

Annual Finance Policy Reports

Board of Trustees Finance Committee
August 8, 2023

Presented by: Fell L. Stubbs, University Treasurer

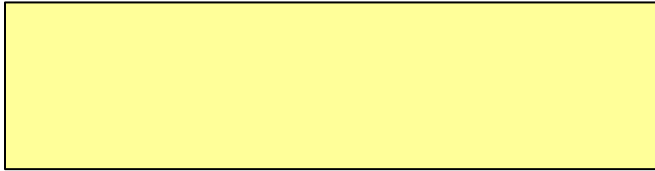


CONTENTS

PAGE



Annual Investment Report



COMBINED 10 USF INVESTMENT PORTFOLIOS

- 1 Endowment – USF Foundation
 - Long-term investment horizon
 - Restricted
- 9 Operating Portfolios – USF and DSO
 - Short-term investment horizon
 - Liquid
- Growth in portfolios reflects investment performance and net cash flows



	\$884	\$655	\$273	
	\$806	\$639	\$234	

* Endowment and DSO balances are as of 3/31/23, FY 2023 balances not yet available

UNIVERSITY INVESTMENT PORTFOLIO

- Provide Essential Liquidity to Fund Operations \$2 billion in annual payroll and expenditures
- Preserve Capital – Investing State Funds and Reserves
- Achieve Positive Annual Return in All Market Conditions

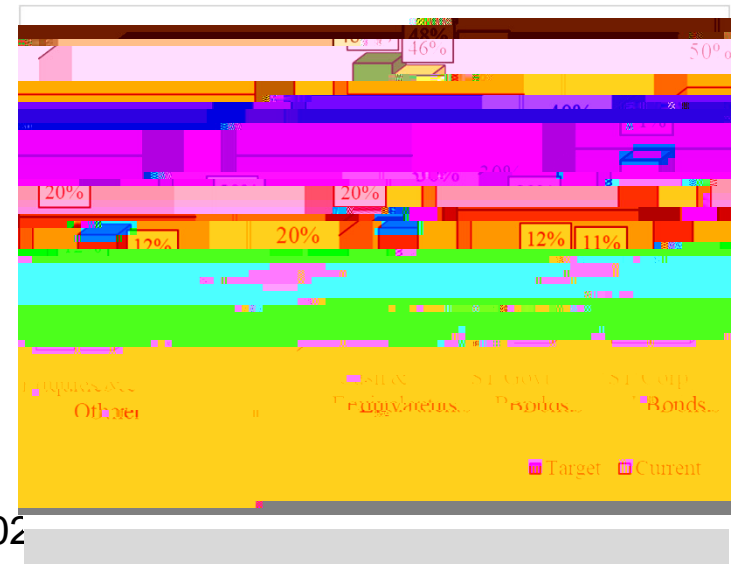
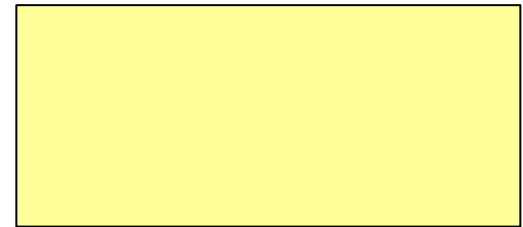


UNIVERSITY INVESTMENT PORTFOLIO

- Right asset allocation – Protect against downside risks
- Right investment managers and funds – Diversified, low cost
- Portfolio generated positive returns in 93% of past 21 periods

- 12 Month Interest = \$17.5 M
- 12 Month Dividends = \$ 2.8 M

Yield to Maturity	June 2021	June 2022	June 2023
Vanguard ST Govt Bonds	0.60%	3.30%	5.00%
Vanguard ST Corp Bonds	0.99%	4.20%	5.60%



20% 31% \$276.5

- Limit buy / sell transactions
- Growing cash position



UNIVERSITY PORTFOLIO – 10-YEAR PERFORMANCE

- Equities and bonds both declined
- Not occurred in 2 decades – since 1999
- Resulted in first year of losses (unrealized) for USF Portfolio
- Rising rate environment – Affecting bond values
 - USF’s bond funds have short-term duration (2.7 years)
- Inflation rate slowed, but core inflation remains high
- Recession remains possible with Fed’s aggressive tightening

	<u>1 Year</u>	<u>5 Year</u>	<u>From Inception</u>
Benchmark	3.9%	2.0%	2.4%

	<u>Return</u>	<u>Std Dev</u>	<u>Sharpe</u>
S&P 500 Index –	12.9%	14.9%	0.8%
Barclay’s Agg –	1.5%	4.3%	0.1%

