



Board of Trustees Finance Committee

Tuesday, August 8, 2023
10:00 -11:30am

different fronts. While the total is \$26M, there are four unique items that can be approved discreetly (they are not dependent on each other). They are cost,

MHC ADA Restroom Renovation- \$2,516,500

The MHC building was originally an in-patient care facility, and has been repurposed for the College of Behavioral and Community Sciences. This project will bring restrooms in MHC up to current building code and ADA compliance.

A motion was made to approve the expenditures as presented. The motion was seconded and approved by Committee member 10.9 on 10/9/10.

A review of pricing to include benchmarking against other universities and other companies in the area to understand how things were being priced and what IAE's value was from a pricing point of view; pricing each contract for profitability.
Implemented expense management initiatives including Det

office is also working on increasing revenues. The Research Foundation has had a successful business model for many years. This year's forecast identifies the short term challenges ahead and once these challenges are addressed, the Research Foundation will again be a profitable DSO.

Chair Griffin noted the Research Foundation is making progress

Wage increases to mitigate high turnover as team members are recruited by local companies.

- x Long-term strategies to drive upside financial performance for 5 years:

- x Income Statement:
Net operating profit is forecast at \$20K in FY24, up from \$417K in FY23.
- x Liquidity
Very respectable days cash on hand at 164 days

A motion was made to approve the FY2024 Financial Plan for USF Alumni Association, Inc. The motion was seconded and approved by all Committee members present.

8. USF Financing Corporation & USF Property Corporation

- x Key initiatives:
Complete approval and issuance of \$200M in debt to support the stadium project.
Ensure the Sarasota-Manatee housing and student center stays on budget and on time.
Protect the USF "AA" credit ratings with presentation to Moody's and Standard & Poor
- x Actions to mitigate risks:
Closely monitor credit markets, banking crisis, and rising yield curve.
- x Long-term strategies to drive upside financial performance for next years:
Continue to work with the University to structure new debt programs, manage existing programs, and restructure existing programs
- x Income Statement:
Net operating profit is forecast at \$2.5M in FY24, down \$121K from \$2.7M in FY23. This reduction is due to the amortization of debt and related leases.
- x Liquidity
Very strong days cash on hand at 400 days

A motion was made to approve the FY2024 Financial Plan for USF Financing Corporation and USF Property Corporation. The motion was seconded and approved by all Committee members present.

IV. New Business Information Items

a. Budget and RCM Update

Masha Galchenko, Assistant Vice President, began with an update on the FY24 budget. Around this time, we typically bring forward a continuation or preliminary operating budget for approval. This year in June at the full board meeting we will actually present our FY24 operating budget for approval at that time. We will use the August meetings to bring any updates on new resource distributions to get approvals for carry forward and fixed capital outlay plans, and so on.

Ms. Galchenko then gave an update on the budget model. She was joined by Kevin and Taylor from Huron to address any questions. The presentation included an update on the

overall progress being made to date on the new budget, a discussion of model

V. Adjournment

President Law made the following comments about today's meeting

August 22, 2023

2024-2025 USF Legislative Budget Request

1. To approve the 2024-2025 Legislative Budget Request (LBR) for \$50,000,000 per BOG request.
2. Authorize the President (or their designee), in consultation with the Board Chair, to make necessary adjustments to the Legislative Budget Request.

Pursuant to section 7, Article 9 of the Florida Constitution, the Board of Governors (BOG) "...shall

State University System
Education and General
2024-2025 Legislative Budget Request
Form I

I. Purpose –

The University of South Florida (USF) Board of Trustees (BOT) wishes to express

Because of this historically close association, we will continue to measure our progress – and the ROI on the state’s increased investments in USF – against that peer group’s performance as well as the top 25 itself. Measuring our progress against this long-standing, objective yardstick of success has resulted in our institution being recognized as both “the fastest rising university in America” in USN&WR’s rankings over the past decade as well as a newly admitted member

USN&WR 2023 Rankings Metric	Actual Score of a #23-25 Ranked Public University ⁶	Average Score of All Public AAUs	USF's Score on this Metric	USF's National Ranking on this Metric
Over/Under Predicted Performance in the Six-year Graduation Rate	+1% (VA Tech) ✓	+2% ✓	+10%	17 th
Six-year Graduation Rate of Pell Grant Recipient Students vs. Non-Pell Grant Students	89% (VA Tech) ✓	91% ✓	95%	19 th
Average Federal Loan Debt of Graduates (a lower \$ value is better)	\$22,291 (VA Tech) ✓	\$19,169 ✓	\$19,054	30 th
Annual Alumni Giving Rate				

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overall research portfolio in an area in which our state should be the nation's leader.

