



# USF Financing Corporation and USF Property Corporation

## **ANNUAL REPORT TO THE BOARD**

*Annual Meeting – November 1, 2022*

*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: University, Housing and Parking systems, and Marshall Center
- Negotiate sound credit structures supporting each bond series
- Seek low-cost capital by accessing public and private markets
- Comply with BOT Debt Management Policy, BOG regulations, state statutes, federal SEC / IRS laws, bond covenants, continuing disclosure requirements – Avoid default
- Capitalize on opportunities to convert bonds from 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	20	24	44
\$ of Closed Transactions	\$1.17 Billion	\$0.67 Billion	<b>\$1.84 Billion</b>
Outstanding Debt (as of 11/1/22)	\$187 Million	\$165 Million	<b>\$352 Million</b>
Weighted Average Interest Rate			<b>3.81%</b>

## HIGHLIGHTS OF THE PAST YEAR

### Closed Transactions

- **October 1, 2021**      **\$46 million Series 2013A&B Health Conversion to Taxable – Private placement**
  - A Determination of Taxability Event occurred as a result of the University's Affiliation Agreement with Tampa General Hospital
  - Interest rates on the 2013A&B Certificates automatically converted to taxable rates
  - Series 2013A Certificates – taxable fixed interest rate of 3.20% initially adjusting to 3.43% on July 1, 2022; up from the tax-exempt rate of 2.71%
  - Series 2013B Certificates – taxable fixed interest rate of 4.29%; up from the tax-exempt rate of 3.39%
  - No new covenants; No change to final maturity dates of 2036 and 2037
  
- **October 31, 2022**      **\$28.5 million Series 2022 Housing COPs – Public Debt Issuance**
  - To fund the construction of a new 200-bed housing and student center facility on the USF Sarasota-Manatee campus
  - University is contributing \$16.5 million primarily towards the student center
  - 30-year, tax-exempt, fixed interest rate of 4.81%

## HIGHLIGHTS OF THE PAST YEAR (CONTINUED)

### Construction Projects

- **\$42 million, 120,000 square-foot USF Research Park Laboratory & Office Building Project**
  - Florida Board of Governors final approval on October 30, 2019
  - \$27 million Note issued December 16, 2019; Balance to be funded by Research Foundation contribution
  - \$27.6 million spent through FY 2022; \$14.4 million estimated cost to complete interior buildout
  - Building completed February 2022; Grand opening March 2022



## HIGHLIGHTS OF THE PAST YEAR (CONTINUED)

### Bond System Management

- Ratings
  - September 2022 - Moody's assigned its 'A1' rating on the new Series 2022 Housing Certificates, affirmed its 'A1' ratings for the USF Housing System, affirmed its 'Aa3' rating for the USF Marshall Center and affirmed its 'Aa2' issuer rating for the University, all with a Stable outlook.
  - September 2022 - S&P assigned its 'A+' rating on the new Series 2022 Housing Certificates, affirmed its 'A+' rating for the USF Housing System, affirmed its 'AA' rating for the USF Marshall Center, and affirmed its 'AA' issuer rating for the University, all with a Stable outlook
- Managed debt service cash flows of \$69 million
- Managed bond covenant and tax compliance for Housing, Health, Athletic and Research Bond Systems
- Independent Auditors – Unmodified Opinion, with No Findings
- Managed \$325 million of long-term bonds for USF Financing Corporation – 15 Series
- Managed \$51 million interest rate swap – hedging the Series 2012B Housing variable-rate COPs with Royal Bank of Canada as counterparty

## OUTSTANDING DEBT AND SWAPS AS OF JUNE 30, 2022

(NEW ISSUE INCLUDED FOR ILLUSTRATIVE PURPOSES)

DEBT ISSUE	DATE ISSUED	DEBT STRUCTURE	CURRENT RATINGS *		INTEREST RATES (%)	TAXABLE / TAX-EXEMPT	MATURITY DATE	TOTAL DEBT OUTSTANDING (\$ in Millions) (including unamortized premiums/discounts)
			Moody's	S&P				
Refunding Certificates of Participation, Series 2012A - Housing System	5/6/2015	Public Fixed Rate Bonds	A1	A+	3.65	Tax Exempt	2035	\$79.7
Refunding Certificates of Participation, Series 2012B - Housing System	10/1/2012	Direct Placement Variable Rate Bonds / Fixed w/ Swap	NR	NR	4.67	Tax Exempt	2037	\$51.1
Refunding Certificates of Participation, Series 2015A - Housing System	5/6/2015	Public Fixed Rate Bonds	A1	A+	2.00	Tax Exempt	2023	\$5.6
Certificates of Participation, Series 2018 - Housing System	1/16/2019	Public Fixed Rate Bonds	A1	A+	3.99	Tax Exempt	2048	\$30.9
Refunding Certificates of Participation, Series 2019 - Housing System	1/16/2019	Public Fixed Rate Bonds	A1	A+	3.68	Tax Exempt	2040	\$15.5
Certificates of Participation, Series 2022 - Housing System	10/31/2022	Public Fixed Rate Bonds	A1	A+	4.81	Tax Exempt	2052	\$28.6
<b>USF Financing Corporation - Housing</b>					<b>4.06%</b>			<b>\$211.4</b>
Refunding Certificates of Participation, Series 2013A - Health System (Converted to Taxable 10/1/21)	9/3/2013	Direct Placement Fixed Rate Bonds	NR	NR	3.43	Taxable	2036	\$29.9
Refunding Certificates of Participation, Series 2013B - Health System (Converted to Taxable 10/1/21)	9/3/2013	Direct Placement Fixed Rate Bonds	NR	NR	4.29	Taxable	2037	\$15.8
Bank Loan, Series 2018 - CAMLS	8/31/2020	Direct Placement Fixed Rate Bonds	NR	NR	2.25	Tax Exempt	2031	\$12.0
<b>USF Financing Corporation - Health</b>					<b>3.42%</b>			<b>\$57.7</b>

