



Annual Finance Policy Reports

*Board of Trustees Finance Committee
August 16, 2022*

Presented by: Fell L. Stubbs, University Treasurer



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Annual Investment Report

COMBINED 10 USF INVESTMENT PORTFOLIOS

All USF Investment Portfolios Governed by the BOT Investment Policy (Revised 3-8-22)

All USF Investment Portfolios Governed by Investment Committees

Central Oversight of All Investment Portfolios

**Record USF Wealth –
\$1.7 Billion – Steadily Growing**

- University at \$806 Million (6/30/22),
Endowment at \$712 Million (3/31/22)
are 2 largest of 10 portfolios





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

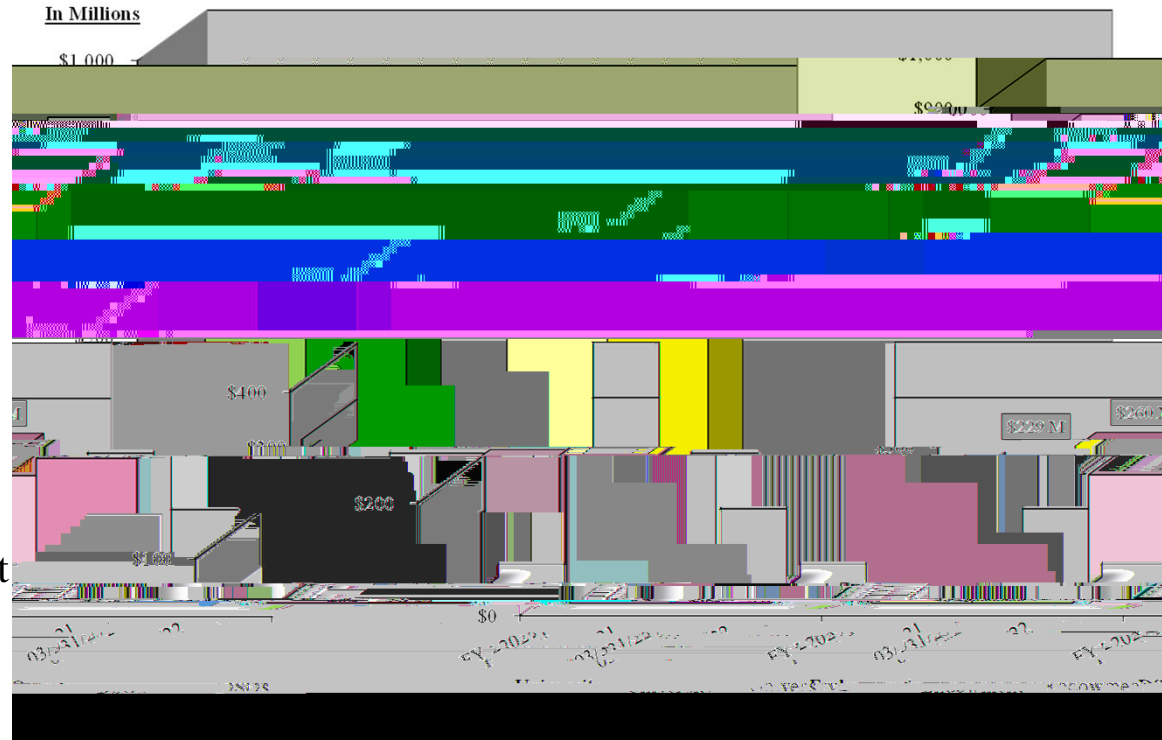
COMBINED 10 USF INVESTMENT PORTFOLIOS

Different Types of USF Portfolios:

- Endowment – USF Foundation
 - Long-term investment horizon
 - Restricted
- Operating – USF and DSOs
 - Short-term investment horizon
 - Liquid

Barometer of Financial Health:

- Growth in portfolios reflects investment performance and net cash flows



| Combined Portfolio (In Millions) | University | Endowment | 8 Other DSO Portfolios | USF's 10 Investment Portfolios |
|-----------------------------------|-------------|---------------|------------------------|--------------------------------|
| System Portfolio, 3/31/22 | \$768 | \$712 | \$260 | \$1,740 |
| System Portfolio, 6/30/21 | \$751 | \$732 | \$229 | \$1,712 |
| Change in System Portfolio | \$17 | (\$20) | \$31 | \$28 |