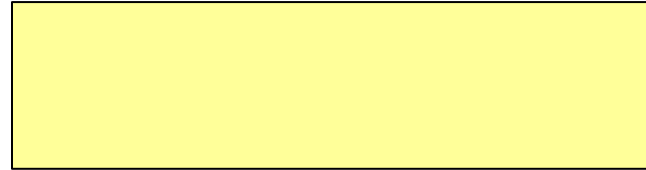
Annualized Return - Equities	18.3%	(0.1%)	(2.6%)	14.5%	9.0%	6.7%	(8.9%)	17.1%	(10.6%)	19.5%
Annualized Return - Fixed Income	1.1%	0.9%	2.4%	0.9%	0.0%	5.8%	5.3%	1.4%	(4.3%)	2.0%



Annual Debt Management Report



USF DEBT PORTFOLIO

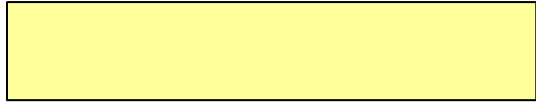


	4.11%	2.20%	3.43%	3.03%	3.43%	3.54%	3.28%	2.63%		
	A1 / A+	Aa3 / AA	Aa3 / AA	NR	NR	NR	NR	NR		

NR = Not Rated

MOODY'S / S&P – RATINGS REPORTS ONUSF

Market Profile: Excellent strategic positioning



USF DEBT PORTFOLIO



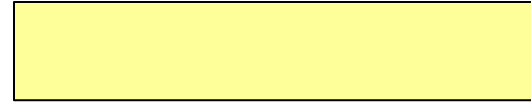
- o Funded with \$30 M 30-yr, fixed rate tax-exempt public debt and \$16.5 M equity
- o Construction Manager / Architect-Engineer Team: CORE / Mackey Mitchell
- o Anticipated Opening: May 2024

- o Funded with Energy Savings Performance Contract; 19-yr, fixed rate, tax-exempt \$14.9 million in guaranteed savings over 20 years
- o Anticipated Completion: January 2024

- o Funded with Energy Savings Performance Contract; 19-yr, fixed rate, tax-exempt \$16.2 million in guaranteed savings over 17 years
- o Anticipated Completion: September 2024

- o Funded with Energy Savings Performance Contract; 20-yr, fixed rate, tax-exempt \$16.3 million in guaranteed savings over 20 years
- o Anticipated Completion: March 2025

USF DEBT PORTFOLIO



- Funded with \$200 M 20yr, fixed rate, taxable loan and \$140 M equity
- Construction Manager / Architect-Engineer Team: Barton Malow / Populous
- Project approved by USF Board of Trustees in June and being considered for approval by Florida Board of Governors in August
- If approved, Project is anticipated to open July 2026





DEBT MANAGEMENT



Achieve low cost of capital – 3.73%, down from peak of 4.28% in 2014

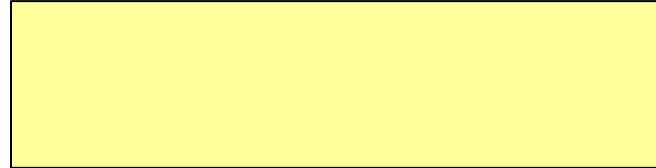
Restructure bonds to produce NPV savings – \$100 million and negotiate favorable covenants

13 ratings upgrades in 10 years

Moody's and S&P affirmed University's "Aa2/Stable" and "AA/Stable" ratings in fall 2022

\$137 M Village Housing P3 (2015) – 2,170 beds, dining, recreation

Publix Grocery P3 (2016) – only on-campus grocery



DEBT MANAGEMENT

	\$20					\$36	\$27			
		\$421	\$413	\$377	\$359	\$383	\$389	\$370		
		3.99%	3.91%	3.64%	3.68%	3.63%	3.60%	3.62%		

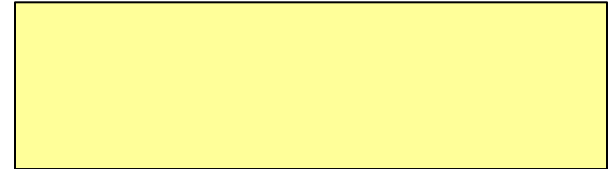
POLICY MEASURES

	10.2%	7.4%	7.3%	9.1%	7.0%	5.4%	-0.6%	6.3%		
	2.4%	0.1%	0.0%	2.0%	-0.2%	-2.3%	-9.6%	-3.0%		
	0.65x	0.64x	0.64x	0.68x	0.67x	0.71x	0.65x	0.81x		
	202 days	197 days	200 days	213 days	216 days	210 days	180 days	215 days		
	1.6x	1.8x	1.9x	2.3x	2.5x	2.6x	2.5x	3.1x		
	4.0x	2.7x	4.1x	4.8x	4.0x	2.9x	-0.3x	3.4x		
	2.2%	2.2%	1.5%	1.7%	1.4%	1.8%	1.6%	1.8%		



