



**November 16, 2023 Budget and Finance Committee**  
Board of Trustees  
Live Oak Event Center  
Nov 16, 2023 1:00 PM - 1:45 PM EST

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**V. New Business**

**VI. Adjournment**



## November 16, 2023 Budget and Finance Committee

Board of Trustees

Nov 16, 2023 at 1:00 PM EST to Nov 16, 2023 at 1:45 PM EST

Live Oak Event Center, UCF Main Campus

Livestream: <https://youtube.com/live/egO4OEQLT7o?feature=share>

### Agenda

#### I. Agenda

##### Call to Order and Welcome

Presenter: Harold Mills, Chair, Budget and Finance Committee

##### Roll Call

Presenter: Carmen Jarquin, Administrative Operations Manager

1:00 PM

#### II. Minutes of the September 27, 2023 meeting

Presenter: Chair Mills

1:01 PM

#### III. Discussion

1:02 PM

##### A. DISC-1: Investment Portfolio

Presenters: Gerald Hector, Senior Vice President for Administration and Finance, Bert Francis, Assistant Vice President for Debt Management and University Treasurer, Joseph Mera, Director of Financial Planning and Analysis, UCF Foundation

##### B. DISC-2: Reporting Timelines and Protocols

Presenter: Gerald Hector, Senior Vice President for Administration and Finance

#### IV. Information

1:42 PM

##### A. INFO-1: University Investment Report – 1st Quarter, Ended September 30, 2023

Presenters: Gerald Hector, Senior Vice President for Administration and Finance, Bert Francis, Assistant Vice President for Debt Management and University Treasurer

##### B. INFO-2: University Operating Budget Report – 1st Quarter, Ended September 30, 2023

Presenters: Gerald Hector, Senior Vice President for Administration and Finance, Danta White, Senior Assistant Vice President for Financial Affairs and University Controller

##### C. INFO-3: Direct Support Organizations' (DSO) Financial Reports – 1st Quarter, Ended September 30, 2023

Presenters: Gerald Hector, Senior Vice President for Administration and Finance, Christy Tant, Assistant Vice President for DSO Accounting and Reporting

##### D. INFO-4: University and Direct Support Organizations Debt Report, June 30, 2023

Presenters: Gerald Hector, Senior Vice President for Administration and Finance, Bert Francis, Assistant Vice President for Debt Management and University Treasurer

#### V. New Business

#### VI. Adjournment



UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees Meeting**  
Budget and Finance Committee  
September 27, 2023  
FAIRWINDS Alumni Center | UCF Main Campus

**MINUTES**

**CALL TO ORDER**

Trustee Harold Mills, chair of the Budget and Finance Committee, called the meeting to order at 10:30 a.m. Committee members Tiffany Altizer and Bill Christy were present. Committee members Jeff Condello and Michael Okaty were present virtually.

Other trustees in attendance included Board Chair Alex Martins, Brandon Greenaway, Stephen King, and Caryl McAlpin. Trustee Joseph Conte attended virtually.

**MINUTES**

The minutes of the June 28, 2023, Budget and Finance Committee meeting were approved as submitted.

**REPORTS**

**DISC – 1 Financial Health Update**

Gerald Hector, Senior Vice President for Administration and Finance led the committee in a discussion regarding the University's topics central to the strategic financial progression of the University.

**ACTION**

At Chair Mills' request, Youndy Cook, Vice President and General Counsel, confirmed there were no disclosures of conflict of interest from the trustees.

**BUDC – 1 2023-2024 Carryforward Spending Plan**

Hector and Kim Banks, Senior Assistant Vice President for Budget Planning and Analysis presented the 2023-2024 Carryforward Spending Plan for approval.

Trustee Altizer made a motion to recommend approval of the Carryforward Spending Plan. Trustee Christy seconded the motion. The motion was unanimously approved.

**BUDC – 2 2023-2024 University Operating Budget and Spending Authority**

Hector and Banks presented the 2023-2024 University Operating Budget and Spending Authority for approval.

