



Annual Finance Policy Reports

*Board of Trustees Finance Committee
August 25, 2020*



Annual Investment Report

USF PORTFOLIOS – GOVERNANCE AND OVERSIGHT

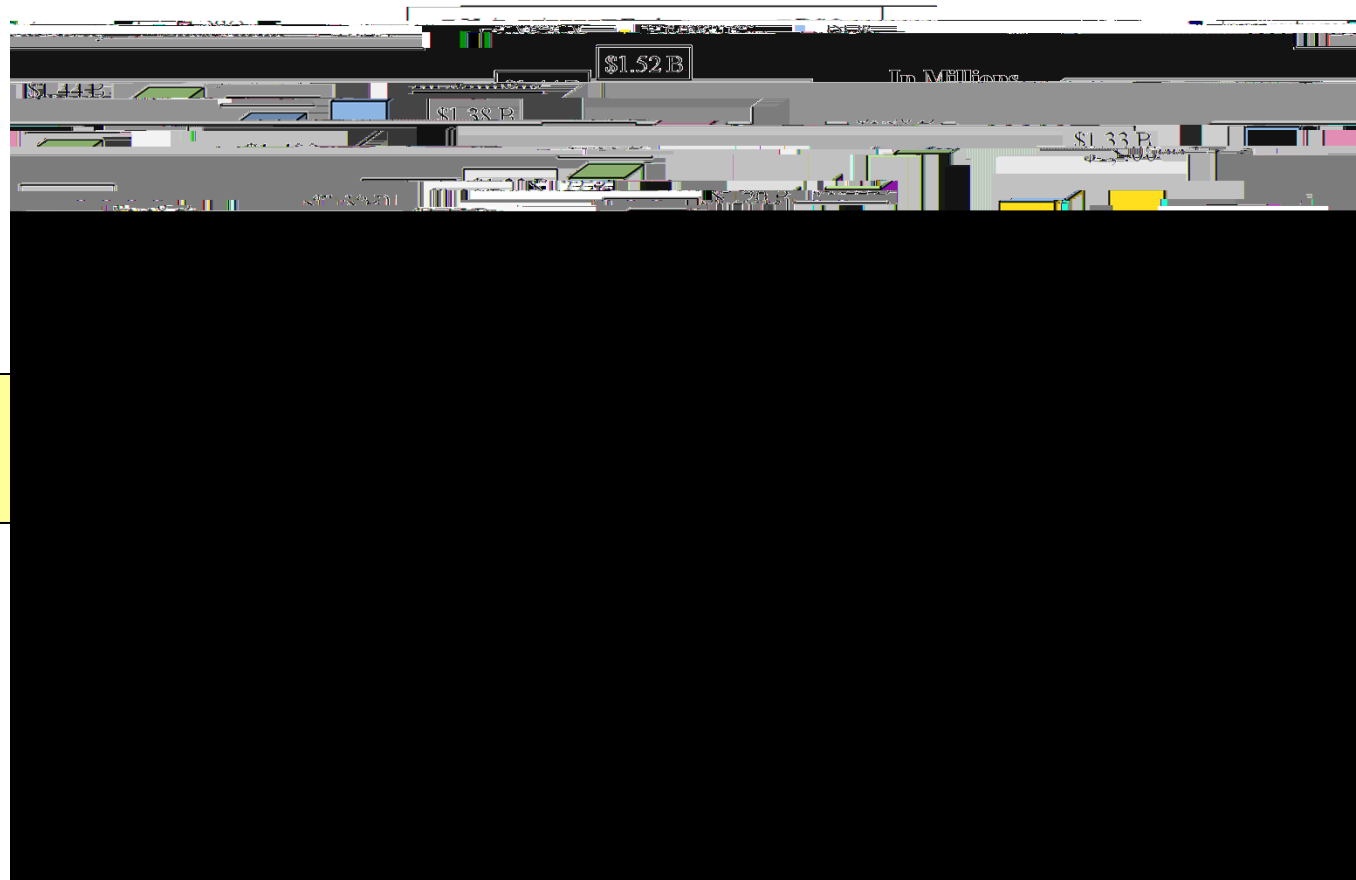
All USF Investment Portfolios Governed by the Board of Trustees Investment Policy

