

USF Financing Corporation and USF Property Corporation

ANNUAL REPORT TO THE BOARD

Annual Meeting – November 3, 2015

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

Public / Private Transactions

	PUBLIC BONDS	PRIVATE PLACEMENTS	TOTAL
Number of Closed Transactions	17	9	26
\$ of Closed Transactions	\$1.1 B	\$0.3 B	\$1.4 B
Current Outstanding Debt	\$166 M	\$188 M	\$354 M

HIGHLIGHTS OF THE PAST YEAR

Closed Transactions

- May 6, 2015 \$132 million Series 2015A COPs, Series 2015 Revenue Bonds and Series 2012A COPs – Two refundings for savings (Series 2005A and Series 2005C), one conversion to fixed rate (Series 2012A); fixed rates: 1.87%, 3.39% and 3.62%, respectively.
 - Maintained strong credit ratings: Affirmed USF (Aa2), Maintained Housing System (A1), Increased Marshall Center (Aa3)
 - Eliminated liquidity risks: Reduced variable rate debt outstanding to 35% from 59%
 - Reduced interest rate swaps: Outstanding swaps reduced from \$202 M to \$126 M
 - Released Andros from Housing Ground Lease to accommodate USF P3 Project
 - Reduced cost of capital by refunding/converting at lower current market rates
 - \$8.8 Million = Combined PV Savings

Construction Projects

- No projects currently in progress

Bond System Management

- Ratings – during FY 2015, 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 assigned ratings for the USF Marshall Center at “Aa3” and “AA-”
- Managed debt service cash flows and bond covenant compliance for Housing, Health and Athletic Bond Systems.
- Independent Auditors – both Corporations received unqualified opinions, with no findings.
- Managed \$358 million of long-term bonds for USF Financing Corporation – 13 Series.
- Managed \$126 million of interest rate swaps – hedging 3 Series of variable-rate COPs with 2 counterparties.

NEAR-TERM INITIATIVES

P3 USF Student Housing Development Project – \$133 M (\$40 M Equity, \$93 M Debt)

- Opportunity:
 - Develop multi-use residential village
- Objectives:
 - Transfer risks for capital asset maintenance, construction, operations and demand
 - Accelerate delivery of housing project
 - Preserve USF credit ratings and debt capacity
- USFFC Involvement:
 - Released Andros Ground for P3
 - Continued management of USF Housing debt

Capitalize on Opportunity to Convert Series 2013A Certificates

- Opportunity:
 - Convert \$40 million of variable rate debt to fixed rate (Series 2013A)
 - Terminate associated interest rate swap
- Objectives:
 - Reduce risk associated with variable rate bonds
 - Lock in current low, long-term market rates

10-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.
- \$1.4 billion in Financing Transactions Closed
- \$520 million of Projects Developed
- 1.9 million sq ft of Projects Developed
- \$382 million in total Corporate Assets
- \$354 million of Corporate Debt outstanding as of September 30, 2015
- 3.94% Long-Term Cost of Capital (includes Arena taxable note)
 - T-E Bond Buyer revenue bond index 30-year – 4.07% (October 16, 2015)

USF Financing Systems

- Housing – A1-rated \$195 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 \$36 million revenue bond Series supported by student fees.
- Health – unrated \$77 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 \$47 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>
Steven A. Williamson	First	2017
Sandra W. Callahan	First	2018
Richard D. Smith	First	2018
Lori V. Vaughan	First	2019
Judy Genshaft, USF President		NA
John W. Long, USF Chief Operating Officer		NA

Corporate Officers

<u>Name</u>	<u>Position</u>	<u>2-Year Term Ending</u>
Sandra W. Callahan	Chair (USFFC)	2016
	Sec/Treas (USFPC)	2016
Richard D. Smith	Chair (USFPC)	2016
	Sec/Treas (USFFC)	2016
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