FIO would also expend a significant portion of these new recurring funds on continuously upgrading the state's vast and various shipboard and land-based marine and ocean science research equipment across the state for use by all SUS faculty and students. A critical element in the awarding of any competitively funded research in the oceanographic sciences is the investigators' capability to conduct their research through guaranteed access to research vessels and the latest equipment both at-sea and in the associated labs on land. Successful research grant applications and industry contracts must identify the institutions' assets already on hand to conduct cutting-edge research, rather than an aspirational desire to obtain those assets. Unless our SUS institutions have that modern research equipment already in place when those contract and grant opportunities present, research dollars will continue to bypass Florida and head to other states who invest more but are far less impacted by coastal and ocean science than Florida is.

FIO's research vessel fleet to take our SUS scientists to sea is undeniably nationally competitive. Particularly with [the new acquisition](#) via donation of the R/V Western Flyer in 2023, a 117-foot twin-hulled ship and the most technologically advanced vessel in the FIO fleet (picture) [5(h)] TJ 0 Tc 0 Tw63.01 0 T.d () Tj -0

This appropriation would provide a dedicated pot of funds from which FIO and all 12 SUS institutions could annually rely upon to finance competitively - required, state-of-the-art marine science equipment purchases and upgrades. Doing so will ensure Florida remains ahead of its competitors in drawing down additional research dollars and rightfully leading the country in new oceanographic and coastal science breakthroughs, discoveries, and tech transfers.

Ongoing research equipment degrades much faster than research equipment located in labs in campus-based, temperature-controlled, research facilities across the SUS. Maintenance, upkeep, and upgrades are critical to remaining constantly competitive in marine science, but an increased investment more than pays for itself and rightly positions Florida as the country's leader in a field that our state should unquestionably dominate.

The key to greatly elevating the SUS's national competitiveness in coastal and oceanographic sciences is the combination of ready access to the most state-of-the-art research equipment and instrumentation, along with guaranteed ship - time aboard our world -class fleet of vessels as outlined above. At a conservative rate of even five new funded research proposals per year across the 12 SUS institutions through this investment, at least \$15 million annually in new research awards will be generated, exceeding the state's proposed overall investment in FIO through this single new initiative alone.

The proposed investment will also result in enhanced reputational value and increased competitiveness for all SUS institutions, increased federal and total research expenditures, commercialization of discovery (including patents and licensing revenues), more nationally competitive undergraduate and graduate students and faculty researchers recruited, and more SUSSTEM degrees conferred. These gains will be critical to improving Florida's competitive position relative to programs in California, Massachusetts, Washington, and other states.

Providing additional at -sea experiential learning opportunities for undergraduate and graduate students

Currently, FIO provides access for undergraduate and graduate courses over 60 days per year, serving approximately 600 students. Generally, these are experiential one-day trips offering students a short view of ocean science. Achieving directed student support through access to research vessel time is critical given the seascape for ocean science and technology needs across our state.

Both UC-SD and UW provide resources directed to at-sea workforce readiness in ocean science and technology. Florida's maritime and marine sector employers want and deserve highly skilled graduates with similar demonstrable at-sea experience. If this request is fully funded, FIO will dedicate at least 50 days of ship-time per year across the SUS institutions to support mentored at-sea cruises (on both the east and west coasts) for the purpose of student programs including capstone projects, theses, and dissertations. Students will work in collaborative cohorts to maximize efficiency. Faculty and researchers from across the SUS institutions will serve as at-sea mentors. Promotion of this level of at-sea training and support will greatly enhance recruitment and degree progress for students in a strong, mentored environment. And more importantly, better prepare SUS graduates for immediate work in high demand marine-related industries and entrepreneurial endeavors.

Student mentoring in active learning environments is the key to degree progress and successful transition into the workforce. The strength of FIO is its reach across all 12 SUS institutions, and the power of networking and peer-to-peer mentoring across the consortium is yet to be fully realized. FIO will develop an interdisciplinary mentoring and networking program to enhance student and early career faculty success in a way that connects at-sea experiences to onshore connections. FIO will host annual meetings for students to present FIO-supported research results, connect students with employers, and connect early career faculty with potential collaborators. This will also significantly help raise the reputation of the SUS as an international leader in ocean science research and workforce-readiness on a scale comparable with UGSD and UW.