All USF Investment Portfolios Governed by Investment Committees

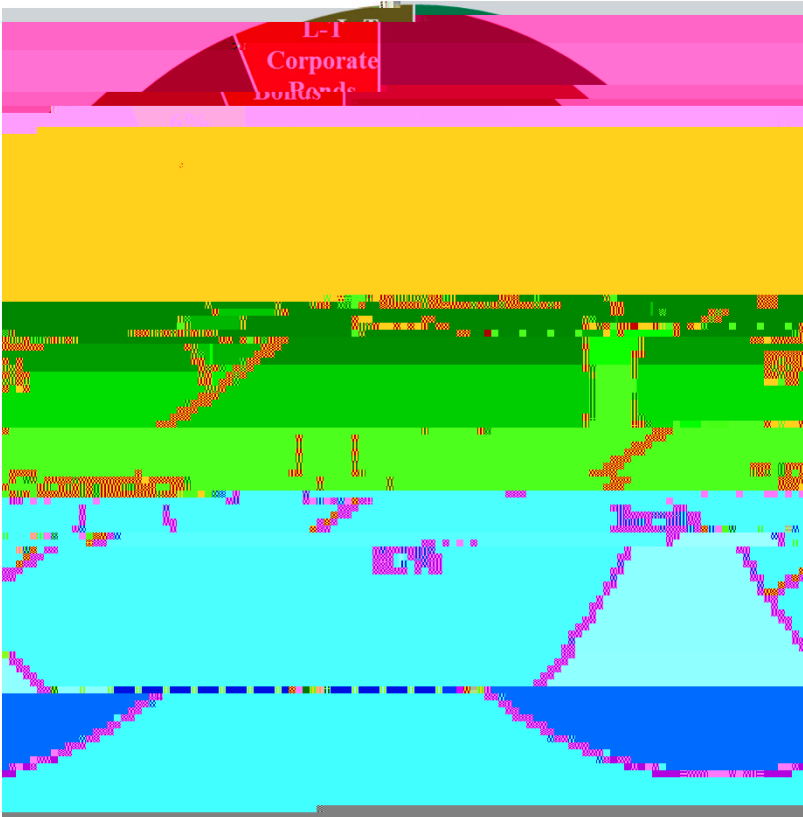
Central Oversight of All Investment Portfolios

**Combined USF Portfolios –
\$1.4 Billion, Down \$140 M
over 2019**

**All Portfolios in Compliance
with BOT Investment Policy**



UNIVERSITY PORTFOLIO – P





UNIVERSITY PORTFOLIO – FY 2020 PERFORMANCE VS BENCHMARKS

| Asset Class | Market Value | 1-Yr Return | 3-Yr Return | Since Inception |
|-----------------------------|------------------|---------------|-------------|-----------------|
| Total Assets | \$672.9 M | 0.2% | 2.6% | 2.9% |
| Total Assets Benchmark | | 0.7% | 2.8% | 2.6% |
| Value Add | | (0.5%) | (0.2%) | 0.3% |
| Total Long-Term Pool | \$42.0 M | (8.9%) | 1.9% | 6.0% |
| Long-Term Benchmark | | (11.8%) | 0.8% | 4.8% |
| Value Add | | 2.9% | 1.1% | 1.2% |



UNIVERSITY PORTFOLIO – NEAR-TERM INITIATIVES

Focused on Priorities: Preserve Capital / Provide University Liquidity

Prepare for Increased Demands on Portfolio over Next 12-24 Months

Monitoring Cash and Portfolio

Daily portfolio balance and cash transaction reports

Cash flow projections updated monthly

Annually Stress Test Investment Portfolio

Optimize risk/return relationships

Assess ability to withstand market shocks

USF has an “Integrated Treasury Function” (Moody’s term)

Integrating investments and debt

Manage risks and portfolio returns / cost

Secure positive credit ratings



Annual Debt Management Report



DEBT PORTFOLIO – GOVERNANCE, COMPLIANCE, RATINGS, COST

Prudent Governance – Board of Trustees and USF Financing Corporation

Effective BOT Debt Management Policy and management practices
Effective BOT and DSO boards
Expert management team

Managing compliance with USF BOT Debt Management Policy, BOG regulations, state statutes, federal SEC / IRS laws, bond covenant requirements, continuing disclosure requirements

Maintain “AA” Moody’s / Standard & Poor’s Credit Ratings

Requires effective governance over reserves and operations

Effective Use of USF Debt Capacity

Only essential projects considered for debt
Preserve dry powder

Manage Long-Term Cost of Capital and Financial/Credit Risks

Capitalize on market opportunities to achieve low cost, low risk, long-term financing
USF ratings provide access to capital markets on attractive terms

Recent Examples of Responsive Management:

Conducted review of all bonds for refunding opportunities in June

Identified 3 opportunities

Successfully negotiated reductions in fixed rates

MOODY'S / S&P – RECENT PERSPECTIVES ON USF

Moody's States in Credit Report (2/25/20) – Affirmed USF “Aa2/Stable” Rating

USF's excellent credit profile incorporates its strong market demand and ongoing prospects for