UNIVERSITY INVESTMENT PORTFOLIO

University Portfolio Objectives

- Provide Essential Liquidity to Fund Operations – \$2 billion in annual payroll and expenditures
- Preserve Capital – Investing State Funds and Reserves
- Achieve Positive Annual Return in All Market Conditions

USF Liquidity Measure: Days Cash on Hand = 216 Days / Moody's AA Peers = 210 Days

University Portfolio Structure – Balance Risk and Return

- Target Balance: 80% – Short-Term, High Quality Bonds and Cash



UNIVERSITY INVESTMENT PORTFOLIO

Conviction Regarding Portfolio Structure

- Right asset allocation – risk adjusted returns
- Right investment managers and funds – highly diversified, low cost

Portfolio Designed to Preserve Capital and Minimize Risk

- Portfolio generated positive returns in 93% of past 20 periods

Portfolio is Generating Cash

- 12 Month Interest = \$8.6 M
- 12 Month Dividends = \$4.7 M

Bond Funds are Rapidly Repricing

- Yield to Maturity

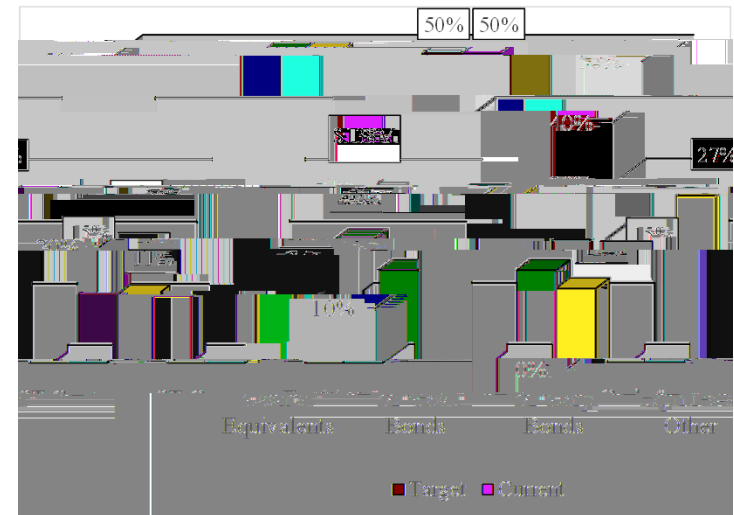
| | | |
|------------------------|------------------|------------------|
| | <u>July 2021</u> | <u>July 2022</u> |
| Vanguard ST Govt Bonds | 0.50% | 3.30% |
| Vanguard ST Corp Bonds | 0.90% | 4.20% |

Unrealized Losses Will Unwind Once Markets Stabilize

Current Portfolio Strategy

- No buy/sell transactions
- Grow cash position

Portfolio Expected to Meet Objectives



| Asset Allocation | Target | Current | \$ |
|--------------------|--------|---------|---------|
| Cash & Equivalents | 15% | 27% | \$222.6 |
| ST Govt Bonds | 15% | 12% | \$95.3 |
| ST Corp Bonds | 50% | 50% | \$349.9 |
| Equities & Other | 20% | 11% | \$138.3 |
| TOTAL | 100% | 100% | \$806.1 |

UNIVERSITY PORTFOLIO – 10-YEAR PERFORMANCE

FY 2022 Was a Highly Unusual Investment Market

- Equities and bonds both declined
- Not occurred in 2 decades – since 1999
-



Annual Debt Management Report



USF DEBT PORTFOLIO

**Governance, Compliance,
Ratings and Cost**

Prudent Governance: Board of Trustees and USF Financing Corporation

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

**Compliance with BOT Debt Management Policy, BOG Regulations, State Statutes,
Federal SEC / IRS Laws, Bond Covenant Requirements, Continuing Disclosure
Requirements – Avoid Default**