Leveraging the student and faculty opportunities afforded by the FIO-operated Keys Marine Lab



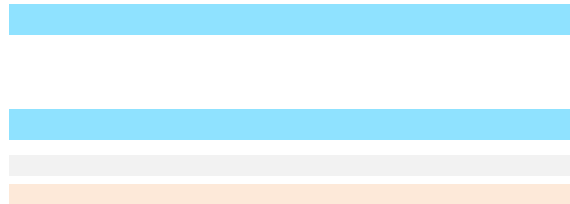
The Keys Marine Laboratory (KML) is a full-service marine field station situated in the heart of the Florida Keys island chain at mile marker 68.5. The facility offers a unique opportunity for students and researchers studying the only tropical marine ecosystems in the continental U.S. FIO was transferred operational control of the KML in recent years from the Florida Fish and Wildlife Conservation Commission but has not yet been able to fully leverage the

Board of Trustees Finance Committee - New Business - Action Items

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Board of Trustees Finance Committee - New Business - Action Items

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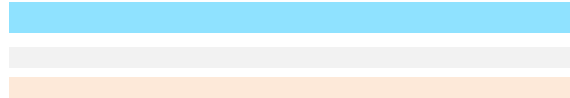
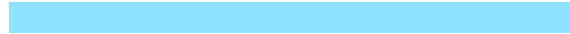
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Board of Trustees Finance Committee - New Business - Action Items

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USF Board of Trustees
August 22, 2023

Issue: FY24 Fixed Capital Outlay Budget

Proposed action:

- 1) Approve the FY24 Fixed Capital Outlay Budget
- 2) Authorize the President,

FY24 Capital Outlay Budget

USF BOT Finance Committee - August 8, 2023

Carole Post, VP of Facilities and Public Safety Operations



Questions



Board of Trustees Finance Committee - New Business - Action Items

University of South Florida
FIXED CAPITAL OUTLAY BUDGET for Fiscal Year 2023-24
 (per s. 1013.61, F.S. and Board Reg. 14.003)

University Contact: Carole Post, VP Facilities & Public Safety Operations
 [name] cpost2@usf.edu 813-974-0880
 [email & phone]

CFSP Item #	Category	Project Title/Name	Description	Total Project Budget Allocation (Total Estimated Project Cost)	Funding Source(s)		Funds Expended Since Inception	Estimated Amt of Funds to be Expended this Year	Remaining Balance	Estimated Project Timeline		Comments
					Source	Amount				Start Date	Completion Date	
	Education & General (E&G) Operating Projects ¹			\$1,176,705	E&G Operating Funds	\$1,176,705	\$416,805	\$759,900	\$0	Not Applicable		
	Carryforward (CF) - Small Projects ²			\$42,894,739	CF	\$42,894,739	\$2,291,166	\$38,241,991	\$2,361,582	Refer to detail in Carryforward Spending Plan		
	Carryforward (CF) - Large Projects ³											
		SHS central infras/demo	Upgrade central infrastructure for SHS re-purpose or plan for demo	\$3,999,999	CF	\$3,999,999	\$0	\$0	\$3,999,999	7/1/2023	6/30/2025	
		SMP Chilled Water Design	Infrastructure Design	\$2,200,000	CF	\$2,200,000	\$91,482	\$2,108,518	\$0	7/15/2022	8/1/2023	
		South East Chiller	Develop design, provide/install 2,300 ton chiller and cooling tower at SE Chiller Plant	\$4,268,550	CF	\$4,268,550	\$3,364,478	\$904,072	\$0	12/8/2020	6/30/2024	
		STG 1st Floor Remodel	STG Remodel	\$4,500,000	CF	\$4,500,000	\$277,226	\$4,222,774	\$0	2/15/2024	5/30/2024	
		USF Health ALZ 4th Floor Renovation	Alzheimers Floor renovation	\$2,132,654	CF	\$2,132,654	\$36,389					
				\$2,657,700	CF	\$2,657,700	\$0	\$2,657,700	\$0	4/13/2023	2/29/2024	
		USF Health SPTRS Space	Physical Therapy and Rehab Services build out Env and Applied Physiology Lab	\$10,000,000	CF	\$10,000,000	\$0	\$0	\$10,000,000			
		USF Health UPC Suite 450	Renovate new Space in Univ Prof Center for Family Medicine Residency Program	\$3,500,000	CF	\$3,500,000	\$0	\$3,500,000	\$0	1/1/2024	4/15/2024	
		USF Student Success/Life Enhancement	Student Life Facilities Infrastructure Enhancement/Various Projects	\$22,905,405	CF	\$22,905,405	\$0	\$13,468,007	\$9,437,398	7/1/2023	9/1/2026	
						Subtotal - CF Large Projects:	\$72,255,736	\$3,843,045	\$36,775,295	\$31,637,396		
						PECO	1,732,616					
						CITF	1,487,178					
		Consolidated Less than \$2M	Consolidated	\$6,382,333	Carryforward	2,086,239	\$2,026,633	\$4,355,700	\$0			
					Auxiliary	1,076,300						
					Total:	\$6,382,333						