Rated Bond System Updates – USF Housing System

Annual debt service payments = \$15.4 M (FY 2024)



Strong recovery in occupancy levels:

- 51% (fall 2020) / 88% (fall 2021) / 97% (fall 2022)
- +100% expected for fall 2023 (budgets are based on 95%)

Continued growth in reserves:

- \$46 M (FY 2020) / \$52 M (FY 2021) / \$63 M (FY 2022)
- \$62 M in FY 2023, notwithstanding significant investments in Housing facilities, including \$4 M cash equity contribution to new USF Sarasota Manatee Student Housing / Center Project

Revenues	\$45,165,802	\$45,167,526	\$34,365,132	\$55,933,376	\$49,071,718	\$51,548,244
Expenses	\$24,615,242	\$23,136,072	\$15,770,196	\$18,528,952	\$24,886,363	\$28,957,736
Net Revenues	\$20,550,560	\$22,031,454	\$18,594,936	\$37,404,424	\$24,185,355	\$22,590,508
Debt Service	\$13,738,224	\$13,712,753	\$15,622,388	\$15,593,199	\$15,661,188	\$15,387,359

* Gross Housing System Revenues are pledged; net debt service coverage is shown for informational purposes.

** Federal funding (CARES Act, CRRSA Act, grants) provided the Housing System with revenues of \$6.4 M in FY 2020, \$5.9 M in FY 2021, and \$9.0 M in FY 2022, included in the figures above.



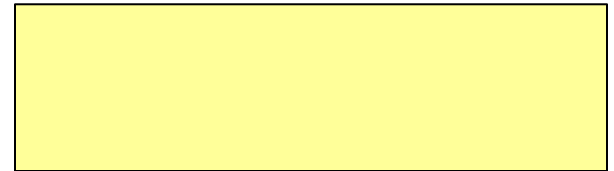
Rated Bond System Updates – USF Parking System

Annual debt service payments = \$2.0 M (FY 2024)

- Revenues declined in FY 2020 and FY 2021 due to pandemic
Transportation access fees remain flat, permit revenues slow to recover
Reserves remain strong despite use of \$2M to support operations in FY 2021
- \$29 M (FY 2020) / \$26 M in reserves (FY 2021) / \$28 M (FY 2022)
 - \$29 M in FY 2023 – return to FY 2020 level

Rated Bond System Updates – USF Marshall Student Center

Annual debt service payments = \$2.4 M (FY 2024)



Revenues declined in FY 2020 and FY 2021 due to the pandemic; recovered to pre-pandemic levels in FY 2022

Expenses managed downward in FY 2020, FY 2021 and FY 2022

Reserves remain strong / growing despite pressure on revenues during the pandemic

- \$12 M (FY 2020) / \$13 M (FY 2021) / \$14 M (FY 2022)
- \$16 M in FY 2023

Revenues	\$8,408,071	\$7,372,480	\$7,278,282	\$8,637,592	\$8,505,921	\$8,935,432
Expenses	\$4,716,249	\$4,524,180	\$3,699,018	\$4,221,320	\$5,094,523	\$5,123,843
Net Revenues	\$3,691,822	\$2,848,300	\$3,579,264	\$4,416,272	\$3,411,398	\$3,811,589
Debt Service	\$2,355,845	\$2,420,245	\$2,395,895	\$2,399,645	\$2,395,395	\$2,398,395

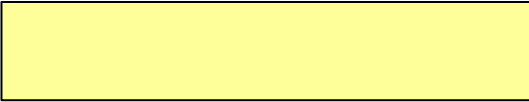
* Federal funding (CARES Act, CRRSA Act) provided the Marshall Student Center with additional revenues of \$0.8 million in FY 2022, included in the figures above.



Annual Derivatives Report



DERIVATIVES PORTFOLIO



Effective BOT Derivatives Policy and Management Practices

- Hedged Variable Rate Bonds – Provided a Lower Cost of Capital – Requires Active Management
- Matched Maturities of Bonds to Coincide with Maturing Pay-Fixed Interest Rate Swaps
- \$229 M Reduction in Swaps over 15 Years – Capitalized on Maturing Swaps to Refund Bonds
- Winding Down Swap Portfolio – No New Swaps Since 2007
 - 1 Swap Currently Outstanding – \$49 M
 - Will terminate swap and convert bonds to fixed rate when termination value is positive

Housing	Royal Bank of Canada	7/1/2037	Yes	\$0 M	3.94%	\$49 M

DERIVATIVES PORTFOLIO