Trustee Altizer made a motion to recommend approval of the University Operating Budget and Spending Authority. Trustee Christy seconded the motion. The motion passed unanimously.

**BUDC – 3 2023-2024 Fixed Capital Outlay Budget**

Hector presented the Fixed Capital Outlay Budget for approval.

Trustee Altizer made a motion to recommend approval of the Fixed Capital Outlay Budget. Trustee Christy seconded the motion. The motion was unanimously approved.

**INFORMATION**

Five information items were included in the committee's meeting materials: 1) Work Plan and Charter Review, 2) University Investment Report – 4<sup>th</sup> Quarter, Ended June 30, 2023, 3) University Operating Budget Report – 4<sup>th</sup> Quarter, Ended June 30, 2023, 4) Direct Support Organizations' (DSO) Financial Reports – 4<sup>th</sup> Quarter, Ended June 30, 2023, and 5) 2022-2023 Fixed Capital Outlay Budget Update.

**NEW BUSINESS**

The committee had no new business to discuss.

**ADJOURNMENT**

Chair Mills adjourned the Budget and Finance Committee meeting at 11:18 a.m.

Reviewed by:

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Harold Mills  
Chair, Budget and Finance Committee

Date

Respectfully submitted:

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Michael A. Kilbride  
Associate Corporate Secretary

Date



# Board of Trustees

*Budget and Finance Committee*

*November 16, 2023*

## **Agenda Item**

DISC-1: Investment Portfolio

## **Proposed Board Action**

This information is being presented for discussion purposes only.

## **Authority for Board of Trustees Action**

N/A

### **Supporting Documentation Included**

Attachment A: Finance and Administration Investment Program Structure Discussion Presentation

### **Facilitators/Presenters**

Gerald Hector, Senior Vice President for Administration and Finance

Bert Francis, Assistant Vice President for Debt Management and University Treasurer

Joseph Mera, Director of Finance, UCF Foundation



# Investment Portfolio

## EXECUTIVE SUMMARY

### Objective

This agenda item will engage Trustees in discussion on the investment protocols and opportunities for working capital funds at the university. The discussion will also include possibilities of partnering more closely with the UCF Foundation to maximize investment returns.

### Summary of Key Discussion Topics and Questions

- The University Treasury Office at the University of Central Florida (UCF) has conducted a comprehensive review of the current investment program structure. This review is in response to a request from the board and is aimed at answering how UCF would optimally invest if they had \$1 billion across the university and Foundation.
- The university has a working capital portfolio that oversees our day-to-day operations and has excess funds tied to fund balances that can be invested over a longer period. The university utilizes a third-party investment advisor to assist with shaping the investment program.
- The university's Foundation has an endowment portfolio and other working capital funds that it invests in a traditional manner with the assistance of an investment advisor who assists with shaping the program.
- Strategic considerations for discussion are the (1) prospect of orchestrating a holistic approach to liquidity and cash flow management that seamlessly bridges the university and Foundation, (2) what an optimal investment strategy might look like for the university's overall cash flow and liquidity profile, (3) and a theoretical exploration of the strategic allocation of a \$1B investment portfolio, aiming to maximize its impact on the university.

### Additional Background

UCF is obligated to adhere to two state statutes concerning the investment of public funds:

- Statute 218.415: Local Government Investment Policies
- Statute 1011.42: University Depositories; Deposits into and Withdrawals from Depositories.

### Rationale

N/A

## **Implementation Plan**

N/A

## **Resource Considerations**

N/A

## **Conclusion**

Staff encourages Trustees to participate in a generative discussion.