Board of Trustees Finance Committee - New Business - Action Items

State Deferred	\$5,900,000
Guaranteed Energy	<u>\$28,733,711</u>
Total:	\$34,633,711

Auxiliary	\$2,500,000
Foundation	<u>\$10,922,000</u>
Total:	\$13,422,000

		\$237,294,137	\$49,919,413	\$138,186,261	\$49,188,463
TOTALS:	\$1,002,060,961	\$983,688,825	\$137,213,516	\$329,944,392	\$516,530,917

Notes:

4)

6) In light of the definition of "board" (s. 1013.01, F.S.), the requirements of s. 1031.61, F.S., the FCO Budget does not apply to those projects acquired, constructed, and owned by a Direct Support Organization or under a Public Private Partnership.

August 22, 2023

Recreation Fields Relocation

Approve Design & Pre-Construction Planning

The on-campus stadium footprint will displace multiple recreational sports fields, a fitness trail, and field maintenance facilities. To enable the stadium construction to start on time, these facilities need to be relocated.

We are seeking to proceed with an aggressive schedule to facilitate the on-campus stadium and are therefore requesting expenditure authority for \$9M to complete design, preconstruction services, release long lead equipment, and proceed with preliminary construction activities. We plan to return to the Finance Committee to request the balance of the full budget once the detailed budget is finalized and approved internally.

Not to exceed \$18 million

USF Approval of Expenditures

August 22, 2023

Purchasing Threshold Limits

Adjust USF competitive solicitation and small dollar competition thresholds to align with BOG and SUS, respectively

USF's competitive solicitation threshold of \$75K and small dollar competition threshold of \$5K have been in place since 2008. The BOG approved the competitive solicitation increase to \$150K for the SUS.

We are seeking approval to increase the:

- Competitive solicitation threshold to \$150K; and
- Small dollar competition threshold to \$10K

USF prior FY volume impact information levels will be presented.

Action Item will need to be approved by full Board if endorsed by Finance Committee.

These changes will reduce the administrative burden across USF departments and help with faster delivery of goods and services.

please circle



Action Item

Approve updates to USF regulation 4.02010, Procurement of



Annual Finance Policy Reports

*Board of Trustees Finance Committee
August 8, 2023*

Presented by: Fell L. Stubbs, University Treasurer



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Annual Investment Report

COMBINED 10 USF INVESTMENT PORTFOLIOS

2 Types of USF Portfolios:

- 1 Endowment – USF Foundation
 - Long-term investment horizon
 - Restricted

- 9 Operating Portfolios – USF and DSOs
 - Short-term investment horizon
 - Liquid

Barometer of Financial Health:

- Growth in portfolios reflects investment performance and net cash flows

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

UNIVERSITY INVESTMENT PORTFOLIO

University Portfolio Objectives



Annual Investment Report

UNIVERSITY INVESTMENT PORTFOLIO

Conviction Regarding Portfolio Structure

- Right asset allocation – Protect against downside risks
- Right investment managers and funds – Diversified, low cost

