



# Annual Finance Policy Reports

*Board of Trustees Finance Committee  
August 16, 2022*

Presented by: Fell L. Stubbs, University Treasurer



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# Annual Investment Report

## COMBINED 10 USF INVESTMENT PORTFOLIOS

All USF Investment Portfolios Governed by the BOT Investment Policy (Revised 3-8-22)

All USF Investment Portfolios Governed by Investment Committees

Central Oversight of All Investment Portfolios

**Record USF Wealth –  
\$1.7 Billion – Steadily Growing**

- University at \$806 Million (6/30/22), Endowment at \$712 Million (3/31/22) are 2 largest of 10 portfolios





**All Portfolios in Compliance with BOT Investment Policy**

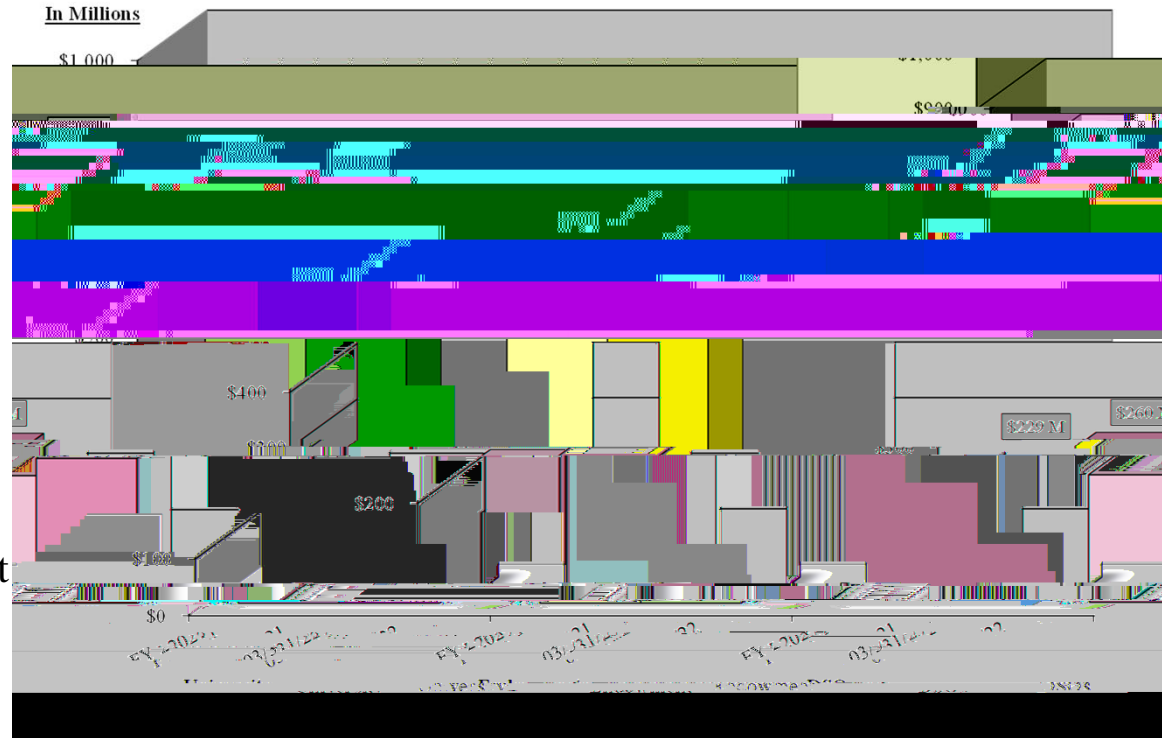
**COMBINED 10 USF INVESTMENT PORTFOLIOS**

**Different Types of USF Portfolios:**

- Endowment – USF Foundation  
Long-term investment horizon  
Restricted
- Operating – USF and DSOs  
Short-term investment horizon  
Liquid

