

USF FINANCING CORPORATION

MINUTES OF SPECIAL MEETING

BOARD OF DIRECTORS

MAY 3, 2020

A special meeting of the Board of Directors of the USF Financing Corporation was held as a Microsoft Teams virtual meeting on May 3, 2021 at the University of South Florida, 4202 E. Fowler Avenue, CGS 402, Tampa, Florida, pursuant to the Corporation's Bylaws, for the purpose of appointing the independent auditor, approving the Corporation's annual financial plan, and for the transaction of any other business that may properly come before the Board.

The meeting was held pursuant to Notice duly provided on April 14, 2021. A copy of the meeting Notice is attached to these minutes.

The meeting was called to order by Chair Simmons at 1:30 p.m.

The following directors, who constitute a quorum of the Board of Directors, were present:

Mr. Richard D. Smith
Mr. David E. Lechner
Mr. Jose E. Valiente
Ms. Linda O. Simmons

The following persons were also present:

Mr. Fell L. Stubbs, Executive Director
Mr. Nick J. Trivunovich, University Chief Financial Officer
Ms. Hilary Black, Senior Associate General Counsel
Ms. Dawn M. Rodriguez, Assistant Treasurer
Mr. Brian Ten Eyck, University Chief of Staff

Call to Order
and Roll Call

Public Comments Subject
to Procedure for
Appearances before the
Board of Directors

Chair Simmons asked Mr. Stubbs if, under the Procedure for Appearances before the Board of Directors, any party had requested to appear before the Board. Mr. Stubbs stated that no notices requesting appearance before the Board were received in advance of the meeting.

Approval of Minutes

The minutes of the November 3, 2020 annual meeting were distributed on April 27, 2021. Chair Simmons called for any corrections to the minutes. Hearing none, she asked for a motion to approve the minutes of the annual meeting held on November 3, 2020. The motion was duly made and seconded, and the minutes of the meeting were unanimously approved.

Resolution: Appoint
Independent Auditor

Chair Simmons asked Mr. Stubbs to introduce the resolution. Mr. Stubbs presented Resolution No. FC-05-03-21A for the annual engagement of an independent auditor. The Corporate Bylaws, as well as Section 1004.28 of the Florida Statutes, requires that the Corporation engage an independent CPA firm to audit its accounts and records. Mr. Stubbs, as Executive Director of the Corporation, recommends the engagement of KPMG LLP to conduct the audit for fiscal year 2021. KPMG provided an engagement letter on April 12, together with a fee of \$68,000, and a report on the Firm's System of Quality Control by PWC. KPMG also provided a fee schedule for fiscal years 2022 and 2023. Mr. Stubbs stated that in terms of fees, KPMG has treated us fairly. The FY 2021 fee is unchanged from FY 2020, and down from \$70,000 in FY 2019. The Corporation's previous auditor, Ernst & Young, audited the Corporation's books for 7 years ending in FY 2013 with a fee of \$67,500. KPMG has audited the Corporation for 7 years starting at \$60,000 in FY 2014 and did not equal E&Y's last fee until 2018. Mr. Stubbs further stated that he

believes KPMG is the most qualified firm in Tampa for the Corporations, considering our public and provide bond issuance and our credit ratings.

Mr. Valiente asked if we have a partner rotation requirement. Mr. Stubbs stated that the 5-year rotation requirement is limited to the Audit Manager and does not affect Lori Nissen as partner-in-charge.

Chair Simmons asked if there were any questions from the Board. Hearing none, she requested a motion to appoint KPMG LLP as auditor of the Corporation. The motion was duly made and seconded, and the following was unanimously approved:

RESOLVED, Resolution FC 05-03-21A, which each director has read, is hereby adopted and the secretary is hereby ordered to attach a copy of the aforesaid resolution to the minutes of the meeting.

Chair Simmons asked Mr. Stubbs to introduce the next resolution. Mr. Stubbs presented Resolution No. FC-05-03-21B and stated that the Board was provided with a copy of the FY 2022 Financial Plan on April 27, 2021. The Financial Plan will be presented to the USF Board of Trustees (BOT) Finance Committee on May 25, 2021.

Mr. Stubbs reviewed the FY 2022 Financial Plan, stating that the Corporation's statutory mission is to support the University as its financing arm and is expected to provide low cost, low risk, long-term financing for the University's major capital projects. He reviewed the Corporation's 5 Key Initiatives that will accelerate our business recovery in FY 2022:

(1) Protect USF's "AA" credit ratings. Formal presentations were made to the credit rating agencies in March. S&P reported in April that all USF credit ratings

Resolution: Approve
Corporation FY 2022
Financial Plan

were affirmed with stable outlooks. Moody's and Fitch's reports are expected in May. Mr. Lechner stated that during the presentations Mr. Stubbs did an excellent job protecting the University's credit ratings. Due to an actuarial change, the University was required to record another substantial reduction in net assets. Mr. Stubbs' presentation put this into context and focused on the University's strengths and recovery in the coming years.

