



Annual Finance Policy Reports

*Board of Trustees Finance Committee
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Presented by: Dawn M. Rodriguez, Acting University Treasurer



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Annual Investment Report

COMBINED 10 USF INVESTMENT PORTFOLIOS

All USF Investment Portfolios Governed by the BOT Investment Policy

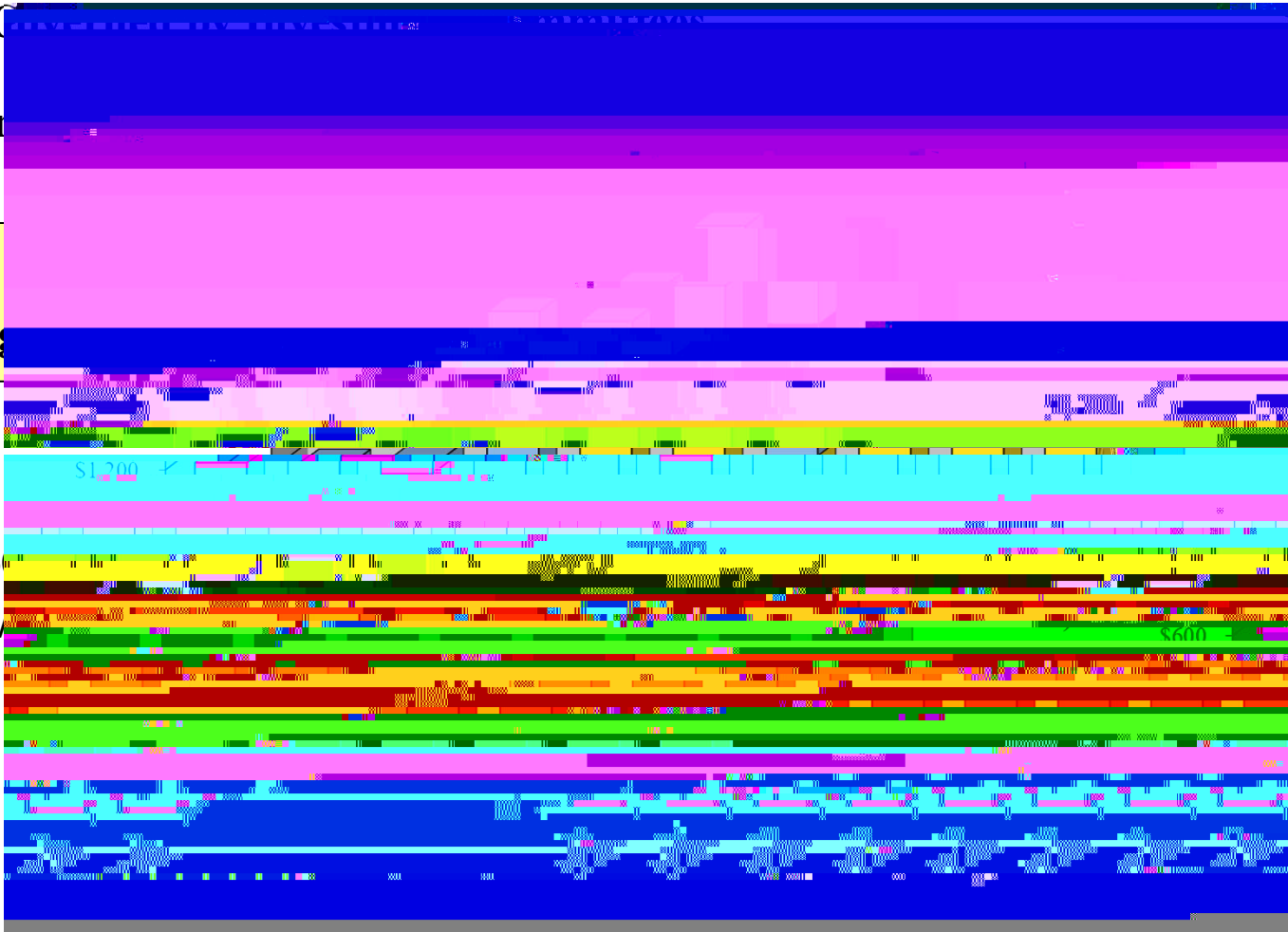
All USF Investment Portfolios C

Central Oversight of All Invest

**Record USF Wealth –
\$2.1 Billion – Steadily Growing**

The 2 Largest Portfolios:

- University at \$926 Million (6/30)
- Endowment at \$745 Million (3/31)



COMBINED 10 USF INVESTMENT PORTFOLIOS

2 Types of USF Portfolios:

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UNIVERSITY INVESTMENT PORTFOLIO

Conviction Regarding Portfolio Structure

- Right asset allocation – Protect against downside risks
- Right investment managers and funds – Diversified, low cost

Portfolio Designed to Preserve Capital and Minimize Risk

- Portfolio generated positive returns in 94% of past 16 fiscal years

Portfolio is Generating Cash

- 12 Month Interest/Dividends = \$31.2 M

Bond Fund Yields Now Providing an Effective Hedge to Downside Equity Risk

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UNIVERSITY PORTFOLIO – 10-YEAR PERFORMANCE

FY 2024 was a Recovery Year from FY 2022

- FY 2022 – Simultaneous losses for both equities and bonds
 - Not occurred in 2 decades – since 1999
- FY 2024 – Consider 7.9% return extraordinary
 - Strongest annual return in portfolio's history
- FY 2025 – Returns likely to stabilize with decline in interest rates and pressure on equities



Annual Debt Management Report

USF DEBT PORTFOLIO

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

DEBT MANAGEMENT

Debt Management Objectives

- Protect “AA” credit ratings with Moody’s and Standard & Poor’s
- Preserve debt capacity – Provide essential access to credit markets
- Structure debt to reduce risk, cost and capitalize on market opportunities
- Manage long-term cost of capital
- Manage compliance – BOT Debt Management Policy, BOG Regulations, State Statutes, Federal SEC / IRS laws, bond covenant requirements, continuing disclosure requirements

Active Debt Management - \$2.2 Billion in Closed Transactions Since 2005 (56 Total)

Developed 2.3 million square feet of new capital projects

Achieved low cost of capital – 4.72% (blend of taxable and tax-exempt bonds)

Restructured bonds to produce NPV savings – Realized \$30 Million and negotiate favorable covenants

Tracking a refinancing opportunity on the Stadium bonds to lower rates

P3s Operating as Expected

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

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

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

**Credit Ratings Affirmed in
Nov/Dec 2023**

Moody's Affirmed USF "Aa2/Stable" Rating (Dec. 2023)

Well positioned urban research university – Affordable pricing, steady demand
Growing wealth and improving operations – Retained earnings, investment returns and philanthropy
Strong and growing State support – \$77M recurring operational increase
Manageable financial leverage – Including new Stadium debt
Growing reserves – 227 days cash on hand above similarly rated peers (210 peers)
Effective treasury management – Material reduction in demand debt exposure

S&P Affirmed USF "AA/Stable" Rating (Nov. 2023)

Extremely strong enterprise profile – Steady enrollment, stellar demand characteristics
Solid financial resources – Improving net position, growing research and fundraising
Consistent State support – Maintain one of the nation's lowest in-state tuition rates
Moderate debt service burden – Including new Stadium debt
Capable management team – Highly experienced, comprehensive governing policies

Rating Agency Recognition of USF Management

13 ratings upgrades in 10 years

Moody's and S&P affirmed University's "Aa2/Stable" and "AA/Stable" ratings in fall 2023

Presentations to Moody's & S&P Expected in Fall 2024 – Annual Surveillance Reviews

Why Ratings Matter

- Ratings are based on assessment of University leadership, financial performance and strategic planning AND confidence key performance measures will continue to increase.
- Ratings directly affect access to capital markets on favorable terms.