**Barometer of Financial Health:**

- Growth in portfolios reflects investment performance and net cash flows



Combined Portfolio (In Millions)	University	Endowment	8 Other DSO Portfolios	USF's 10 Investment Portfolios
System Portfolio, 3/31/22	\$768	\$712	\$260	\$1,740
System Portfolio, 6/30/21	\$751	\$732	\$229	\$1,712
<b>Change in System Portfolio</b>	<b>\$17</b>	<b>(\$20)</b>	<b>\$31</b>	<b>\$28</b>

# UNIVERSITY INVESTMENT PORTFOLIO

## **University Portfolio Objectives**

- 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

**USF Liquidity Measure: Days Cash on Hand = 216 Days / Moody's AA Peers = 210 Days**

## **University Portfolio Structure – Balance Risk and Return**

- Target Balance: 80% – Short-Term, High Quality Bonds and Cash



# UNIVERSITY INVESTMENT PORTFOLIO

## Conviction Regarding Portfolio Structure

- Right asset allocation – risk adjusted returns
- Right investment managers and funds – highly diversified, low cost

## Portfolio Designed to Preserve Capital and Minimize Risk

- Portfolio generated positive returns in 93% of past 20 periods

## Portfolio is Generating Cash

- 12 Month Interest = \$8.6 M
- 12 Month Dividends = \$4.7 M

## Bond Funds are Rapidly Repricing

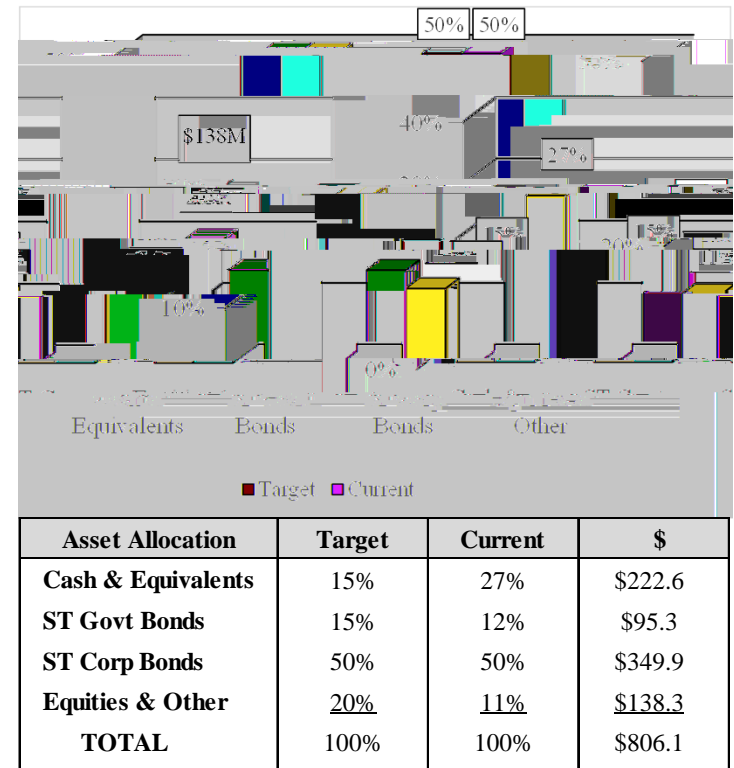
Yield to Maturity	July 2021	July 2022
Vanguard ST Govt Bonds	0.50%	3.30%
Vanguard ST Corp Bonds	0.90%	4.20%

## Unrealized Losses Will Unwind Once Markets Stabilize

## Current Portfolio Strategy

- No buy/sell transactions
- Grow cash position

**Portfolio Expected to Meet Objectives**



## UNIVERSITY PORTFOLIO – 10-YEAR PERFORMANCE

### **FY 2022 Was a Highly Unusual Investment Market**

- Equities and bonds both declined
- Not occurred in 2 decades – since 1999
-





# Annual Debt Management Report



USF DEBT PORTFOLIO

**Governance, Compliance,  
Ratings and Cost**

**Prudent Governance: Board of Trustees and USF Financing Corporation**

**Maintain “AA” Moody’s and Standard & Poor’s Credit Ratings**

**Compliance with BOT Debt Management Policy, BOG Regulations, State Statutes,  
Federal SEC / IRS Laws, Bond Covenant Requirements, Continuing Disclosure  
Requirements – Avoid Default**

