected to be $745K less than budgeted; resulting in a $381K improvement to the bottom line. All operating expenses are projected to be less than plan.

4. USF Health Professions Conferencing Corp.

Dr. Haru Okuda and Greg Vannette presented the mid-year forecast for USF Health Professions Conferencing Corp (HPCC). This is a recovery story. CAMLS is a face-to-face business and was hurt by COVID. In FY2022, HPCC is successfully rescheduling FY2020 programs affected by COVID and CAMLS affirmative actions to proactively postpone many programs has strengthened relationships with external clients, resulting in growing revenue and increasing operating earnings for FY2022 and FY2023. New virtual reality and live streaming capabilities also helped CAMLS identify numerous new clients and offer new training options to established clients. HPCC will exceed plan with

Endowments. We are in the top quartile for every period (1-yr, 3-yr, 5-yr and 10-year); we are in the top decile for the 3-yr, 5-yr and 10-yr periods. We were #2 in the state last year at 35%; only FSU was better, by about 1%. This is first time in several years that we were not #1 in the state.

Long-term returns remain above policy benchmark. Strategic overweight to public equities contributed to performance (USF 64% vs Peers 38%). Active management has added to long-term returns, especially in international equity which has exceeded benchmark by 300 bps over the last ten years. Alternatives (private equity and venture capital partnerships) have been the endowment's best performing asset class across all time periods. Investment manager fees were approximately 88 bps.

Mr. Souza discussed recent Investment Committee initiatives. The Investment ital[(T)2 (he)4.4 -3.7 (.

Sobieray described what a resource methodology might look like. Need to look at all sources and see how all the sources of funds are being utilized to support the mission of the University. Working on our strategies of new resource generation, operational excellence and efficiencies and innovative initiatives. Need to eliminate the duplication in our organization and be lean and mean; need to work smarter, not harder. The support functions as well as the colleges need to be operating efficiently. Success is defined as: 1) a balanced budget 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 with accountability, and provides for reasonable transitions and bridging strategies over the next several years.

Trustee Carrere stated that this budget model directly supports goal # 5 of the Strategic Plan - A strong, sustainable, and adaptable financial base. This process and resulting budget model are important to the success of the Strategic Plan and strategic initiatives as well as the to the University.

Trustee Boaz stated that this is one of the things the faculty has been concerned about and they have been pushing strongly for this new budget model. He is excited about what has been done so far. This is a broadly inclusive process across the University and he is very optimistic that we will be able to get this done in a way that w Tw ai11.701Td(er)Tj003 TwT[(t)2.3 (t)2.3 (

of the original business model. INTO students generate approximately $120M impact to the Tampa Bay economy supporting upward of 1,300 jobs.

Mr. Trivunovich presented a summary of INTO's financial results back to 2013. Got off to a quick start for a startup entity. Functioned at breakeven almost from the start. Reached a peak in the number of students entering the program in the 2016-2017 time period and this is reflected in the operating results. It was during this time that a special distribution of $6M to each partner was provided. The University has used a portion of this distribution to meet USF student needs; it still holds part of this distribution to cover a contractually required $2M line of credit. There has yet been no commitment on drawing down against this line of credit and this line of credit requirement expires at the beginning of 2024. From the program's peak in 2016-2017, the summary shows the steady decline in enrollment and the related financial results. The University has initiated discussions with our INTO partners to consider the efficacy of our current Pathways model and what the appropriate state might be. Projecting an additional loss of $3M in FY2022. This will require an infusion of liquidity into the entity. The last two columns of the summary show the forecasted financial results for FY 2022 with and without the infusion.

Currently considering our next steps in moving forward with our INTO relationship. The first issue to be resolved is to determine the appropriate methodology in funding to address the liquidity issue just mentioned.   Second, we must develop a high level of confidence in (a) the enrollment forecast for FY23, and (b) cost reductions, to restore INTO-USF financials to no less than a breakeven status for this next fiscal year. Our INTO partners have stated that they are committed to working with us in reducing the cost st[illegible] point. Times have changed and our expectation at USF is one of excellence, and we expect our partners to share that. Based on today's presentation, the path we are on tells a story that is inconsistent with our amazing trajectory at USF and we need to correct this. He looks forward to future updates on this issue.

V. Adjournment

Having no further business, the Finance Committee meeting was adjourned at 11:59am.