# **Finance and Administration Investment Program Structure Discussion**

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Gerald Hector, Senior Vice President for Administration and Finance

Bert Francis, Assistant Vice President for Debt Management and University Treasurer

# The Questions for Context

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In response to the board's request, the University Treasury Office has conducted a comprehensive review of the current investment program structure to answer a hypothetical question of how we would optimally invest if we had \$1 billion across the university and Foundation. The primary aim was to address three key inquiries:

1. Determine an optimal asset allocation for the "Core" funds within our investment portfolio, with the objective of maximizing investment returns.
2. Identify potential adjustments that can be implemented within the existing investment allocations to enhance investment returns without necessitating modifications to our current investment policy.
3. Explore potential adjustments to the current investment allocations that have the potential to boost investment earnings but may require revisions to our existing investment policy.



# The Optimal Portfolio Requires Diversification & Risk

## ASSET ALLOCATIONS\* FOR 2022

numbers in percent (%)	Total Foundations	
	Private	Community
	171	106
U.S. equities	23	34
Fixed income	9	16
Non-U.S. equities	13	19
Alternative strategies	51	27
Short-term securities/cash/other	4	4

# State Regulations Seek to Minimize Risk On Public Funds

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The university is obligated to adhere to the following two state statutes concerning the investment of public funds:

- 1. Statute 218.415: Local Government Investment Policies**
  - 2. Statute 1011.42: University Depositories; Deposits into and Withdrawals from Depositories.**
- All investments or investment products should be easily marketable with daily liquidity.
  - All investments should offer daily valuation or be subject to daily mark-to-market assessments.
  - The portfolio construction should be structured in a tiered manner to minimize market volatility, particularly in the event of a forced liquidation.
  - The types of investments used in the UCF SIP program must be legally authorized by a county or municipality ordinance or by a school district or special district law or resolution.“



# Diversification is Possible but Limited #1

Investment	Market Value 9/30/2023	Potential Rebalance	Revised MV
<b>Pool I</b>	<b>\$330,427,639</b>		<b>\$330,427,639</b>
Fidelity Treasury MM	\$164,285,023		\$164,285,023
Invesco Treasury MM	\$166,142,616		\$166,142,616
<b>Pool II</b>	<b>\$56,160,332</b>		<b>\$56,160,332</b>
Galliard (II)	\$56,160,332		\$56,160,332
<b>Pool III</b>	<b>\$154,269,038</b>	<b>(154,269,038)</b>	<b>\$0</b>
Galliard (III)	\$74,736,450	(74,736,450)	\$0
Sawgrass (III)	\$55,614,031	(55,614,031)	\$0
Vanguard Instl (III) <sup>(2)</sup>	\$23,894,858	(23,894,858)	\$0
Mutual Fund Cash (III)	\$23,699	<b>(23,699)</b>	\$0
<b>Pool IV</b>	<b>\$130,768,231</b>	<b>154,269,038</b>	<b>\$285,037,269</b>
Galliard Broad (IV)	\$50,917,389	64,269,038	\$115,186,427
Vanguard Instl (IV)	\$68,031,592	85,000,000	\$153,031,592
Europacific Growth (IV)	\$11,698,258	5,000,000	\$16,698,258
Mutual Fund Cash (IV)	\$120,992		\$120,992
<b>Total Fund</b>	<b>\$671,625,240</b>	<b>-</b>	<b>\$671,625,240</b>

# Diversification is Possible but Limited #2

Investment	Market Value 9/30/2023	Potential Rebalance	Revised MV
<b>Pool I</b>	<b>\$330,427,639</b>		<b>\$330,427,639</b>
Fidelity Treasury MM	\$164,285,023		\$164,285,023
Invesco Treasury MM	\$166,142,616		\$166,142,616
<b>Pool II</b>	<b>\$56,160,332</b>		<b>\$56,160,332</b>
Galliard (II)	\$56,160,332		\$56,160,332
<b>Pool III</b>	<b>\$154,269,038</b>	<b>(154,269,038)</b>	<b>\$0</b>
Galliard (III)	\$74,736,450	(74,736,450)	\$0
Sawgrass (III)	\$55,614,031	(55,614,031)	\$0
Vanguard Instl (III) <sup>(2)</sup>	\$23,894,858	(23,894,858)	\$0
Mutual Fund Cash (III)	\$23,699	(23,699)	\$0
<b>Pool IV</b>	<b>\$130,768,231</b>	<b>154,269,038</b>	<b>\$285,037,269</b>
Galliard Broad (IV)	\$50,917,389	64,269,038	\$115,186,427
Vanguard Instl (IV)	\$68,031,592	77,731,000	\$145,762,592
S&P400 Midcap Index	\$0	7,269,000	\$7,269,000
Europacific Growth (IV)	\$11,698,258	5,000,000	\$16,698,258
Mutual Fund Cash (IV)	\$120,992		\$120,992
<b>Total Fund</b>	<b>\$671,625,240</b>	<b>-</b>	<b>\$671,625,240</b>