**Effective Use of USF Debt Capacity**

**Manage Long-Term Cost of Capital, Covenant and Credit Risks**

**USF Finance Systems**

As of June 30, 2022

Outstanding Debt (In Millions)	Housing	Parking	Marshall Center	Health	Athletics	Research	Foundation	Total / Weighted
<b>Total Outstanding Debt per System</b>	\$182.8	\$7.0	\$26.9	\$57.7	\$29.2	\$41.9	\$3.5	\$349.0
<b>Weighted Average Interest Rate</b>	3.95%	2.20%	3.43%	3.42%	3.54%	3.28%	2.63%	3.66%
<b>Moody's / S&amp;P Rating</b>	A1 / A+	Aa3 / AA	Aa3 / AA	NR	NR	NR	NR	Aa2 / AA (University)

NR = Not Rated

## MOODY'S / S&P – RATINGS REPORTS ON USF

### **Moody's Affirmed USF "Aa2/Stable" Rating (5/12/21)**

Market Profile: Excellent strategic positioning

Operating Performance: USF will continue to demonstrate solid fiscal oversight. However, performance has weakened over the past several years.

USF's excellent credit profile incorporates its st

# USF DEBT PORTFOLIO

# USF DEBT PORTFOLIO

## Project Financing – Anticipated

### **Pending \$43.5 Million USF Sarasota-Manatee Housing and Student Center Project**

Funded with \$27 M 30-yr, fixed rate, tax-exempt public debt and \$16.5 M equity

Construction Manager / Architect-Engineer Team: CORE Construction / Mackey Mitchell

Project approved by USF Board of Trustees in June and being considered for approval by Florida Board of Governors in September

If approved, Project is anticipated to open May 2024

### **Pending USF On-Campus Athletics Stadium**

Early planning phase underway; anticipated opening 2026 or 2027

Developing funding strategies

Issued ITN for Design and Construction Services; firms will be engaged to assist USF in verifying scope and cost options





**Deleveraging Over Time /  
Restructuring to Lower Rates**

DEBT MANAGEMENT

(In Millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Moody's Aa2 Medians FY 2021
<b>NEW DEBT</b>		\$20					\$36	\$27			
<b>TOTAL DEBT</b>	\$431	<b>\$435</b>	\$421	\$413	\$377	\$359	\$383	\$389	\$370	<b>\$349</b>	<b>\$1,164</b>
<b>LONG-TERM RATE</b>	4.13%	<b>4.28%</b>	3.99%	3.91%	3.64%	3.68%	3.63%	3.60%	3.62%	<b>3.66%</b>	

POLICY MEASURES

(In Millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 (estimate)	Moody's Aa2 Medians FY 2021
<b>OPERATIONS</b>											



## Rated Bond System Updates – USF Housing System

### **\$183M USF Housing System (A1/A+)**

Annual debt service payments = \$15.6 M (FY 2023)

**Credit Ratings Affirmed in  
April / May 2021**

### **Recovery from Pandemic; Maintenance of Reserves**

Federal funding of \$21.3 M and expense reductions in FY 2020, FY 2021 and FY 2022 offset Housing Revenues lost related to the pandemic

Strong recovery in occupancy levels:

51% (fall 2020) / 88% (fall 2021) / +95% (fall 2022)

Continued growth in reserves:

\$46 M (FY 2020) / \$52 M (FY 2021) / \$63 M (FY 2022)