DEBT PORTFOLIO – FY 2020 TRANSACTION

One Bond Transaction Closed in FY 2020 – \$27 Million

\$27 M Series 2019 – Issued New USF Research Lab and Office Project Bonds

- o 20 year , taxable, 3.218% fixed rate

As of June 30, 2020

| Program | Current Ratings Moody's / S&P | Public / Private | Fixed / Variable | Taxable / Tax Exempt | Interest Rate | Total Outstanding |
|---------------------------------|----------------------------------|---|--|---------------------------------------|---------------|----------------------|
| Housing | A1 / A+ | 72% Public Bonds 28% Private Bonds / Loans | 72% Fixed Rate 28% Variable w/ Swap | Tax Exempt | 3.89% | \$198.1 M |
| Parking | Aa3 / AA | Public Bonds | Fixed Rate | Tax Exempt | 2.20% | \$12.3 M |
| Marshall Center | Aa3 / AA | Public Bonds | Fixed Rate | Tax Exempt | 3.43% | \$29.5 M |
| Health | Not Rated | Private Bonds / Loans | Fixed Rate | Tax Exempt | 3.06% | \$64.3 M |
| Athletics | Not Rated | Private Bonds / Loans | Fixed Rate | 55% Tax Exempt 45% Taxable | 4.10% | \$35.1 M |
| Research | Not Rated | Private Bonds / Loans | Fixed Rate | Taxable | 3.29% | \$45.8 M |
| Foundation | Not Rated | Conventional Mortgage | Fixed Rate | Tax Exempt | 2.63% | \$4.3 M |
| TOTAL USF & DSO DEBT | | 53% Private Bonds / Loans 47% Public Bonds | 86% Fixed Rate 14% Variable w/ Swap | 84% Tax Exempt 16% Taxable | 3.60% | \$389.4 M |



DEBT MANAGEMENT – STRUCTURE, TRANSACTIONS, RATINGS

Debt Structure Managed to Reduce Risk, Cost and Capitalize on Market Opportunities

Active Debt Management - \$1.8 Billion in Closed Transactions since 2005 (49 Total)

Low cost of capital – 3.60%, down from peak of 4.28% in 2014

NPV savings on refundings – \$30 Million

Rating Agency Recognition of USF Management

13 ratings upgrades in 10 years

S&P upgraded University's rating to "AA/Stable" on January 7, 2020

P3s Operating as Expected

\$137 M Village Housing P3 (2015) – 2,170 beds, dining, recreation

Publix Grocery P3 (2016) – only on-campus grocery

**Debt Structured Conservatively
Capitalize on Market Opportunities.**

DEBT MANAGEMENT – DELEVERAGING / SOLID LIQUIDITY

| (In Millions) | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | Moody's Aa2 Medians FY 2019 |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|-----------------------------------|
| NEW DEBT | \$52 | | | \$20 | | | | | \$36 | \$27 | |
| TOTAL DEBT | \$454 | \$445 | \$431 | \$435 | \$421 | \$413 | \$377 | \$359 | \$383 | \$389 | \$1,115 |
| LONG-TERM RATE | 4.01% | 4.00% | 4.13% | 4.28% | 3.99% | 3.91% | 3.64% | 3.68% | 3.63% | 3.60% | |

| POLICY MEASURES | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | Moody's Aa2 Medians FY 2019 |
|---|----------|--------------|--------------|----------|----------|----------|----------|--------------|-----------------|-----------------|-----------------------------------|
| <u>OPERATIONS</u> | | | | | | | | | | | |
| Operating Cash Flow Margin (½) | 6.5% | 1.1% | 3.9% | 10.2% | 7.4% | 7.3% | 9.1% | 7.0% | 5.4% | | 12.0% |
| Operating Margin (½) | 0.3% | -6.9% | -4.7% | 2.4% | 0.1% | 0.0% | 2.0% | -0.2% | -2.3% | | 3.6% |
| <u>LIQUIDITY</u> | | | | | | | | | | | |
| Cash & Investments / Operating Exp (½) | 0.77x | 0.62x | 0.58x | 0.65x | 0.64x | 0.64x | 0.68x | 0.67x | 0.71x | | 0.76x |
| Monthly Days Cash on Hand (½) | 204 days | 173 days | 167 days | 202 days | 197 days | 200 days | 213 days | 216 days | 210 days | 184 days | 154 days |
| <u>LEVERAGE</u> | | | | | | | | | | | |
| Cash & Investments / Debt (½) | 1.7x | 1.5x | 1.4x | 1.6x | 1.8x | 1.9x | 2.3x | 2.5x | 2.6x | | 1.4x |
| Debt Service Coverage (½) | 3.3x | -0.1x | 1.1x | 4.0x | 2.7x | 4.1x | 4.8x | 4.0x | 2.9x | | 2.9x |
| Debt Service / Operating Exp (¾) | 2.0% | 2.0% | 2.2% | 2.2% | 2.2% | 1.5% | 1.7% | 1.4% | 1.8% | | 4.3% |

