

USF Financing Corporation and USF Property Corporation

ANNUAL REPORT TO THE BOARD

Annual Meeting – November 15, 2018

Presented by: Fell L. Stubbs, Executive Director

LONG-TERM FINANCING OBJECTIVES

- Provide low-cost, low-risk, long-term financing for the University’s major capital projects
- Maintain strong credit ratings: USF, Housing, Marshall Center, and Parking systems
- Negotiate sound credit structures supporting each bond series
- Seek low-cost capital by accessing public and private markets
- Capitalize on opportunities to convert variable to fixed rates, reduce credit risks, reduce swaps, and refund at call dates to lock-in low interest rates

Cumulative Public / Private Transactions

	PUBLIC BONDS	PRIVATE PLACEMENTS	TOTAL TRANSACTIONS
Number of Closed Transactions	17	18	35
\$ of Closed Transactions	\$1.1 Billion	\$0.6 Billion	\$1.7 Billion
Outstanding Debt (as of 6/30/18)	\$152 Million	\$171 Million	\$323 Million

HIGHLIGHTS OF THE PAST YEAR

Closed Transactions

- During FY 2018, the Corporation requested that our banking partners eliminate, in our loan agreements, subjective acceleration clauses (material adverse change) and other bank-favorable covenants, and reduce the effect of the reduction in the corporate tax rate to 21%.

September 2017	\$59 M Series 2012B Housing COPs (Extension of direct placement facility)
March 2018	\$16 M Series 2010 CAMLS Note (Refunding)
March 2018	\$18 M Series 2010A&B Athletics Notes (Refunding)
July 2018	\$59 M Series 2012B Housing COPs (Amendment only)
July 2018	\$17 M Series 2013 Arena Note (Amendment only)
July 2018	\$ 4 M Series 2003A Athletics Bonds (Amendment only)
July 2018	\$42 M Series 2013A Health COPs (Amendment only)

- Due to the July 1, 2018 expiration of the Series 2013B direct bond placement credit facility, and the related interest rate swap, the Corporation converted the Series 2013B Health COPs to fixed rate COPs

July 2018	\$18 M Series 2013B Health COPs – Conversion to Fixed Rate
	<ul style="list-style-type: none"> ○ Objectives: Lock in attractive long-term fixed rates, and reduce credit risk, put risk, and rate risk

HIGHLIGHTS OF THE PAST YEAR (CONTINUED)

Construction Projects

- \$6 million Eye Institute Relocation Project
 - USF Board of Trustees authorized project for the Corporation on September 1, 2016
 - Agreement with Design-Builder executed on June 22, 2017
 - Construction commenced July 2017
 - **Project completed on time and on budget in June 2018**

Bond System Management

- Ratings – Moody’s and S&P affirmed their ratings for the University at “Aa2 Stable” and “AA- Stable,” respectively, affirmed their ratings for the USF Housing System at “A1” and “A+,” respectively, and affirmed their ratings for the USF Marshall Center at “Aa3” and “AA-,” respectively, in November 2016.
 - In February 2018, S&P revised its outlook on all University ratings to Positive
- Managed debt service cash flows of \$45 million.
- Managed bond covenant and tax compliance for Housing, Health and Athletic Bond Systems.
- Independent Auditors – Unqualified Opinions, with No Findings.
- Managed \$323 million of long-term bonds for USF Financing Corporation – 13 Series.
- Managed \$78 million of interest rate swaps – hedging 2 Series of variable-rate COPs with Royal Bank of Canada as counterparty.
 - On July 1, 2018, the Series 2013B interest rate swap expired, leaving one remaining swap

NEAR-TERM INITIATIVES

USF St. Petersburg Student Housing Project – \$33 M

- 375-bed Student Housing and Dining Project
- \$33 M of Public, Fixed Rate, Tax-Exempt Bonds with 30 year Final Maturity
- Approvals:
 - July 9, 2018 Board of Directors Project Approval
 - July 24, 2018 USF Board of Trustees Approval
 - November 8, 2018 Florida Board of Governors Approval
- Next Steps:
 - November 15, 2018 Board of Directors Debt Approval to Issue Debt and Execute Documents
 - Wk of November 19 Receive Ratings
 - Wk of November 19 Finalize Design / Build Agreement
 - Wk of December 17 Issue Bonds

Capitalize on Opportunity to Convert Series 2010B Housing Build America Bonds

- Opportunity:
 - Convert \$15 million of taxable Build America Bonds to tax-exempt bonds (Series 2019)
 - Expect to Issue Bonds in January 2019