Effective Use of USF Debt Capacity

Manage Long-Term Cost of Capital, Covenant and Credit Risks

USF Finance Systems

As of June 30, 2022

| Outstanding Debt (In Millions) | Housing | Parking | Marshall Center | Health | Athletics | Research | Foundation | Total / Weighted |
|--|---------|----------|-----------------|--------|-----------|----------|------------|-----------------------|
| Total Outstanding Debt per System | \$182.8 | \$7.0 | \$26.9 | \$57.7 | \$29.2 | \$41.9 | \$3.5 | \$349.0 |
| Weighted Average Interest Rate | 3.95% | 2.20% | 3.43% | 3.42% | 3.54% | 3.28% | 2.63% | 3.66% |
| Moody's / S&P Rating | A1 / A+ | Aa3 / AA | Aa3 / AA | NR | NR | NR | NR | Aa2 / AA (University) |

NR = Not Rated

MOODY'S / S&P – RATINGS REPORTS ON USF

Moody's Affirmed USF "Aa2/Stable" Rating (5/12/21)

Market Profile: Excellent strategic positioning

Operating Performance: USF will continue to demonstrate solid fiscal oversight. However, performance has weakened over the past several years.

USF's excellent credit profile incorporates its st

USF DEBT PORTFOLIO

USF DEBT PORTFOLIO

Project Financing – Anticipated

Pending \$43.5 Million USF Sarasota-Manatee Housing and Student Center Project

- Funded with \$27 M 30-yr, fixed rate, tax-exempt public debt and \$16.5 M equity
- Construction Manager / Architect-Engineer Team: CORE Construction / Mackey Mitchell
- Project approved by USF Board of Trustees in June and being considered for approval by Florida Board of Governors in September
- If approved, Project is anticipated to open May 2024

Pending USF On-Campus Athletics Stadium

- Early planning phase underway; anticipated opening 2026 or 2027
- Developing funding strategies
- Issued ITN for Design and Construction Services; firms will be engaged to assist USF in verifying scope and cost options
-



**Deleveraging Over Time /
Restructuring to Lower Rates**

DEBT MANAGEMENT

| (In Millions) | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | Moody's Aa2 Medians FY 2021 |
|-----------------------|---------|--------------|---------|---------|---------|---------|---------|---------|---------|--------------|-----------------------------------|
| NEW DEBT | | \$20 | | | | | \$36 | \$27 | | | |
| TOTAL DEBT | \$431 | \$435 | \$421 | \$413 | \$377 | \$359 | \$383 | \$389 | \$370 | \$349 | \$1,164 |
| LONG-TERM RATE | 4.13% | 4.28% | 3.99% | 3.91% | 3.64% | 3.68% | 3.63% | 3.60% | 3.62% | 3.66% | |

POLICY MEASURES

| (In Millions) | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 (estimate) | Moody's Aa2 Medians FY 2021 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------------|-----------------------------------|
| OPERATIONS | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |



Rated Bond System Updates – USF Housing System

\$183M USF Housing System (A1/A+)

Annual debt service payments = \$15.6 M (FY 2023)

**Credit Ratings Affirmed in
April / May 2021**

Recovery from Pandemic; Maintenance of Reserves

Federal funding of \$21.3 M and expense reductions in FY 2020, FY 2021 and FY 2022 offset Housing Revenues lost related to the pandemic

Strong recovery in occupancy levels:

- 51% (fall 2020) / 88% (fall 2021) / +95% (fall 2022)

Continued growth in reserves:

- \$46 M (FY 2020) / \$52 M (FY 2021) / \$63 M (FY 2022)

| Housing System * | FY 2018 | FY 2019 | FY 2020 ** | FY 2021 ** | FY 2022 ** (estimate) | FY 2023 (budget) |
|--|---------------------|---------------------|---------------------|---------------------|--------------------------|---------------------|
| Occupancy (Fall) | 101% | 94% | 98% | 51% | 88% | +95% |
| Revenues | \$46,792,061 | \$45,165,802 | \$45,167,526 | \$34,365,132 | \$55,134,763 | \$47,843,587 |
| Expenses | <u>\$27,014,570</u> | <u>\$24,615,242</u> | <u>\$23,136,072</u> | <u>\$15,770,196</u> | <u>\$22,087,078</u> | <u>\$25,373,754</u> |
| Net Revenues | \$19,777,491 | \$20,550,560 | \$22,031,454 | \$18,594,936 | \$33,047,685 | \$22,469,833 |
| Debt Service | \$13,793,953 | \$13,738,224 | \$13,712,753 | \$15,622,388 | \$15,589,406 | \$15,573,263 |
| Debt Service Coverage Ratio (net) | 1.43x | 1.50x | 1.61x | 1.19x | 2.12x | 1.44x |

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

** Federal funding (CARES Act, CRRSA Act, grants) provided the Housing System with revenues of \$6.4 M in FY 2020, \$5.9 M in FY 2021, and \$9.0 M in FY 2022, included in the figures above.



