I. Call to Order and Comments

The meeting of the Finance Committee was called to order by Chair Brian Lamb at 10:45 am. The following committee members and liaisons were present: Brian Lamb, Mike Carrere, Scott Hopes, Stan Levy, John Ramil, Judy Genshaft, Carl Pacini and Alan Bomstein. A quorum was established. The following Trustees were also present: James Garey, Stephanie Goforth, Christopher Griffin, Hal Mullis, Byron Shinn, and James Stikeleather.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of August 25, 2016 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Lamb requested a motion for approval, it was seconded and the August 25th meeting notes were unanimously approved as submitted by all committee members present.

b. Approval of USFSP Student Housing Rental Request

Chair Lamb stated that USF is a model for P3 projects and very mindful of the cost of attendance that includes housing costs.

Trustee Hopes disclosed that he has a family member currently in USFSP housing. However, it was agreed that any action taken by the board does not include a conflict for him as the family member’s tuition (to include housing costs) is prepaid and not affected by any change in housing rental rates.

John Long, Sr. Vice President and COO, explained that USFSP has done proactive work on their financial position to avoid problems with coverage ratios.

Sophia Wisniewska, USFSP Regional Chancellor, and Joe Trubacz, USFSP Vice Chancellor for Administration & Finance, addressed the Committee seeking approval for an increase in USFSP housing rental rates. USFSP housing rents have only increased once in five years with a 2% increase in 2013. Rental rates have not kept pace with expenses, particularly the need to invest in facility maintenance. Without housing rate increases, housing inventory will not meet the rating agencies preferred 1.4x debt service coverage ratio (DSCR) in 2017-18. Current DSCR exceeds the preferred 1.4x because occupancy is at 121% of design capacity (655 beds
presently occupied compared to 541 design capacity). If the proposed P3 project is approved and constructed, we expect the occupancy rate to stabilize at 95% w/DSCR of 1.16x.

USFSP currently has 2 permanent residence halls (RHO and USC) and 1 non-permanent residence hall (St. Petersburg Hilton which provides 100 beds). The Hilton rates are more than $1,000 higher in the Fall and $2,000 higher in the Spring compared to a double unit on campus.

Mr. Trubacz explained the value of living on campus (including safety, convenience, options, academic success, and flexibility) and reported that research indicated living on-campus improves student retention and graduation rates. He also noted that the first year live on campus requirement was removed as of Fall 2016.

The St. Petersburg market is challenging for students. There is a lack of affordable housing near campus. A local market comparison indicates that most downtown housing prices are too expensive for students and many apartments will not rent to students.

Cost pressures on USFSP housing include increasing a maintenance reserve as facilities age; matching state/university salary and benefit increases and increasing utility and technology costs. There was a brief discussion on deferred maintenance.

Mr. Trubacz presented the SUS student housing annual rent increase history for FYs 2013-2016. USFSP has only raised housing rates once in the last five years (including FY 2017). USFSP is clearly below the SUS average.

Without housing rental rate increases, USFSP’s debt service coverage ratio (DSCR) is expected to fall below BOT DSCR policy of 1.3x beginning FY 2018 and is expected to be 1.16x in FY 2020 (without proposed increases). This will impact USF Housing System DSCR as well. With the proposed increases, USFSP’s DSCR will not fall below 1.3x and is expected to be 1.43x in FY 2020.

USFSP is proposing the following three year rate schedule:

- Fall 2017: 4.3% average increase
- Fall 2018: 4.3% average increase
- Fall 2019: 4.0% average increase

The cumulative annual rate increase from Fall 2012 through Fall 2019 would then be 2.81%.

