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UNIVERSITY OF  
SOUTH FLORIDA  
A PREEMINENT RESEARCH UNIVERSITY

University of South Florida

Rating Agency  
Surveillance Presentation  
August 2023

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# Participants

## Rating Agency

## University

- Richard Sobieray
- Fell Stubbs
- Dawn Rodriguez

## Board of Governors

- Kevin Pichard

## Division of Bond Finance

- Will Reynolds
- Whitney Fason



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# Board of Governors Update

# Board of Governors Updates

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**Florida remains the #1 state for higher education 7 years running**  
(US News and World Report)

## **2023 Legislative Session \***

### ➤ **Education & General Budget = \$6.45B (+13.7%)**

- \$4.35B state appropriation

Overall increase of \$765.9M (+13.7%), including \$100M preeminent universities, \$100M recruitment & retention, \$389M operational enhancements.

- Student tuition/fee

The legislature removed the Student Tuition & Fee Trust Fund appropriation from the General Appropriations Act. Universities may now spend what they are able to collect for Tuition and Fees.

### ➤ **Performance-based Funding = \$645M (+15.1%)**

The State continues to drive innovation within the University System through performance-based funding.

### ➤ **Total Fixed Capital Outlay (FCO) Funding = \$660M**

- \$44M for Capital Improvement Fee (CITF) projects
- \$616M for Public Education Capital Outlay projects (\$50M General Revenue + \$566M PECO)

Last year's \$940M FCO funding, while higher, included \$710M in nonrecurring State Fiscal Recovery Funding (federal coronavirus stimulus). This year's PECO funding (i.e., no federal stimulus) is the 2<sup>nd</sup> largest to date, behind the \$660M in 2008.

This year's appropriations include approximately \$114M in remodeling, renovation and critical infrastructure projects, reflecting continued significant State investment in addressing deferred maintenance needs.

\*As per General Appropriations Act (budget) approved by the Governor on 6/15/23.



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# University Update

# USF Accepts Invitation to Join Association for American Universities (AAU)

- First public university in Florida to be invited to join AAU in nearly 40 years
- One of only two institutions from the State University System of Florida to serve as AAU members
  - University of South Florida and University of Florida
- Among the youngest institutions to be welcomed into the AAU
  - USF is the 5<sup>th</sup> youngest of 71 members; One of only six universities founded after 1950

## Benefits of Joining AAU

- Further advance strong research profile; Competitive advantage for federal funding
- Attract world-class students, faculty, employees, entrepreneurs



# Transformational Legislative Session for USF

## Operating Budget Priorities – Evidence of Strong State Support

- \$77M recurring increase to USF's operational budget (*follows last year's \$55M recurring increase*)
  - \* **Largest operational funding increase in USF's history!**

## Facilities Construction and Maintenance Priorities

- \$24.3M towards new Environmental and Oceanographic Sciences Research and Teaching Facility on the USF St. Petersburg campus
- \$6.5M to invest in campus life facility projects

## Special Initiatives

- \$14M to conduct clinical trial of hyperbaric oxygen therapy for treatment of PTSD and traumatic brain injuries among veterans and active-duty military service members
- \$3M to complete acquisition and installation of new functional MRI (fMRI) machine for brain research and diagnostic purposes

## Issuer Profile / Credit Overview

### Attractive Location in a Dynamic, Growing, Urban Market

- Strong demographic trends
- Attracts top talent: faculty, researchers, students

### Growing Student Demand and Low Tuition – Competitive Advantages

### Large, Comprehensive Public Research University – Over 50,000 Students

- New member of AAU; 1 of only 3 Preeminent State Research Universities
- Excellent credit profile incorporates strong market demand and ongoing prospects for modest enrollment growth as a well-run comprehensive urban university
- Enterprise profile and financial profile are very strong
- Steady enrollment, large student body, and stellar demand characteristics bolstered by comprehensive research university status
- Strategic use of Public Private Partnerships – Gain competitive advantage, limit debt

### Growing Institutional Wealth

- Retained reserves, philanthropy, growing research enterprise, strong state support for operations and capital, and manageable financial leverage

### Fastest Rising in National Public University Rankings

- In the past decade, no other university has risen faster in the national rankings than USF (+52 in ranking - #94 to #42)(US News & World Report)