(2) Compliance with debt covenants. Mr. Stubbs stated that USF Health has a 50-year affiliation agreement with Tampa General Hospital. Now, USF and TGH are jointly developing an Academic Medical Center which will merge USF Health's facilities and certain operations. As the facilities were financed with tax-exempt bonds, management is considering the impact to our compliance with private use guidelines.

(3) Management recently concluded negotiations with 3 of the University's strategic partners. The revenues generated by these partners are pledged to debt service on various bonds. The negotiations yielded significant advance payments despite reductions in revenues due to the pandemic and low numbers of students on campus.

(4) Closely monitoring the Corporation's 50% investment in INTO USF. Operating losses for INTO USF over the past two years total \$2.7 million. INTO USF may call on the \$2.25 million Note from the Corporation. Mr. Stubbs stated that Mr. Lechner and Mr. Trivunovich have been closely involved in the situation and Mr. Lechner will provide an update later in the meeting.

(5) The Corporation in FY 2022 will reinstate its requirement for USF DSOs and Auxiliaries to pay annual management fees and renewal and replacement reserves in the amount of \$1.8 million; these fees were waived for FY 2021.

Chair Simmons asked if there were any questions from the Board. Mr. Valiente asked if we came close to violating any covenants given the negative impact on pledged revenues due to the pandemic. Mr. Stubbs stated that while revenues were impacted negatively, debt service remains a priority payment for the USF DSOs and Auxiliaries. The DSOs and Auxiliaries significantly reduced expenses to limit the impact, the DSOs have operating reserves to support debt service payments and the University was allocated federal funds that also offset the revenue losses. Additionally, all outstanding bonds have reserve requirements equal to 1-year of debt service. However, if we would have drawn on those reserves, it could have impacted our credit ratings. We also maintained compliance with all other covenants and requirements. For FY 2022, the Corporation, and the USF DSOs and Auxiliaries, will be focused on restoring operating reserves.

Mr. Valiente also asked if the Forecasts reflect the new lease accounting standards. Ms. Rodriguez stated that while the Forecasts do not reflect the new lease accounting standard, the Corporation will adopt GASB 87 for FY 2022. Once we have fully assessed the impact of adopting the new standard on the financial statements, the Board will be provided with a comparison to the Financial Plan.

Hearing no other questions, Chair Simmons requested a motion to approve the Corporation's Fiscal Year 2022 Financial Plan as presented. The motion was duly made and seconded, and the following was unanimously approved:

RESOLVED, Resolution FC 05-03-21B, which each director has read, is hereby adopted and the secretary is hereby ordered to attach a copy of the aforesaid resolution to the minutes of the meeting.

Other Business:
INTO USF Update

Chair Simmons asked Mr. Lechner to provide an update on INTO USF. Mr. Lechner stated that this partnership has had a positive impact on the number of international students enrolled in USF. Recently, INTO USF's revenues have been negatively impacted by declines in student enrollment due to U.S. and international government policies, and further impacted by the pandemic. Leadership is currently evaluating the partnership and is exploring many options regarding how it might change in the future. In the short-term, INTO USF will likely have to draw on the lines of credit available from INTO UK and the Corporation. We will have further discussions with this Board as well as the USF Board of Trustees.

Other Business –
Bond Transaction

Chair Simmons asked Mr. Stubbs to describe the bond transaction. Mr. Stubbs stated that the Series 2013A and Series 2013B Health bonds were issued in 2006 and 2007, respectively, as public tax-exempt bonds. The bonds financed the construction of the Morsani Center, South Tampa Clinic and the Medical Faculty Office Building. Recently, USF Health, in its Affiliation Agreement with Tampa General Hospital, disclosed its intention of subleasing space in the buildings and transferring employees to TGH. These building uses are "private use" under the IRS Guidelines for tax-exempt bonds. We are in active discussions with the bondholders, JP Morgan Chase Bank and Truist Bank, to explore converting the bonds from tax-exempt to taxable, as well as our ability to allocate the remaining equity in the

project to these private uses. This issue may come back to the Board to approve Amendments to the Series 2013A and Series 2013B bonds.

Other Business

Chair Simmons asked if there were any other items for the Board's consideration. Mr. Stubbs stated that during this fiscal year, we may need another special board meeting to consider a request for approval of an advance of funds to INTO USF under the Corporation's \$2.25 million Promissory Note. Hearing no further items, Chair Simmons thanked the Board's directors for attending this special meeting.

Adjournment

There being no further business to come before the Board, the meeting was adjourned on motion duly made and carried at 2:26 p.m.

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Linda O. Simmons, Chair

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Richard D. Smith, Secretary/Treasurer