A discussion ensued about other possible options to help maintain the DCSR. Chair Lamb asked if USFSP could use some of the cash on its balance sheet ($15-20M for the entire enterprise) to help with this housing issue – i.e. $100K per year. Mr. Trubacz explained that the majority of USFSP’s reserves are E&G which cannot be used for an auxiliary. Mr. Trivunovich explained that the auxiliary funds are primarily housing and parking, and they do not have available funds to do this. Chair Lamb stated he wants to be sure we have vetted all the options (self-funding) to solve this issue. Trustee Ramil stated that we must consider other university units to support housing and also stated that the credit agencies will note our not raising rates to maintain coverage ratios. Trustee Hopes asked if the Housing System can assist USFSP until their P3 is open without putting costs on to the students. Trustee Goforth, USFSP Board Chair, explained that the USFSP board struggled with approving the rate increase. They are very concerned about the impact on students, but this needs to be done – we can’t keep tripling up, this is not good for student retention and not good for the student experience. Mr.
Trubacz stated that the increase will help improve student life as well as fund added positions including a program coordinator.

President Genshaft stated that USFSP needs more beds and this is an appropriate means for doing it; this is about the students and their experience. She strongly supports the rate proposal. Trustee Carrere stated that the university as well as the students have expectations as to what their experience will be. It seems reasonable to have small, gradual increases each year rather that large increases every few years. We need to remember this lesson.

President Genshaft stressed that residency is no longer a requirement – students have options.

Trustee Hopes would like to bring in an architect or space planner to see how we can better utilize double/triple space until the P3 opens. He is also questioning the timing – why are we doing this now when the ITN just went out and in 3 months we will know what the market offers.

Trustee Levy made a motion to approve USFSP’s three year rate schedule with the caveat that it is looked at each year to make sure the underlying assumptions regarding occupancy remain valid, as we approved before for the USF Tampa housing rental rate increase.\(^1\) Trustee Ramil seconded the motion.

The motion passed 4 to 1 as follows:

Chair Lamb – Yes
Trustee Carrere – Yes
Trustee Hopes – No
Trustee Levy – Yes
Trustee Ramil – Yes

Trustee Ramil stated that we must make infrastructure decisions ahead of time to be proactive and not reactive.

IV. New Business – Information Items

a. Draft 2016 USF Financial Statements

Jennifer Condon, University Controller, provided highlights of the FY 2016 financial statements. Ms. Condon presented a historical view of operating results (with and without OPEB – other postemployment benefits) as well as the historical change in cash and investments. In FY 12, the USF System had a significant operating deficit and employed cost containment measures. In FY 14, the System had an operating surplus and then invested strategically. We have broken even for the past two years. The USF System is a stable and very forward looking organization. Operating profit/loss is a key Moody’s bond rating metric. The historical change in cash and investments follows the same trend line as the operating results, reflecting a stable organization. Non-cash activities account for the differences between the two measures. USF had an increase in cash and investments of $47.6M in FY 2016.

\(^1\) The May 3, 2016 Board meeting minutes will be available as a reference regarding the Board’s action on the approved USF Tampa housing rental rate increase.
Net operating results were breakeven with $1.3B in operating revenue. This was due to increased state appropriations through performance based funding; no increase in student tuition/fee rates, but a change in student mix; and a higher number of contracts and grants with full federal F&A rates. This was also despite large non-cash adjustments for OPEB, compensated absences and pension related accruals; and a payroll anomaly (2 extra days at a cost of $5M).

Ms. Condon also explained variances between 2016 and 2015 in excess of $10M and 10% as well as variances in excess of $20M. There was discussion of non-cash items, specifically post-employment health care benefits payable and pension liability.

Trustee Carrere asked if the pension fund is required to be funded above 90%. Mr. Trivunovich responded yes and that he will provide an update/presentation on the pension liability at a future meeting.

b. USF Tampa Housing Development Project (P3) Update

Mr. Long referenced the Capstone/Harrison Street press release from October 4, 2016 on the equity financing closing for our P3 housing project. He announced that there will be an event at 3:30pm today to celebrate the Village, the students, and what will be created in less than 12 months (completion of the P3 project). Representatives from Capstone and Harrison Street will be present. All are invited to attend.

V. Adjournment

Having no further business, Chair Lamb adjourned the Finance Committee meeting at 12:03 pm.