# Management and Governance

## Board of Trustees Changes:

- New BOT member: Cesar Esmeraldi, USF Student Body President
- No other BOT turnover
  - BOT Chair Will Weatherford and BOT Vice Chair Michael Griffin both reelected to serve second terms

## Senior Management Changes:

- New Provost and EVP: Prasant Mohapatra, effective January 2023
  - Former Vice Chancellor for Research of the University of California, Davis
- No other senior management turnover

## Management and Governance (Continued)

Strong Fiscal Oversight, Ability to Manage Expenses During Periods of Revenue Stress – Ability to React Quickly

Experienced Management Team and Comprehensive Governing Policies

Strategic Plan 2022-2027 – Implemented on July 1, 2022

- Details USF's institutional mission, vision, aspirations and values
- Leverages regional value of a research-intensive, urban-grant University
- Reflects USF's commitment to the success of students, alumni, and staff; excellence of faculty research and innovation; impact of partnerships; strength of diverse and inclusive community; and sustainability of adaptable financial base

Implementing New Value-Driven University-Wide Budget Process and Resource Reallocation Model – Effective FY 2024

- New budget model that aligns investments with strategic aspirations
- Provides a 5-year plan for positioning the University for fiscal health
- Ensures a balanced budget

# Market Position and Demand

Strong Demand, Steady Enrollment

Significant Increase in Demand in 2022, Preliminary Fall 2023

Demand Exceeds 50,000

Student Quality and Performance Continue to Improve

- Average SAT scores improved 26 points over the past 5 years
- Retention and Graduation Rates have increased steadily over the past 5 years

<b>Student Demand and Quality</b>	<b><u>Fall 2018</u></b>	<b><u>Fall 2019</u></b>	<b><u>Fall 2020</u></b>	<b><u>Fall 2021</u></b>	<b><u>Fall 2022</u></b>
<b>Total Headcount</b>	50,853	51,082	50,803	49,775	49,679
<b>Total FTE Enrollment</b>	41,787	41,948	42,240	41,419	42,094
<b>Undergraduate Headcount</b>	38,472	38,804	38,738	38,087	38,112
<b>Undergraduate FTE</b>	32,628	32,964	33,240	32,705	33,291
<b>Freshman Applicants</b>	30,833	32,216	28,111	39,304	52,007
<b>Freshman Acceptances</b>	11,375	13,697	11,585	16,891	18,497
<b>Freshman Matriculants</b>	3,282	3,765	3,234	4,142	4,011
<b>Retention Rate (Freshman to Sophomore)</b>	91%	91%	91%	92%	91%
<b>Six Year Graduation Rate</b>	69%	73%	74%	73%	74%
<b>Total students from in-state</b>	42,579	42,787	42,744	40,875	39,445
<b>FTIC Average ACT/SAT Score</b>	28 / 1283	29 / 1286	29 / 1312	28 / 1297	29 / 1309

## Operating Performance – FY 2022

Total FY 2022 Revenue equaled \$1.42B, Up 2.7%

Total FY 2022 Expense equaled \$1.44B, Up Nominally by 1.1%

Total FY 2022 Net Operating Loss equaled \$17.9M

FY 2022 EBITDA equaled \$130M, Up from \$113M in 2021

FY 2022 Unrestricted Net Position, Adjusted for OPEB and Pension,  
Equaled \$523.8M, Up 7%

Budget Authority Centralized / Controlled – Strong Fiscal Oversight

Revenues Well Diversified: 22% Net Tuition, 30% State Support,  
37% Research, 10% Auxiliaries, 1% Other Revenue

## Operating Performance (Continued)

State Support	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u> (Projections)
<b><u>Operating Revenue</u></b>					
General Revenue	376,573,868	364,198,674	363,512,827	356,411,622	425,117,617
Lottery	50,016,975	63,556,846	70,660,496	81,508,364	98,166,791
	426,590,843	427,755,520	434,173,323	437,919,986	523,284,408
<b><u>Capital Support</u></b>					
PECO	6,860,770	352,750	282,000	168,000	0
CITF	6,018,891	6,377,141	7,048,378	6,491,778	6,319,520
Other Capital	7,000,000	12,400,000	0	8,091,387	108,787,038 *
	19,879,661	19,129,891	7,330,378	14,751,165	115,106,558
<b>Total</b>	<b>446,470,504</b>	<b>446,885,411</b>	<b>441,503,701</b>	<b>452,671,151</b>	<b>638,390,966</b>

\* Includes support for \$72.8M deferred maintenance, \$33M to remodel health facilities, and \$3M towards new Nursing STEM building at USF Sarasota-Manatee

## USF Remains a Leader in the State's Performance-Based Funding Model

<b>Performance-Based Funding (PBF)</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
USF Score	92	94	94	92	90
USF Ranking	3	1	2	2	3
USF Funding	\$77.1 M	\$75.9 M	\$73.0 M	\$73.4 M	\$92.0 M

## Operating Performance (Continued)

Growing Research – Another Strong Year!