USF Research Park

- Opportunity:
 - Finance and develop 120,000 square foot research building in the USF Research Park
 - Project feasibility assessments underway
 - For Board consideration likely at its Annual Meeting in November 2019

OUTSTANDING DEBT AND SWAPS AS OF JUNE 30, 2018

DEBT ISSUE	DATE ISSUED	DEBT STRUCTURE	CURRENT RATINGS		INTEREST RATES (%)	TAXABLE / TAX-EXEMPT	MATURITY DATE	TOTAL DEBT OUTSTANDING (including unamortized premiums/discounts)
			Moody's	S&P				
Certificates of Participation, Series 2010A - Housing System	12/23/2010	Public Fixed Rate Bonds	A1	A+ (Positive Outlook)	4.42	Tax Exempt	2020	\$1,175,027
Certificates of Participation, Series 2010B - Housing System	12/23/2010	Public Fixed Rate Bonds	A1	A+ (Positive Outlook)	8.50 (gross) / 5.53 (net)	Taxable / Federal Subsidy	2040	\$15,140,000
Refunding Certificates of Participation, Series 2012A - Housing System (Remarketed bonds issued 10/1/12; Refunded Series 2005B issued 5/25/05)	5/6/2015	Public Fixed Rate Bonds	A1	A+ (Positive Outlook)	3.65	Tax Exempt	2035	\$84,261,299
Refunding Certificates of Participation, Series 2012B - Housing System (Amended 7/1/18; Extended 9/29/17; Refunded Series 2007 issued 9/25/07)	10/1/2012	Direct Placement Variable Rate Bonds / Synthetically Fixed	NR	NR	4.67	Tax Exempt	2037	\$59,800,000
Refunding Certificates of Participation, Series 2015A - Housing System (Refunded Series 2005A issued 5/25/05)	5/6/2015	Public Fixed Rate Bonds	A1	A+ (Positive Outlook)	2.00	Tax Exempt	2023	\$19,071,402
Housing					3.98%			\$179,447,728
Refunding Certificates of Participation, Series 2013A - Health System (Amended 7/1/18; Converted from variable to fixed 7/1/16; Refunded Series 2006A issued 3/16/06)	9/3/2013	Direct Placement Fixed Rate Bonds	NR	NR	2.71	Tax Exempt	2036	\$36,395,000
Refunding Certificates of Participation, Series 2013B - Health System (Converted from variable to fixed 7/1/18; Refunded Series 2007 issued 11/19/07)	9/3/2013	Direct Placement Fixed Rate Bonds	NR	NR	3.39	Tax Exempt	2037	\$18,555,000
Bank Loan, Series 2018 - CAMLS (Refunded BABs Series 2010 issued 12/15/10)	3/9/2018	Direct Placement Fixed Rate Bonds	NR	NR	3.51	Tax Exempt	2031	\$15,535,830
Health					3.07%			\$70,485,830

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OUTSTANDING DEBT AND SWAPS AS OF JUNE 30, 2018 (CONTINUED)

DEBT ISSUE	DATE ISSUED	DEBT STRUCTURE	CURRENT RATINGS		INTEREST RATES (%)	TAXABLE / TAX-EXEMPT	MATURITY DATE	TOTAL DEBT OUTSTANDING (including unamortized premiums/discounts)
			Moody's	S&P				
Certificates of Participation, Series 2003A - Athletics Facility (Amended 7/1/18; Reissued USF Foundation Series 2003A issued 3/6/03)	3/15/2011	Direct Placement Fixed Rate Bonds	NR	NR	3.82	Tax Exempt	2022	\$4,765,000
Bank Loan, Series 2018A - Athletics (Refunded BABs Series 2010A issued 1/15/10)	3/9/2018	Direct Placement Fixed Rate Bonds	NR	NR	3.46	Tax Exempt	2030	\$7,685,180
Bank Loan, Series 2018B - Athletics (Refunded BABs Series 2010B issued 12/15/10)	3/9/2018	Direct Placement Fixed Rate Bonds	NR	NR	3.51	Tax Exempt	2031	\$10,486,685
Bank Loan, Series 2013 - Arena Taxable Revenue Bonds	9/27/2013	Direct Placement Fixed Rate Bonds	NR	NR	4.78	Taxable	2033	\$17,395,000
Athletics					4.08%			\$40,331,865
Refunding Revenue Bonds, Series 2015 - Marshall Student Center (Refunded Series 2005C issued 1/19/06)	5/6/2015	Fixed Rate Bonds	Aa3	AA- (Positive Outlook)	3.43	Tax Exempt	2036	\$32,492,908
Marshall Center					3.43%			\$32,492,908
TOTAL FINANCING CORPORATION DEBT					3.74%			\$322,758,331