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## OUTSTANDING DEBT AND SWAPS AS OF JUNE 30, 2022 (CONTINUED)

(NEW ISSUE INCLUDED FOR ILLUSTRATIVE PURPOSES)

Bank Loan, Series 2018A - Athletics	8/31/2020	Direct Placement Fixed Rate Bonds	NR	NR	2.25	Tax Exempt	2030	\$5.9
Bank Loan, Series 2018B - Athletics	8/31/2020	Direct Placement Fixed Rate Bonds	NR	NR	2.25	Tax Exempt	2031	\$8.1
Bank Loan, Series 2013 - Arena Taxable Revenue Bonds	9/27/2013	Direct Placement Fixed Rate Bonds	NR	NR	4.78	Taxable	2033	\$14.2
<b>USF Financing Corporation - Athletics</b>					<b>3.67%</b>			<b>\$28.2</b>
Refunding Revenue Bonds, Series 2015 - Marshall Student Center	5/6/2015	Public Fixed Rate Bonds	Aa3	AA	3.43	Tax Exempt	2036	\$26.9
<b>USF Financing Corporation - Marshall Center</b>					<b>3.43%</b>			<b>\$26.9</b>
Mortgage Loan Agreement Series 2019 Taxable Promissory Note	5/1/2019	Mortgage Loan	NR	NR	4.33	Taxable	2031	\$2.9
Bank Loan, Series 2019 Taxable Promissory Note	12/16/2019	Direct Placement Fixed Rate Loan	NR	NR	3.22	Taxable	2039	\$25.2
<b>USF Financing Corporation - Research</b>					<b>3.33%</b>			<b>\$28.1</b>
<b>TOTAL USF FINANCING CORPORATION</b>					<b>3.82%</b>			<b>\$352.3</b>

## **17-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.
- \$1.84 billion in Financing Transactions Closed
- \$580 million of Projects Developed
- 2.1 million sq ft of Projects Developed
- \$353 million in total Corporate Assets
- \$325 million of Corporate Debt outstanding as of June 30, 2022
- 3.82% Long-Term Cost of Capital (tax-exempt and taxable debt)

### **USF Financing Systems**

- Housing – “A1/A+”-rated \$211 million system supported by student fees.
  - Includes Tampa housing, St. Petersburg housing, parking, and student center, Sarasota housing and student center
- Marshall Student Center – “Aa3/AA”-rated \$27 million revenue bond Series supported by student fees.
- Health – unrated \$58 million system supported by USF medical facilities revenue.
  - 2 state-of-the-art medical clinics, a medical office building and CAMLS
- Athletics / Arena – unrated \$28 million system supported by Athletics facilities revenue and Arena revenue.
  - Includes basketball, baseball and softball facilities, soccer and football practice fields, and renovated Arena
- Research – unrated \$28 million loans supported by research revenues.
  - Includes laboratory and office building and UDI building

## 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>
Erin S. Aebel	First	2025
Andrew J. Mayts	First	2026
Linda O. Simmons	First	2024
Richard D. Smith	Second	2022
Jose E. Valiente	First	2024
Rhea F. Law, USF President		N/A
Richard J. Sobieray, USF Chief Financial Officer		N/A

#### Corporate Officers

<u>Name</u>	<u>Position</u>	<u>2-Year Term Ending</u>
Linda O. Simmons	Chair (USFFC), Sec/Treas (USFPC)	2024
Richard D. Smith	Chair (USFPC) / Sec/Treas (USFFC)	2022
Erin S. Aebel	Chair (USFPC), Sec/Treas (USFFC)	2024
Hilary Black	Assistant Secretary (USFFC/PC)	2024
Dawn Rodriguez	Assistant Secretary (USFFC/PC)	2024
Fell L. Stubbs	Executive Director	N/A

## 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 the Chair of the USF Board of Trustees
  - One Director shall be the USF President or designee
  - One Director shall be the USF CFO or designee
  - Up to four additional directors, once appointed and approved by the USF Board of Trustees, may be elected at the annual meeting of the Board of Directors by the then current members of the Board of Directors
  - The USF Board of Trustees shall approve all appointments to the Board of Directors
- Terms of Office:
  - Four years in length
  - Maximum of two consecutive terms
  - Directors who have served two terms consecutively may be re-elected to the Board of Directors after the expiration of one-year following the end of his or her last previous term, and upon approval by the USF Board of Trustees 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