

USF Financing Corporation and USF Property Corporation

ANNUAL REPORT TO THE BOARD

Annual Meeting – November 7, 2017

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	11	28
\$ of Closed Transactions	\$1.1 billion	\$0.4 billion	\$1.5 billion
Current Outstanding Debt	\$152 million	\$172 million	\$324 million

HIGHLIGHTS OF THE PAST YEAR

Closed Transactions

- September 29, 2017 \$59.8 million Series 2012B Housing COPs – Extension of direct placement facility
 - Objectives:
 - Obtain term pricing for 5, 7, and 10 years
 - Eliminate Material Adverse Change and Material Adverse Effect as an Event of Default
 - Eliminate additional indebtedness restriction
 - Eliminate Most Favored Nations clauses in favor of bank
 - Eliminate cross-default provisions
 - Add term-out provisions
 - Amend reporting requirements
 - Wells Fargo Bank agreed to all requests
 - Term extended for 10 years: October 1, 2027 (includes provision for a further extension)
 - Reduction of interest rate spread from 80 to 75 basis points (very competitive pricing)

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

HIGHLIGHTS OF THE PAST YEAR (CONTINUED)

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.
- Managed debt service cash flows of \$55 million.
- Managed bond covenant and tax compliance for Housing, Health and Athletic Bond Systems.
- Independent Auditors – Unqualified Opinions, with No Findings.
- Managed \$324 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.

NEAR-TERM INITIATIVES

P3 USF St. Petersburg Student Housing Development Project – \$50 M (All Debt)

- Opportunity:
 - Develop multi-use 550-bed residential project
- 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:
 - Continued management of USF Housing System debt and credit ratings

Capitalize on Future Opportunity to Convert Series 2013B Certificates

- Opportunity:
 - Convert \$19 million of variable rate debt to fixed rate (Series 2013B)
 - Terminate associated interest rate swap
 - Private placement bonds and swap mature on July 1, 2018
- Objectives:
 - Reduce risk associated with variable rate bonds
 - Lock in current low, long-term market rates

OUTSTANDING DEBT AND SWAPS AS OF SEPTEMBER 30, 2017

DEBT ISSUE	DATE ISSUED	DEBT STRUCTURE	CURRENT RATINGS		INTEREST RATES (%)	TAXABLE / TAX-EXEMPT	MATURITY DATE	TOTAL DEBT OUTSTANDING (including unamortized premiums)
			Moody's	S&P				
Certificates of Participation, Series 2010A - Housing System	12/23/2010	Fixed Rate Bonds	A1	A+	4.42	Tax Exempt	2020	\$1,175,027
Certificates of Participation, Series 2010B - Housing System	12/23/2010	Fixed Rate Bonds	A1	A+	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	Fixed Rate Bonds	A1	A+	3.65	Tax Exempt	2035	\$84,261,299
Refunding Certificates of Participation, Series 2012B - Housing System (Direct Placement Extended 9/29/17) (Refunded Series 2007 issued 9/25/07)	10/1/2012 / 9/29/2017	Direct Placement Variable Rate Bonds / Synthetically Fixed	NR	NR	4.30	Tax Exempt	2037	\$59,800,000
Refunding Certificates of Participation, Series 2015A - Housing System (Refunded Series 2005A issued 5/25/05)	5/6/2015	Fixed Rate Bonds	A1	A+	2.00	Tax Exempt	2023	\$19,071,402
Housing					3.85%			\$179,447,728
Refunding Certificates of Participation, Series 2013A - Health System (Conversion to Fixed Rate 7/1/16) (Refunded Series 2006A issued 3/16/06)	9/3/2013 / 7/1/2016	Direct Placement Fixed Rate Bonds	NR	NR	2.31	Tax Exempt	2036	\$36,395,000
Refunding Certificates of Participation, Series 2013B - Health System (Refunded Series 2007 issued 11/19/07)	9/3/2013	Direct Placement Variable Rate Bonds / Synthetically Fixed	NR	NR	4.25	Tax Exempt	2037	\$18,555,000
Bank Loan, Build America Bonds, Series 2010 - CAMLS	12/15/2010	Direct Placement Fixed Rate Bonds	NR	NR	6.17 (gross) / 4.01 (net)	Taxable / Federal Subsidy	2031	\$16,302,372
Health					3.20%			\$71,252,372

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OUTSTANDING DEBT AND SWAPS AS OF SEPTEMBER 30, 2017 (CONTINUED)

DEBT ISSUE	DATE ISSUED	DEBT STRUCTURE	CURRENT RATINGS		INTEREST RATES (%)	TAXABLE / TAX-EXEMPT	MATURITY DATE	TOTAL DEBT OUTSTANDING (including unamortized premiums)
			Moody's	S&P				
Certificates of Participation, Series 2003A - Athletics Facility (Reissued USF Foundation Series 2003A issued 3/6/03)	3/15/2011	Direct Placement Fixed Rate Bonds	NR	NR	3.14	Tax Exempt	2022	\$4,765,000
Bank Loan, Build America Bonds, Series 2010A - Athletics System	1/15/2010	Direct Placement Fixed Rate Bonds	NR	NR	8.02 (gross) / 5.21 (net)	Taxable / Federal Subsidy	2030	\$8,059,639
Bank Loan, Build America Bonds, Series 2010B - Athletics System	12/15/2010	Direct Placement Fixed Rate Bonds	NR	NR	6.17 (gross) / 4.01 (net)	Taxable / Federal Subsidy	2031	\$11,004,101
Bank Loan, Taxable Revenue Bonds Series 2013 - Arena Renovation	9/27/2013	Taxable Fixed Rate Bonds	NR	NR	4.78	Taxable	2033	\$17,395,000
Athletics					4.47%			\$41,223,740
Refunding Revenue Bonds, Series 2015 - Marshall Student Center (Refunded Series 2005C issued 1/19/06)	5/6/2015	Fixed Rate Bonds	Aa3	AA-	3.43	Tax Exempt	2036	\$32,492,908
Marshall Center					3.43%			\$32,492,908
TOTAL FINANCING CORPORATION DEBT					3.75%			\$324,416,748

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%

12-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.
- \$1.5 billion in Financing Transactions Closed
- \$520 million of Projects Developed
- 1.9 million sq ft of Projects Developed
- \$364 million in total Corporate Assets
- \$324 million of Corporate Debt outstanding as of September 30, 2017
- 3.75% 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 \$71 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 \$41 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)	2018
	Sec/Treas (USFPC)	2018
Richard D. Smith	Chair (USFPC)	2018
	Sec/Treas (USFFC)	2018
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