INTEREST RATE SWAPS									
Underlying Bond / Loan	Initial Amount of Underlying Bond / Loan	Bond / Loan Maturity Date	Remaining Amount of Swap	Effective Date	Initial Term	Swap Expiration Date	Swap Counterparty	Counterparty Credit Rating (Moody's)	Fixed Rate
Series 2012B Housing (refunded 2007)	\$73,700,000	7/1/2037	\$59,800,000	9/25/2007	30 yrs	7/1/2037	Royal Bank of Canada	Aa3	3.552%
Series 2013B Health (refunded 2007)	\$22,830,000	7/1/2037	\$18,555,000	11/19/2007	10 yrs	7/1/2018	Royal Bank of Canada	Aa3	3.397%

13-YEAR CORPORATE TRACK RECORD

USF Financing/Property Corporation – University’s Special Purpose Financing Arm

- The Corporations play a large and strategic role for the University by providing an economical, efficient and unified plan of financing that considers the University’s mission, goals and strategic plan.
- The USF Board of Trustees approved formation of the two Corporations in December 2004; operations commenced in March 2005.
- \$1.7 billion in Financing Transactions Closed
- \$520 million of Projects Developed
- 1.9 million sq ft of Projects Developed
- \$349 million in total Corporate Assets
- \$323 million of Corporate Debt outstanding as of June 30, 2018
- 3.74% Long-Term Cost of Capital (tax-exempt and taxable debt)

USF Financing Systems

- Housing – A1-rated \$180 million system supported by student fees.
 - Includes Tampa housing, St. Petersburg housing and parking garage, and St. Petersburg multi-purpose student center
- Marshall Student Center – Aa3-rated \$32 million revenue bond Series supported by student fees.
- Health – unrated \$70 million system supported by USF medical facilities revenue.
 - Includes two state-of-the-art medical clinics, a medical office building and the new Center for Advanced Medical Learning & Simulation (CAMLS)
- Athletics / Arena – unrated \$40 million system supported by Athletics facilities revenue and Arena revenue.
 - Includes basketball, baseball and softball facilities, soccer and football practice fields, and renovated Arena

GOVERNANCE STRUCTURE

USF Financing/Property Corporation (USFFC/USFPC) Directors and Officers

Board of Directors

<u>Name</u>	<u>Term</u>	<u>4-Year Term Ending</u>
Sandra W. Callahan	Second	2022
Richard D. Smith	Second	2022
Steven A. Williamson	Second	2021
Lori V. Vaughan	First	2019
Judy Genshaft, USF System President		NA
David E. Lechner, USF System Senior VP for Business & Finance		NA

Corporate Officers

<u>Name</u>	<u>Position</u>	<u>2-Year Term Ending</u>
Sandra W. Callahan	Chair (USFFC)	2020
	Sec/Treas (USFPC)	2020
Richard D. Smith	Chair (USFPC)	2020
	Sec/Treas (USFFC)	2020
Hilary Black	Assistant Secretary (USFFC/PC)	2020
Dawn Rodriguez	Assistant Secretary (USFFC/PC)	2020
Fell L. Stubbs	Executive Director	NA

GOVERNANCE STRUCTURE

Board of Directors Composition and Term Limits

- At least 5, but no more than 7, members; appointed as follows:
 - One Director appointed by USF Board of Trustees
 - One Director shall be the USF President or designee
 - One Director shall be USF CFO or designee
 - Two Directors, one from the Boards of Directors of each of two of the University's Regional Campuses shall be appointed by the then-members of the Boards of Directors
 - Up to two additional directors may be elected at the annual meeting of the Board of Directors by the then-current members of the Board of Directors
- Terms of Office:
 - Four years in length
 - Maximum of two consecutive terms
 - Directors may be re-appointed or re-elected to the Board of Directors after the expiration of one-year following the end of his or her last previous term and will have the status of a new member
 - USF President or Designee and USF CFO have no term limit
- Officers for each Corporation are the Chair, Executive Director, Secretary and Treasurer; appointed as follows:
 - Executive Director is appointed by the USF President
 - All other Officers are elected at the Annual Meeting
- Terms of Office for Corporation Officers:
 - Two years in length
 - Executive Director has no term limit