- Contract and grant awards – \$547M in FY 2022

Well Diversified Sources of Research Awards

Growing Scope for USF Health and USF College of Engineering

Awards by Funding Source	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
Federal	\$184 M	38%	\$225 M	43%	\$219 M	41%	\$254 M	45%	\$208 M	38%
Private	\$219 M	44%	\$208 M	40%	\$221 M	41%	\$227 M	40%	\$229 M	42%
State / Local	\$86 M	18%	\$92 M	17%	\$95 M	18%	\$87 M	15%	\$110 M	20%
<b>TOTAL</b>	<b>\$489 M</b>	<b>100%</b>	<b>\$525 M</b>	<b>100%</b>	<b>\$535 M</b>	<b>100%</b>	<b>\$568 M</b>	<b>100%</b>	<b>\$547 M</b>	<b>100%</b>



# Operating Performance (Continued)

## Expected FY 2023 Operating Performance

- Total revenues are expected to exceed FY 2022 revenues largely due to growth in State appropriations and auxiliary revenues
- Net tuition and fees, grants and donations, and student financial aid are expected to remain flat
- Investment returns will be positive
- Operating expenses are expected to be higher than FY 2022 expenses; principally due to wage growth
- Pension and OPEB liabilities continue to grow
- Net cash flow is expected to be positive / strong

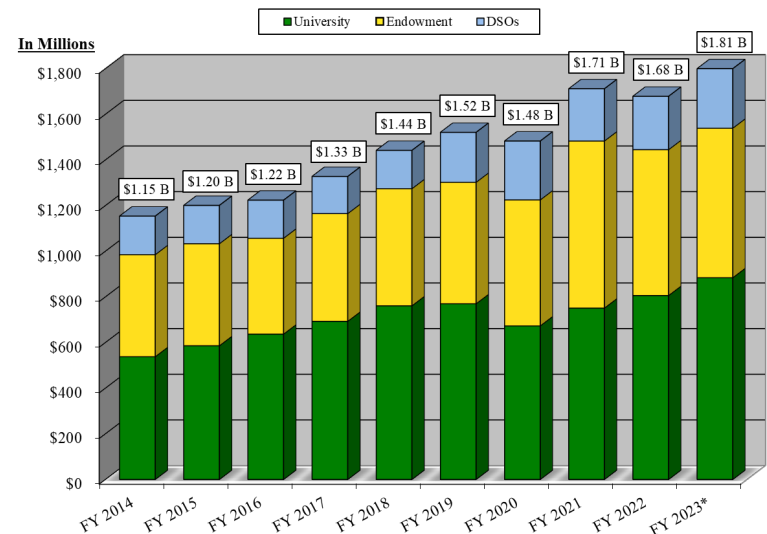
# Wealth and Liquidity

USF Cash and Investments at 6/30/2023 at \$1.8B, up \$133M from 2022 – Reflects Positive Net Cash Flows and Investment Gains

- University's portfolio is largest at \$884M, up \$78M

Endowment Portfolio – \$655M (3/31/2023) – up \$78M over 2022

- Top NACUBO ranking Endowment long-term investment performance (2022 results)
  - 1yr – (11.3%); 3yr – 8.0%; 5yr – 8.4%; 10yr – 9.3%; Inception – 9.4%
- Endowment asset allocation
  - No material changes to asset allocation
- Current endowment spending policy
  - 4.0% dividend distribution
  - 2.00% administrative fee
  - No change to dividend rate in 5 years



## Wealth and Liquidity (Continued)

### Strong Unrestricted University Liquidity (estimated FY 2023)

- Days cash on hand – 237 days
- Spendable cash and investments to operating expense of 0.85x
- Spendable cash and investments to total debt of 3.6x