Rated Bond System Updates – USF Parking System

\$7 M USF Parking System (Aa3/AA/AA-)

Annual debt service payments = \$2.9 M (FY 2023)

**Credit Ratings Affirmed in
April / May 2021**

Recovery from Pandemic; Maintenance of Reserves

Federal funding of \$1.8 M and expense reductions in FY 2021 and FY 2022

offset Parking Revenues lost related to the pandemic

Revenues declined in FY 2020 and FY 2021 due to pandemic

Transportation access fees remain flat; Decal/permit revenues slow to recover

Reserves remain strong despite use of \$2 M to support operations in FY 2021

- \$29 M (FY 2020) / \$26 M in reserves (FY 2021) / \$28 M (FY 2022)

| Parking System | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 * (estimate) | FY 2023 (budget) |
|--|--------------------|--------------------|--------------------|--------------------|-------------------------|---------------------|
| Revenues | \$14,701,120 | \$15,111,494 | \$13,065,735 | \$9,216,410 | \$13,415,336 | \$12,771,977 |
| Expenses | <u>\$8,525,803</u> | <u>\$8,327,075</u> | <u>\$8,571,495</u> | <u>\$7,885,906</u> | <u>\$7,510,127</u> | <u>\$8,947,864</u> |
| Net Revenues | \$6,175,317 | \$6,784,419 | \$4,494,240 | \$1,330,504 | \$5,905,209 | \$3,824,113 |
| Debt Service | \$2,936,320 | \$2,936,430 | \$2,940,330 | \$2,937,910 | \$2,929,280 | \$2,934,550 |
| Debt Service Coverage Ratio (net) | 2.10x | 2.31x | 1.53x | 0.45x | 2.02x | 1.30x |

* Federal funding (CARES Act, CRRSA Act) is expected to provide the Parking System with additional revenues of \$1.8 million in FY 2022, included in the figures above.



Rated Bond System Updates – USF Marshall Student Center

\$27 M USF Marshall Student Center (Aa3/AA)

Annual debt service payments = \$2.4 M (FY 2023)

**Credit Ratings Affirmed in
April / May 2021**

Recovery from Pandemic; Maintenance of Reserves

Revenues declined in FY 2020 and FY 2021 due to the pandemic; recovered to pre-pandemic levels in FY 2022

Expenses managed downward in FY 2020, FY 2021 and FY 2022

Reserves remain strong / growing despite pressure on revenues during the pandemic
 o \$12 M (FY 2020) / \$13 M (FY 2021) / \$14 M (FY 2022)

| Marshall Center | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 * (estimate) | FY 2023 (budget) |
|--|--------------------|--------------------|--------------------|--------------------|-------------------------|---------------------|
| Revenues | \$8,468,829 | \$8,408,071 | \$7,372,480 | \$7,278,282 | \$8,739,735 | \$8,636,434 |
| Expenses | <u>\$4,848,866</u> | <u>\$4,716,249</u> | <u>\$4,524,180</u> | <u>\$3,699,018</u> | <u>\$4,345,855</u> | <u>\$4,959,444</u> |
| Net Revenues | \$3,619,963 | \$3,691,822 | \$2,848,300 | \$3,579,264 | \$4,393,880 | \$3,676,990 |
| Debt Service | \$2,370,445 | \$2,355,845 | \$2,420,245 | \$2,395,895 | \$2,399,645 | \$2,395,395 |
| Debt Service Coverage Ratio (net) | 1.53x | 1.57x | 1.18x | 1.49x | 1.83x | 1.54x |



Annual Derivatives Report

DERIVATIVES PORTFOLIO

Prudent Governance – Board of Trustees and Financing Corporation

DERIVATIVES PORTFOLIO

17-Year Managed Trend

USF Derivatives – \$51 Million (6/30/22)