# Board of Trustees

*Budget and Finance Committee*

*November 16, 2023*

## **Agenda Item**

DISC-2: Reporting Timelines and Protocols

## **Proposed Board Action**

This information is being presented for discussion purposes only.

## **Authority for Board of Trustees Action**

N/A

### **Supporting Documentation Included**

N/A

### **Facilitators/Presenters**

Gerald Hector, Senior Vice President for Administration and Finance



# Reporting Timelines and Protocols

## EXECUTIVE SUMMARY

### Objective

The objective of this agenda item is to facilitate a generative discussion on the timing and nature of financial reporting desired by the Board of Trustees to fulfill its fiduciary responsibilities effectively. This discussion will extend to the frequency of financial reports pertaining to the university's direct support organizations (DSOs).

### Summary of Key Discussion Topics and Questions

- The university currently produces budget to actual reports for the Board of Trustees at each of its meetings.
- The following questions will be discussed at the meeting:
  - What types of reports are essential to empower the Board of Trustees in fulfilling their fiduciary responsibilities effectively?
  - How frequently should these reports be presented?
  - What is the optimal method for delivering these reports?
  - Should we prioritize concise management reporting or full financial statements?

### Additional Background

N/A

### Rationale

N/A

### Implementation Plan

N/A

### Resource Considerations

N/A

### Conclusion

N/A



# Board of Trustees

*Budget and Finance Committee*

*November 16, 2023*

## **Agenda Item**

INFO-1: University Investment Report – 1<sup>st</sup> Quarter, Ended September 30, 2023

## **Proposed Board Action**

This information is provided quarterly to update the committee on update on the university's investment portfolio for the quarter ended September 30, 2023.

## **Authority for Board of Trustees Action**

Sections 1011.42(5) and 218.415, Florida Statutes; UCF-4.014 Investments; UCF Investment Policy Manual

### **Supporting Documentation Included**

Attachment A: University Investment Report – 4th Quarter, Ended June 30, 2023

### **Facilitators/Presenters**

Gerald Hector, Senior Vice President for Administration and Finance

Bert Francis, Assistant Vice President for Debt Management and University Treasurer



# University Investment Report – 1st Quarter, Ended September 30, 2023

## EXECUTIVE SUMMARY

### Objective

The university Treasury office has worked with our &Co investment consultants to prepare the attached quarterly investment report for the quarter ended September 30, 2023.

### Summary of Key Observations/Recommendations

This quarter includes the following highlights and notable changes:

The University Structured Investment Portfolio (SIP) generated a modest return of 0.11% for the quarter ended September 30, 2023.

Pool I, primarily comprised of US Treasury securities, continued to deliver consistent results. These holdings yielded a substantial quarterly return of 1.32% and contributed nearly \$3.7 million in net interest income.

Total gains for the quarter were somewhat offset by adverse performance in Pool IV, resulting in negative returns of -2.95%. The primary factor behind this decline was unrealized losses in equity securities held within this pool.

As of September 30, 2023, the University has liquidated the SPIA fund down to a minimum balance of \$50.0 million and has reinvested these funds into Pool I. The balance in Pool I as of September 30, 2023, is \$330 million. The returns on the re-established Pool I have exceeded initial expectations and are currently trending above a 5.0% yield.