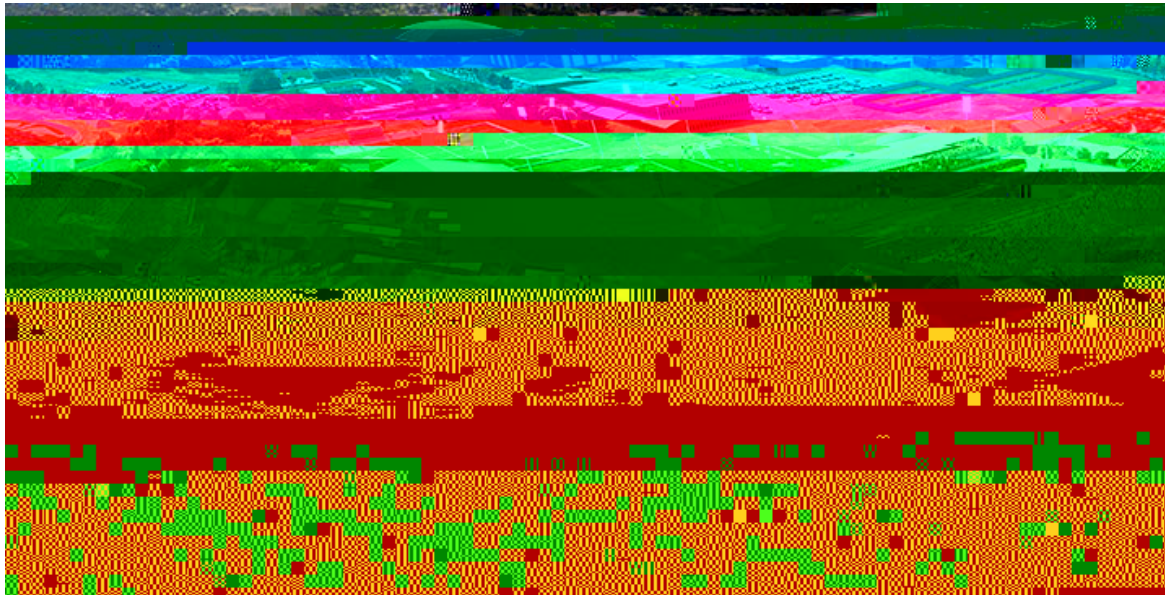
USF DEBT PORTFOLIO

FY 2024 Transactions

Project Financing

\$340 Million USF Stadium Project

- Funded with \$200 M 20yr, fixed rate, taxable loan and \$140 M equity
- Construction Manager / Architect-Engineer Team: Manhattan Construction Company / Populous
- Groundbreaking: October 2024
- Anticipated completion: July 2027



USF DEBT PORTFOLIO

Future Transactions

Project Financing – Anticipated

2,100-Bed Argos Redevelopment Project

- Replace 912 beds built in the 1960s with approximately 2,100 new beds (net 1,200 beds)
- Phased approach to maintain occupancy levels and provide a continuous revenue stream.
- Assessments underway to determine costs, financial feasibility, impact on Housing “A+” credit ratings, and University debt capacity.
- Currently assessing financing structure and timeline for the Project.

Remarketing of the \$43M Series 2012B Certificates

- Variable rate Series 2012B Certificates currently held by Wells Fargo Bank
- Wells Fargo exercised its option to put the Certificates to the Financing Corporation on October 1, 2024
- JPMorgan Chase proposed terms deemed to be favorable by the Financing Corporation:
 - 13-year term – to final maturity on 7/1/2037
 - 0.83% spread – compared to 1.05% spread for a 7-year term (competitive proposal)
 - Option to convert to fixed rate and terminate interest rate swap when market is attractive

DEBT MANAGEMENT

POLICY MEASURES

Rated Bond System Updates – USF Parking System

\$2 M USF Parking System (Aa3/AA/AA-)

Annual debt service payments = \$1.1 M (FY 2025)

Continued Pressure on Revenues; Maintenance of Debt Service Coverage Ratios; Maintenance of Reserves

Revenues remain flat, while expenses continue to grow

Reduction in Debt Service due to amortization of the Series 2016A bonds, mature on July 1, 2026

Reserves remain strong, despite significant investments in facilities, and \$8 M contribution to Stadium Project:

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Rated Bond System Updates – USF Marshall Student Center

\$24 M USF Marshall Student Center (Aa3/AA)

Annual debt service payments = \$2.4 M (FY 2025)

Strong Revenues; Maintenance of Debt Service Coverage Ratios; Maintenance of Reserves

Revenues continue to grow at a steady pace

Expenses managed downward during the pandemic; Returning to pre-pandemic levels

Continued growth in reserves:

- \$14 M (FY 2022) / \$16 M (FY 2023)
- \$16 M in FY 2024



Annual Derivatives Report

DERIVATIVES PORTFOLIO

Prudent Governance – Board of Trustees and Financing Corporation

Effective BOT Derivatives Policy and Management Practices

Swap Portfolio Objectives

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

Matched Maturities of Bonds to Coincide with Maturing Pay-Fixed Interest Rate Swaps

\$232 M Reduction in Swaps over 16 Years – Capitalized on Maturing 9s0As

DERIVATIVES PORTFOLIO

**19-Year Managed Trend
/ Unwinding Swaps**

USF Derivatives – \$46 Million (6/30/24)