Portfolio Designed to Preserve Capital and Minimize Risk

- Portfolio generated positive returns in 93% of past 21 periods

Portfolio is Generating Cash

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

Bond Funds are Rapidly Repricing as Rates Rise

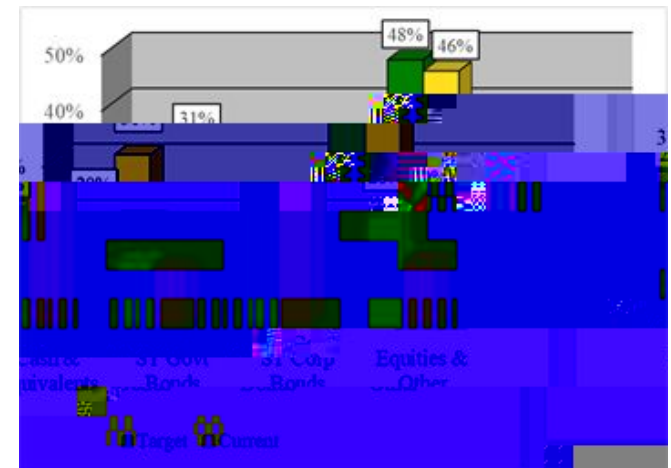
Yield to Maturity	<u>June 2021</u>	<u>June 2022</u>	<u>June 2023</u>
Vanguard ST Govt Bonds	0.60%	3.30%	5.00%
Vanguard ST Corp Bonds	0.99%	4.20%	5.60%

Unrealized Losses Are Unwinding As Markets Stabilize

Current Portfolio Strategy

- Limit buy / sell transactions
- Growing cash position

Portfolio Expected to Meet Objectives



Asset Allocation	Target	Current	\$
Cash & Equivalents	20%	31%	\$276.5
ST Govt Bonds	12%	11%	\$95.5
ST Corp Bonds	48%	46%	\$407.6
Equities & Other	20%	12%	\$104.4
TOTAL	100%	100%	\$884.0



Annual Investment Report

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
- Resulted in first year of losses (unrealized) for USF Portfolio

USF Returns Vs. Benchmark			
	<u>1 Year</u>	<u>5 Year</u>	<u>From Inception</u>
USF Portfolio	3.8%	1.6%	2.5%
Benchmark	3.9%	os	

FY 2023 Markets Recovered, but Remain Challenged

- 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

USF 10-Year Risk-Adjusted Returns Vs. S&P 500 and Barclays Agg			
	<u>Return</u>	<u>Std Dev</u>	<u>Sharpe</u>
USF Portfolio –	3.1%	3.2%	0.7%
S&P 500 Index –	12.9%	14.9%	0.8%
Barclay’s Agg –	1.5%	4.3%	0.1%

Credit to Outstanding Investment Committee and Consultant

UNIVERSITY ANNUAL PORTFOLIO PERFORMANCE



Annual Debt Management Report



Annual Debt Management Report

**Governance, Compliance,
Ratings and Cost**

USF DEBT PORTFOLIO

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 – Assessed Impact of Stadium Debt

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

USF Finance Systems

Outstanding Debt (In Millions)	Housing Parking	

USF DEBT PORTFOLIO

Project Financing – Completed / Current

\$46.5 Million USF Sarasota-Manatee Housing and Student Center Project

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

\$9.9 Million Central Plant Modernization Project – Heating System Upgrades

- Funded with \$- 42 -1.3219 Td0.001 Tc-0.0064 Tw[((\$16.5 M)-12.9(equ-atio)]2[3x.n5 -vTms Performn/F3C6 Ha4.3219 T

USF DPending \$340 Million Stadium PrFunded with \$200M City, taxable lo:



Annual Debt Management Report

Rated Bond System Updates – USF Housing System

\$204M USF Housing System (A1/A+)

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

**Credit Ratings Affirmed in
September 2022**

Strong Recovery following Pandemic; Maintenance of Reserves

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

Housing System *	FY 2019	FY 2020 **	FY 2021 **	FY 2022 **	FY 2023 (estimate)	FY 2024 (budget)
Occupancy (Fall)	94%	98%	51%	88%	97%	+95%
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
Debt Service Coverage Ratio (net)	1.50x	1.61x	1.19x	2.40x	1.54x	1.47x

* 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

\$4 M USF Parking System (Aa3/AA/AA-)

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

Slow Recovery from Pandemic; Maintenance of Reserves

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

○



Annual Derivatives Report



Annual Derivatives Report

DERIVATIVES PORTFOLIO

Winding Down Swaps

Prudent Governance – Board of Trustees and Financing Corporation

Effective BOT Derivatives Policy and Management Practices

Manage Long-Term Cost of Capital

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

As of June 30, 2023

Program	Swap Counterparty	Expiration Date	USF Optional Termination Rights	Collateral Posted	Fixed Swap Rate	Total Outstanding
Housing	Royal Bank of Canada	7/1/2037	Yes	\$0 M	3.94%	\$49 M
TOTAL USF DSO SWAPS				\$0 M	3.94%	\$49 M

DERIVATIVES PORTFOLIO