This item is provided to the trustees quarterly for information purposes only.

### Additional Background

The attached report provides an update on the university's investment portfolio for the quarter ended September 30, 2023 (Attachment A).

As of September 30, 2023, the university had the following cash and investment balances:

Bank of America operating account	\$ 1,268,104
State of Florida Special Purpose Investment Account (SPIA)	50,107,911
Bank of New York Structured Investment Portfolio	<u>671,625,240</u>
Total Cash and Investments	\$ 723,001,255

The structured investment portfolio achieved quarterly net gains totaling \$16,782 before fees, which includes -\$5,856,241 in unrealized losses and \$5,873,023 in net interest and dividend income.

### **Rationale**

This agenda item is intended to support the Committee's review and assessment of the University's investment portfolio as outlined in the Budget and Finance Committee Charter.

### **Implementation Plan**

N/A

### **Resource Considerations**

N/A

### **Conclusion**

This agenda item is intended to provide Trustees with an overview of the University's investment portfolio on a quarterly basis.

Investment Performance Review  
Period Ending September 30, 2023

# University of Central Florida Board Summary Report

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**Asset Allocation and Performance**  
**Total Managed Pool**  
As of September 30, 2023

Asset Allocation and Performance	Allocation		Performance(%)						Inception Date
	Market Value \$	%	QTR	FYTD	1 YR	3 YR	5 YR	Inception	
<b>Total Fund (Net)</b>	<b>671,625,240</b>	<b>100.00</b>	<b>0.11</b>	<b>0.11</b>	<b>8.18</b>	<b>1.93</b>	<b>3.72</b>	<b>4.00</b>	<b>04/01/2010</b>
SPIA (Net)			0.62	0.62	1.98	1.56	2.05	1.83	
<b>Total Fund (Gross)</b>	<b>671,625,240</b>	<b>100.00</b>	<b>0.11</b>	<b>0.11</b>	<b>8.22</b>	<b>1.98</b>	<b>3.78</b>	<b>4.09</b>	<b>04/01/2010</b>
<b>Pool I</b>	<b>330,427,639</b>	<b>49.20</b>	<b>1.32</b>	<b>1.32</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3.69</b>	<b>01/01/2023</b>
FTSE 3 Month T-Bill			1.38	1.38	4.71	1.78	1.74	3.80	
<b>Pool II</b>	<b>56,160,332</b>	<b>8.36</b>	<b>1.29</b>	<b>1.29</b>	<b>4.23</b>	<b>1.12</b>	<b>1.84</b>	<b>1.07</b>	<b>04/01/2010</b>
Pool II Policy			1.23	1.23	3.87	0.88	1.52	0.86	
<b>Pool III</b>	<b>154,269,038</b>	<b>22.97</b>	<b>-0.27</b>	<b>-0.27</b>	<b>5.38</b>	<b>0.63</b>	<b>2.69</b>	<b>3.33</b>	<b>04/01/2010</b>
Pool III Policy			-0.26	-0.26	5.26	0.22	2.57	3.04	
<b>Pool IV</b>	<b>130,768,231</b>	<b>19.47</b>	<b>-2.95</b>	<b>-2.95</b>	<b>13.49</b>	<b>4.01</b>	<b>5.96</b>	<b>7.75</b>	<b>04/01/2010</b>
Pool IV Policy			-2.80	-2.80	14.49	4.07	5.83	7.76	