University Investment Portfolio	FY 2023 Amount (in millions)	FY 2022 Amount (in millions)
University Cash and Investments	\$884	\$806
<i>University Monthly Liquidity</i>	<i>\$872</i>	<i>\$790</i>
Self-Insurance Program (restricted)	80	76
<b>University Total</b>	<b>\$964</b>	<b>\$882</b>

DSO Investment Portfolios	As of 3/31/2023	FY 2022
Endowment (NACUBO)	\$655	\$639
Other DSO Cash and Investments	273	234
<b>DSOs Total</b>	<b>\$928</b>	<b>\$873</b>

<b>TOTAL UNIVERSITY &amp; DSOs</b>	<b>\$1,891</b>	<b>\$1,755</b>
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## Wealth and Liquidity (Continued)

Record-Breaking Year for USF Philanthropy – Over \$157M!

- New record for total donors – Nearly 12,000 new donors

Second Straight Record-Setting Year over \$150M

Fifth Straight Year Donations Exceeded \$100M Goal

- Endowment has grown to over \$655M

Fundraising goal for 2024 remains at \$100M

## Capital Plan and Leverage

Integrated Treasury Function: Investments (Liquidity) and Debt are  
Managed to Offset Financial Risks

Low Leverage: Debt Service to Operating Expense

Debt Peaked in 2011 at \$454M; Down to \$386M in 2023 – Ratios Improving

Dramatic Reduction in Demand Debt and Related Swap Portfolios

- \$49M in 2023, down from \$160M in 2015

Modest Debt Issuance, and a Very Low MADS Burden

Effective Use of Debt Capacity to Align with Strategic Goals

Public Private Partnerships Operating as Expected

- \$137M Village Housing P3 (2015) – 2,170 beds, dining, recreation
- Publix Grocery P3 (2016) – only on-campus grocery

## Capital Plan and Leverage (Continued)

### \$56M USF Judy Genshaft Honors College Project

- Funding:       \$44M       Philanthropy  
                  \$ 8M       State funds  
                  \$ 4M       Cash equity from USF
- Project Complete:       May 2023



### \$25M Student Wellness Center Complex Project

- Funding:                       CITF
- Project Complete:       May 2023



### \$25M Athletics Indoor Performance Facility and Athletics Center Enhancements Project

- Funding:                       Philanthropy and cash equity
- Project Complete:       January 2023

## Capital Plan and Leverage (Continued)

### \$9.9M Central Plant Modernization Project – Heating System Upgrades

- Funding: Energy Savings Performance Contract (ESPC); 19-yr, fixed rate, tax-exempt
- \$14.9M guaranteed energy savings over 20 years
- Anticipated Completion: January 2024

### \$9.9M Central Plant Modernization Project – Cooling System Upgrades

- Funding: Energy Savings Performance Contract (ESPC); 19-yr, fixed rate, tax-exempt
- \$16.2M guaranteed energy savings over 17 years
- Anticipated Completion: September 2024

### \$8.9M Central Plant Modernization Project – HVAC, Electrical, Lighting

- Funding: Energy Savings Performance Contract (ESPC); 20-yr, fixed rate, tax-exempt
- \$16.3M guaranteed energy savings over 20 years
- Anticipated Completion: March 2025

## Capital Plan and Leverage (Continued)

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

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





## Capital Plan and Leverage (Continued)

### Pending \$340M USF Stadium Project

- Funding: \$200M Committed 20-yr, fixed rate, taxable, private placement bank loan
  - On parity with Series 2018A and 2018B Athletics loans

\$140M Preliminary equity funding

- \$50M cash advance from USF Foundation for capital gifts, \$31M Capital Improvement Trust Funds, \$12M contribution from auxiliary reserves, \$23M contribution from other available funds, \$25M contribution contingent on sale of EBS licenses

Any equity funding shortfalls at closing will be offset by reduction in the Project budget

- Top Construction Manager / Architect-Engineer Team: Barton Malow / Populous
  - Design-Build contract has GMP and requirement to design to the budget
- Project approved by USF Board of Trustees in June and being considered for approval by Florida Board of Governors on August 29-30
- Anticipated opening: July 2026
- Will benefit student demand, brand recognition, donor support, community engagement





