



UNIVERSITY OF  
SOUTH FLORIDA

# USF Financing Corporation and USF Property Corporation

## **ANNUAL REPORT TO THE BOARD**

*Annual Meeting – November 8, 2019*

*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	19	19	38
\$ of Closed Transactions	\$1.1 Billion	\$0.6 Billion	\$1.7 Billion
Outstanding Debt (as of 6/30/19)	\$179 Million	\$167 Million	\$346 Million

## **HIGHLIGHTS OF THE PAST YEAR**

### **Closed Transactions**

- January 16, 2019    \$32 million Series 2018 Housing COPs – Public debt issuance
  - To fund the construction of a new 375-bed housing and dining facility on the USF St. Petersburg campus.
  - 30-year, tax-exempt, fixed interest rate of 3.99%
  
- January 16, 2019    \$15 million Series 2019 Housing Refunding COPs – Public debt issuance
  - To advance refund and defease the Series 2010B Housing Build America Bonds
  - \$1.8 million in net present value savings
  - 21-year, tax-exempt, fixed interest rate of 3.68%
  - No change to final maturity date of 2040
  
- May 1, 2019         \$3.6 million Series 2019 Conventional Mortgage Loan – Private placement
  - To finance the purchase of a building (UDI) and assumption of a subleasehold interest in the USF Research Park
  - 12-year, taxable, fixed interest rate of 4.33%
  - The building is master leased to the USF Research Foundation until 2069, unless sooner terminated.

## HIGHLIGHTS OF THE PAST YEAR (CONTINUED)

### Construction Projects

- \$33 million, 375-bed USF St. Petersburg Housing & Dining Project
  - Florida Board of Governors final approval on November 8, 2018
  - Bonds issued January 16, 2019
  - Agreement with Design-Builder executed on January 8, 2019
  - Construction commenced January 2019
  - \$5.6 million spent in FY 2019; \$27.4 million estimated cost to complete
  - **Project under construction; on time and on budget; expected completion date of July 2021**

### 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+ with positive outlook,” respectively, and affirmed their ratings for the USF Marshall Center at “Aa3” and “AA-,” respectively, in November 2018.
- Managed debt service cash flows of \$59 million.
- Managed bond covenant and tax compliance for Housing, Health and Athletic Bond Systems.
- Independent Auditors – Unmodified Opinion, with No Findings.
- Managed \$346 million of long-term bonds for USF Financing Corporation – 15 Series.
- Managed \$58 million of interest rate swaps – hedging the Series 2012B Housing variable-rate COPs with Royal Bank of Canada as counterparty.

## NEAR-TERM INITIATIVES

### USF Research Park Laboratory and Office Project – \$27 M

- Low Leverage – \$15 million cash equity
- Strong security structure – additional pledged revenues from 3 mature, fully leased, research park buildings
  - Pro forma debt service coverage – 1.48x (first year); 2.32x (5<sup>th</sup> year), conservative 5-year lease up
- 20-year, fixed rate, taxable, private placement debt
- Approvals:
  - April 30, 2019            Board of Directors Project Approval
  - June 6, 2019            USF Board of Trustees Approval
  - October 30, 2019       Florida Board of Governors Approval
- Next Steps:
  - November 8, 2019      Board of Directors Approval to Issue Debt and Execute Documents
  - November 2019        Finalize Design / Build Agreement
  - December 2019        Issue Debt

## OUTSTANDING DEBT AND SWAPS AS OF JUNE 30, 2019

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	\$800,013
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	\$83,134,845
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	\$57,750,000
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	\$15,793,686
Certificates of Participation, Series 2018 - Housing System	1/16/2019	Public Fixed Rate Bonds	A1	A+ (Positive Outlook)	3.99	Tax Exempt	2048	\$32,086,260
Refunding Certificates of Participation, Series 2019 - Housing System (Refunded Series 2010B BABs issued 12/23/10)	1/16/2019	Public Fixed Rate Bonds	A1	A+ (Positive Outlook)	3.68	Tax Exempt	2040	\$16,490,895
<b>USF Financing Corporation - Housing</b>					<b>3.87%</b>			<b>\$206,055,699</b>
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	\$34,835,000
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	\$17,925,000
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	\$14,721,993
<b>USF Financing Corporation - Health</b>					<b>3.07%</b>			<b>\$67,481,993</b>

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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	\$3,895,000
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	\$7,280,689
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	\$9,937,345
Bank Loan, Series 2013 - Arena Taxable Revenue Bonds	9/27/2013	Direct Placement Fixed Rate Bonds	NR	NR	4.78	Taxable	2033	\$16,650,000
<b>USF Financing Corporation - Athletics</b>					<b>4.09%</b>			<b>\$37,763,034</b>
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	\$31,117,350
<b>USF Financing Corporation - Marshall Center</b>					<b>3.43%</b>			<b>\$31,117,350</b>
Mortgage Loan Agreement Series 2019 Taxable Promissory Note (UDI Building Purchase - USF Research Park)	5/1/2019	Mortgage Loan	NR	NR	4.33	Taxable	2031	\$3,600,000
<b>USF Financing Corporation - Research</b>					<b>4.33%</b>			<b>\$3,600,000</b>
<b>TOTAL USF FINANCING CORPORATION</b>					<b>3.70%</b>			<b>\$346,018,076</b>

## **14-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.
- \$1.71 billion in Financing Transactions Closed
- \$526 million of Projects Developed
- 1.9 million sq ft of Projects Developed
- \$387 million in total Corporate Assets
- \$346 million of Corporate Debt outstanding as of June 30, 2019
- 3.70% Long-Term Cost of Capital (tax-exempt and taxable debt)

### **USF Financing Systems**

- Housing – A1-rated \$206 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 \$31 million revenue bond Series supported by student fees.
- Health – unrated \$67 million system supported by USF medical facilities revenue.
  - 2 state-of-the-art medical clinics, a medical office building and CAMLS
- Athletics / Arena – unrated \$38 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 \$3.6 million mortgage loan supported by research revenues.



## 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	Second	2023
Steven C. Currall, 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 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