

USF FINANCING CORPORATION

MINUTES OF SPECIAL MEETING

BOARD OF DIRECTORS

JULY 9, 2018

A special meeting of the Board of Directors of the USF Financing Corporation was held on July 9, 2018 at the University of South Florida, 4202 E. Fowler Avenue, CGS 402, Tampa, Florida, pursuant to the Corporation's Bylaws, for the purpose of authorizing the issuance of debt to finance costs related to student housing improvements at the USF St. Petersburg campus, 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 June 15, 2018.

A copy of the meeting Notice is attached to these minutes.

The meeting was called to order by Chair Callahan at 12:00 p.m.

The following directors, who constitute a quorum of the Board of Directors, were present or participated in the meeting via conference telephone:

Ms. Sandra W. Callahan
Mr. Richard D. Smith
Ms. Lori V. Vaughan
Mr. Steven A. Williamson
Mr. John W. Long

The following persons were also present or participated in the meeting via conference telephone:

Mr. Fell L. Stubbs, Executive Director
Mr. Nick J. Trivunovich, University Chief Financial Officer
Mr. David E. Lechner, University Senior VP for Business & Finance

Call to Order
and Roll Call

Ms. Hilary Black, Senior Associate General Counsel
Ms. Dawn M. Rodriguez, Assistant Treasurer
Ms. Diana F. Ribeiro, Accounting Manager

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

Chair Callahan 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.

Resolution: Authorize the
Issuance of Debt to Finance
the Costs of Student
Housing Improvements
Located on the St.
Petersburg Campus

Chair Callahan asked Mr. Stubbs to introduce the resolution. Mr. Stubbs stated that this resolution authorizes the issuance of debt by the Corporation in the amount of \$33 million, and in any event not to exceed \$37 million, for the purpose of financing the cost of student housing improvements at the USF St. Petersburg campus. Mr. Stubbs noted that this initiative was discussed most recently at the May 29 special meeting of the Board.

Mr. Stubbs stated that the proposed project consists of approximately 375 beds, an approximately 12,000 to 15,000 square foot dining space, and related infrastructure. The project is anticipated to be completed for occupancy for Fall 2020, assuming confirmation of this delivery date by the general contractor. The USF Board of Trustees is expected to approve the project on July 24, 2018.

Mr. Stubbs stated that the debt will be secured by a first lien on “System Revenues” pursuant to the terms of the Master Lease Purchase Agreement dated May 1, 2005 among the Corporation and The Bank of New York Trust Company, as Trustee, on parity with the lien granted to the holders of the outstanding Certificates of Participation which are currently outstanding in an aggregate

principal amount of \$186 million. The currently outstanding Certificates hold “A1” and “A+” Moody’s and Standard & Poor’s credit ratings, respectively.

Mr. Stubbs stated that the debt will consist of a public bond offering, and will bear interest at a fixed rate and mature not more than 30 years after issuance. The project has an estimated useful life that exceeds 40 years.

Mr. Stubbs presented the information materials distributed to the Board on July 5 for their review prior to this meeting. Demand analyses for housing at the St. Petersburg campus indicate that, as of Fall 2017, over 700 students chose to live on campus in the two existing residence halls, exceeding the 553 bed design capacity of the residence halls. Studies performed by Brailsford & Dunlavey, an external consulting firm engaged by the University, found demand for an additional 331 revenue-generating beds that will grow to 395 revenue-generating beds by Fall 2020. University leadership has prudently selected the proposed project size based on factors including demand and price sensitivity.

Mr. Stubbs stated that, as previously discussed, the University initially considered a public-private partnership (P3) financing model to finance this initiative, but ultimately determined a debt financing via the Corporation would be more cost-effective and advantageous. Development, operating, and financing costs would be higher for the P3 approach, and the particular P3 structure for this project would also require the University to forgo control over certain key aspects. Director Long explained that the USF St. Petersburg project is a significantly different project than the recently completed USF Tampa Housing Village, financed via a P3 structure. Mr. Trivunovich also explained that the

University's debt capacity has improved during the time leadership has been considering alternatives, thereby allowing the University to now absorb the costs of these improvements.

Mr. Stubbs stated that total project costs, including construction, design, contingency, and furnishing and equipment, are estimated at \$30.7 million and will be funded through bond proceeds and a \$0.8 million contribution from the University. Approximately \$2.8 million of the debt will fund capitalized interest during the construction period. A request for proposals from general contractors will be issued in late July, following USF Board of Trustees approval, at which time the estimated final cost of the project will be known.

The Board discussed the proposed project and debt issuance. Director Smith asked if the increased bed capacity is compatible with the projected demand. Director Long stated that the University has designed this project conservatively with the ability to expand if demand is significantly higher.

Chair Callahan asked whether the project meets debt management guidelines and policies. Mr. Stubbs stated that the issuance of this debt is in compliance with the Debt Management Guidelines adopted by the Board of Governors on April 27, 2006, the University's debt management policy, and applicable law. The Debt Management Guidelines require a 1.20x debt service coverage ratio. The project's debt service coverage ratio for 2021-22 is projected at 1.30x and the USF housing system's debt service coverage, including the project, in 2021-22 is projected to be 1.52x.

Chair Callahan asked if there were any other questions from the Board. Hearing none, Chair Callahan requested a motion to authorize the issuance of debt to finance the costs of student housing improvements located on the USF St. Petersburg campus. The motion was duly made and seconded, and the following was unanimously approved:

RESOLVED, Resolution FC 07-09-18A, 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.

Elect Officers

Chair Callahan called on Director Long to introduce the following action item. Director Long stated that the Corporation has two vacant Assistant Secretary officer positions. Pursuant to the Corporation's Bylaws, a vacancy in any office, other than Executive Director, may be filled by the Board of Directors. Director Long nominated Hilary Black and Dawn Rodriguez to be Assistant Secretaries of the USF Financing Corporation.

Hearing no other nominations, Director Long requested a motion to elect Hilary Black and Dawn Rodriguez as Assistant Secretaries of the Corporation each for two-year terms with immediate effect. The motion was duly made and seconded, and the officers were unanimously elected.

Other Business

Chair Callahan asked if there were any other items for the Board's consideration.

Mr. Stubbs stated that the Board of Governors is expected to approve the aforementioned St. Petersburg housing project on November 8. Thus, he suggested rescheduling the Board's annual meeting to a later date in November,

as the Board will need to approve financing documents related to the project's debt issuance. He stated he will communicate further with the Board on potential meeting dates.

Mr. Stubbs also reported that the conversion and all amendment transactions approved by the Board at the May 29 special meeting successfully closed on July 2.

Hearing no additional items for the Board's consideration, Chair Callahan thanked the Board's directors for attending this special meeting.

There being no further business to come before the Board, the meeting was adjourned on motion duly made and carried at 1:48 p.m.

Sandra W. Callahan, Chair

Richard D. Smith, Secretary / Treasurer

Adjournment