# Rated Bond Series Updates

Housing System, Parking System,  
Marshall Student Center

# Rated Bond Series Updates

## \$204M Housing System – \$155M Public / \$49M Private (A1/A+)

- \$62M Reserves (debt service, renewal & replacement, operating)
- Strong recovery in occupancy levels in Fall 2021 and 2022
- Rental rates remained flat for 2022-2023
- BOT approved 4.5% annual rate increases for 5 years beginning fall 2023
- Expenses returning to pre-pandemic levels in FY 2024 to fund deferred maintenance and hire for vacant positions
- No additional borrowing plans for the next 12 months

Housing System *	FY 2019	FY 2020 **	FY 2021 **	FY 2022 **	FY 2023 (estimate)	FY 2024 (budget)
<b>Occupancy (Fall)</b>	<b>94%</b>	<b>98%</b>	<b>51%</b>	<b>88%</b>	<b>97%</b>	<b>+95%</b>
Revenues	\$45,165,802	\$45,167,526	\$34,365,132	\$55,933,376	\$49,071,718	\$51,548,244
Expenses	<u>\$24,615,242</u>	<u>\$23,136,072</u>	<u>\$15,770,196</u>	<u>\$18,528,952</u>	<u>\$24,886,363</u>	<u>\$28,957,736</u>
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
<b>Debt Service Coverage Ratio (net)</b>	<b>1.50x</b>	<b>1.61x</b>	<b>1.19x</b>	<b>2.40x</b>	<b>1.54x</b>	<b>1.47x</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 Series Updates (Continued)

### \$4M Parking System – Public (Aa3/AA/AA-)

- \$29M Reserves (debt service, renewal & replacement, operating)
- \$21M in planned capital expenditures in FY 2024 to FY 2028
  - To be funded with cash and reserves; No plans for additional debt
- Transportation access fees remain flat
- Decal / permit revenue slow to recover, causing net revenue to decline
- Expenses returning to pre-pandemic levels in FY 2024 to fund deferred maintenance and hire for vacant positions
- Reserves remain strong after \$8M contribution transfer for Stadium Project

Parking System	FY 2019	FY 2020	FY 2021	FY 2022 *	FY 2023 (estimate)	FY 2024 (budget)
Revenues	\$15,111,494	\$13,065,735	\$9,216,410	\$13,516,547	\$12,324,952	\$12,425,000
Expenses	<u>\$8,327,075</u>	<u>\$8,571,495</u>	<u>\$7,885,906</u>	<u>\$7,336,091</u>	<u>\$8,521,859</u>	<u>\$8,750,000</u>
Net Revenues	\$6,784,419	\$4,494,240	\$1,330,504	\$6,180,456	\$3,803,093	\$3,675,000
Debt Service	\$2,936,430	\$2,940,330	\$2,937,910	\$2,929,280	\$2,934,550	\$2,043,390
<b>Debt Service Coverage Ratio (net)</b>	<b>2.31x</b>	<b>1.53x</b>	<b>0.45x</b>	<b>2.11x</b>	<b>1.30x</b>	<b>1.80x</b>

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

## Rated Bond Series Updates (Continued)

### \$26M Marshall Student Center – Public (Aa3/AA)

- \$16M Reserves (debt service, renewal & replacement, operating)
- Retail revenues recovered to pre-pandemic levels in FY 2022 and remain strong
- Expenses managed downward in FY 2020, FY 2021 and FY 2022; returning to pre-pandemic levels in FY 2023

Marshall Student Center	FY 2019	FY 2020	FY 2021	FY 2022 *	FY 2023 (estimate)	FY 2024 (budget)
Revenues	\$8,408,071	\$7,372,480	\$7,278,282	\$8,637,592	\$8,505,921	\$8,935,432
Expenses	<u>\$4,716,249</u>	<u>\$4,524,180</u>	<u>\$3,699,018</u>	<u>\$4,221,320</u>	<u>\$5,094,523</u>	<u>\$5,123,843</u>
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
<b>Debt Service Coverage Ratio (net)</b>	<b>1.57x</b>	<b>1.18x</b>	<b>1.49x</b>	<b>1.84x</b>	<b>1.42x</b>	<b>1.59x</b>

\* 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.

### \$152M Private Bank Placements (Not Rated)

- \$54M Health System
- \$29M Energy Savings Projects
- \$26M Arena / Athletics System
- \$ 3M Mortgage Loans
- \$40M Research System