Housing System *	FY 2018	FY 2019	FY 2020 **	FY 2021 **	FY 2022 ** (estimate)	FY 2023 (budget)
<b>Occupancy (Fall)</b>	<b>101%</b>	<b>94%</b>	<b>98%</b>	<b>51%</b>	<b>88%</b>	<b>+95%</b>
Revenues	\$46,792,061	\$45,165,802	\$45,167,526	\$34,365,132	\$55,134,763	\$47,843,587
Expenses	<u>\$27,014,570</u>	<u>\$24,615,242</u>	<u>\$23,136,072</u>	<u>\$15,770,196</u>	<u>\$22,087,078</u>	<u>\$25,373,754</u>
Net Revenues	\$19,777,491	\$20,550,560	\$22,031,454	\$18,594,936	\$33,047,685	\$22,469,833
Debt Service	\$13,793,953	\$13,738,224	\$13,712,753	\$15,622,388	\$15,589,406	\$15,573,263
<b>Debt Service Coverage Ratio (net)</b>	<b>1.43x</b>	<b>1.50x</b>	<b>1.61x</b>	<b>1.19x</b>	<b>2.12x</b>	<b>1.44x</b>

\* 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

### **\$7 M USF Parking System (Aa3/AA/AA-)**

Annual debt service payments = \$2.9 M (FY 2023)

**Credit Ratings Affirmed in  
April / May 2021**

### **Recovery from Pandemic; Maintenance of Reserves**

Federal funding of \$1.8 M and expense reductions in FY 2021 and FY 2022

offset Parking Revenues lost related to the pandemic

Revenues declined in FY 2020 and FY 2021 due to pandemic

Transportation access fees remain flat; Decal/permit revenues slow to recover

Reserves remain strong despite use of \$2 M to support operations in FY 2021

\$29 M (FY 2020) / \$26 M in reserves (FY 2021) / \$28 M (FY 2022)

Parking System	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 * (estimate)	FY 2023 (budget)
Revenues	\$14,701,120	\$15,111,494	\$13,065,735	\$9,216,410	\$13,415,336	\$12,771,977
Expenses	<u>\$8,525,803</u>	<u>\$8,327,075</u>	<u>\$8,571,495</u>	<u>\$7,885,906</u>	<u>\$7,510,127</u>	<u>\$8,947,864</u>
Net Revenues	\$6,175,317	\$6,784,419	\$4,494,240	\$1,330,504	\$5,905,209	\$3,824,113
Debt Service	\$2,936,320	\$2,936,430	\$2,940,330	\$2,937,910	\$2,929,280	\$2,934,550
<b>Debt Service Coverage Ratio (net)</b>	<b>2.10x</b>	<b>2.31x</b>	<b>1.53x</b>	<b>0.45x</b>	<b>2.02x</b>	<b>1.30x</b>

\* Federal funding (CARES Act, CRRSA Act) is expected to provide the Parking System with additional revenues of \$1.8 million in FY 2022, included in the figures above.



## Rated Bond System Updates – USF Marshall Student Center

### **\$27 M USF Marshall Student Center (Aa3/AA)**

Annual debt service payments = \$2.4 M (FY 2023)

**Credit Ratings Affirmed in  
April / May 2021**

### **Recovery from Pandemic; Maintenance of Reserves**

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)

Marshall Center	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 * (estimate)	FY 2023 (budget)
Revenues	\$8,468,829	\$8,408,071	\$7,372,480	\$7,278,282	\$8,739,735	\$8,636,434
Expenses	<u>\$4,848,866</u>	<u>\$4,716,249</u>	<u>\$4,524,180</u>	<u>\$3,699,018</u>	<u>\$4,345,855</u>	<u>\$4,959,444</u>
Net Revenues	\$3,619,963	\$3,691,822	\$2,848,300	\$3,579,264	\$4,393,880	\$3,676,990
Debt Service	\$2,370,445	\$2,355,845	\$2,420,245	\$2,395,895	\$2,399,645	\$2,395,395
<b>Debt Service Coverage Ratio (net)</b>	<b>1.53x</b>	<b>1.57x</b>	<b>1.18x</b>	<b>1.49x</b>	<b>1.83x</b>	<b>1.54x</b>



# Annual Derivatives Report

## DERIVATIVES PORTFOLIO

**Prudent Governance – Board of Trustees and Financing Corporation**

DERIVATIVES PORTFOLIO

**17-Year Managed Trend**

**USF Derivatives – \$51 Million (6/30/22)**