DEBT MANAGEMENT – DISCLOSURES TO MOODY’S / S&P

Filed Disclosures to Moody’s / S&P / Bondholders in May/June 2020

Filed voluntary disclosures with rating agencies and on EMMA (SEC database)

Filed for Housing, Parking and Marshall Student Center public bonds

Disclosed student refunds, CARES Act funding, affected revenues, DSCR, reserves



Rated Bond System Updates – FY 2020

USF Housing System

\$198 M debt outstanding

Rated “A1” (Moody’s) / “A+” (Standard & Poor’s)

\$46 M total reserves (debt service, renewal & replacement, operating)

Annual debt service payments = \$15.6 M (FY 2021)

Entered FY2021 in a strong position

Experiencing decline in occupancy (due to contract cancellations)

Expect occupancy stabilization following Drop/Add on August 28

Managing expenses downward

No need to tap debt service reserves

| Housing System * | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020 (est)</u> |
|-----------------------------|---------------------|---------------------|---------------------|----------------------|
| Revenues | \$44,495,427 | \$46,792,061 | \$45,165,802 | \$45,517,607** |
| Expenses | <u>\$24,680,615</u> | <u>\$27,014,570</u> | <u>\$24,615,242</u> | <u>\$22,951,317</u> |
| Net Revenues | \$19,814,812 | \$19,777,491 | \$20,550,560 | \$22,566,290 |
| Debt Service | \$13,712,695 | \$13,793,953 | \$13,738,224 | \$13,705,650 |
| Debt Service Coverage (net) | 1.44x | 1.43x | 1.50x | 1.65x |

* Gross Housing System Revenues are pledged; net debt service coverage is shown for informational purposes

** Contingent on accounting for \$6.5 M of student housing refunds



Rated Bond System Updates – FY 2020 (Cont)

USF Parking System

\$12 M debt outstanding

Rated “Aa3” (Moody’s) / “AA” (Standard & Poor’s) / “AA-” (Fitch)

\$29 M reserves (debt service, renewal & replacement, operating)

Annual debt service payments = \$2.9 M (FY 2021)

Entered FY2021 in a strong position

Experiencing decline in decal/ permit revenue

Managing expenses downward

| Parking System | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020 (est)</u> |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| Revenues | \$13,997,214 | \$14,701,120 | \$15,111,494 | \$12,550,438 |
| Expenses | <u>\$7,880,349</u> | <u>\$8,525,803</u> | <u>\$8,327,075</u> | <u>\$7,475,935</u> |
| Net Revenues | \$6,096,865 | \$6,175,317 | \$6,784,419 | \$5,074,503 |
| Debt Service | \$3,057,465 | \$2,936,320 | \$2,936,430 | \$2,940,330 |
| Debt Service Coverage (net) | 1.99x | 2.10x | 2.31x | 1.73x |

Rated Bond System Updates – FY 2020 (Cont)

USF Marshall Student Center



Annual Derivatives Report



DERIVATIVES PORTFOLIO – WINDING DOWN SWAPS

Prudent Governance – Board of Trustees and Financing Corporation

Effective BOT Derivatives Policy and Management Practices

Manage Long-Term Cost of Capital and Risk

Hedged Variable Rate Bonds – Provided a Lower Cost of Capital – Requires Active Management

Matched Maturities of Bonds to Coincide with maturing Swaps

\$223 M reduction in swaps over 12 years (80%)

Winding Down Swap Portfolio – No New Swaps Since 2007

- o 1 Swap Currently Outstanding – \$55 M
- o Will terminate swap and convert bonds to fixed rate when termination value is positive

| Program | Swap Counterparty | Expiration Date | USF Optional Termination Rights | Collateral Posted | Fixed Swap Rate | Total |
|---------|-------------------|-----------------|---------------------------------|-------------------|-----------------|-------|
|---------|-------------------|-----------------|---------------------------------|-------------------|-----------------|-------|



DERIVATIVES PORTFOLIO – 15-Year Managed Trend

USF Derivatives – \$55 Million (6/30/20)

**Plan to Exit
Remaining Swap**

Outstanding Derivatives - DSO Issued