Comparative Performance Trailing Returns							
	QTR	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Pool I</b>	<b>1.32 (16)</b>	<b>1.32 (16)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3.69 (14)</b>	<b>01/01/2023</b>
FTSE 3 Month T-Bill	1.38 (1)	1.38 (1)	4.71 (8)	1.78 (9)	1.74 (8)	3.80 (4)	
IM U.S. Taxable Money Market (MF) Median	1.27	1.27	4.40	1.63	1.52	3.54	
Fidelity MM (Pool I)	1.31 (17)	1.31 (17)	N/A	N/A	N/A	N/A	04/01/2010
FTSE 3 Month T-Bill	1.38 (1)	1.38 (1)	4.71 (8)	1.78 (9)	1.74 (8)	0.85 (10)	
IM U.S. Taxable Money Market (MF) Median	1.27	1.27	4.40	1.63	1.52	0.69	
Invesco MM (Pool I)	1.32 (14)	1.32 (14)	N/A	N/A	N/A	3.71 (12)	01/01/2023
FTSE 3 Month T-Bill	1.38 (1)	1.38 (1)	4.71 (8)	1.78 (9)	1.74 (8)	3.80 (4)	
IM U.S. Taxable Money Market (MF) Median	1.27	1.27	4.40	1.63	1.52	3.54	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.



Comparative Performance Trailing Returns							
	QTR	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Pool II</b>	<b>1.29 (75)</b>	<b>1.29 (75)</b>	<b>4.23 (81)</b>	<b>1.12 (76)</b>	<b>1.84 (71)</b>	<b>1.07 (88)</b>	<b>04/01/2010</b>
Pool II Policy	1.23 (81)	1.23 (81)	3.87 (93)	0.88 (88)	1.52 (93)	0.86 (100)	
IM U.S. Cash Fixed Income (SA+CF) Median	1.37	1.37	4.80	1.69	1.95	1.39	
Galliard (Pool II)	1.29 (75)	1.29 (75)	4.23 (81)	1.12 (76)	1.84 (71)	1.07 (88)	04/01/2010
Pool II Policy	1.23 (81)	1.23 (81)	3.87 (93)	0.88 (88)	1.52 (93)	0.86 (100)	
IM U.S. Cash Fixed Income (SA+CF) Median	1.37	1.37	4.80	1.69	1.95	1.39	

Pool II Policy: 75% BofA ML 1 Yr US Treasury Note, 25% 90 Day U.S. T-Bill  
 Returns for periods greater than one year are annualized.  
 Returns are expressed as percentages.

Comparative Performance Trailing Returns							
	QTR	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Pool III (Net)</b>	<b>-0.27</b>	<b>-0.27</b>	<b>5.31</b>	<b>0.56</b>	<b>2.62</b>	<b>3.24</b>	<b>04/01/2010</b>
Pool III Policy	-0.26	-0.26	5.26	0.22	2.57	3.04	
<b>Pool III (Gross)</b>	<b>-0.27</b>	<b>-0.27</b>	<b>5.38</b>	<b>0.63</b>	<b>2.69</b>	<b>3.33</b>	<b>04/01/2010</b>
Pool III Policy	-0.26	-0.26	5.26	0.22	2.57	3.04	
<b>Pool III - Domestic Equity</b>	<b>-3.28 (48)</b>	<b>-3.28 (48)</b>	<b>21.58 (27)</b>	<b>10.12 (45)</b>	<b>9.89 (21)</b>	<b>11.84 (43)</b>	<b>04/01/2010</b>
Pool III Equity Policy	-3.27 (48)	-3.27 (48)	21.62 (26)	10.15 (44)	9.92 (20)	12.41 (29)	
IM U.S. Equity (SA+CF+MF) Median	-3.41	-3.41	16.34	9.46	7.27	11.47	
<b>Pool III - Fixed Income</b>	<b>0.30 (84)</b>	<b>0.30 (84)</b>	<b>2.87 (74)</b>	<b>-1.37 (92)</b>	<b>1.32 (79)</b>	<b>1.65 (51)</b>	<b>04/01/2010</b>
ICE BofAML 1-5 Year AAA-A U.S. Corp. & Gov. Index	0.25 (87)	0.25 (87)	2.43 (93)	-1.65 (99)	1.06 (96)	1.32 (83)	
IM U.S. Short Duration Fixed Income (SA+CF) Median	0.79	0.79	3.51	-0.15	1.62	1.66	

Pool III Policy: 15% S&P500, 85% BofA ML 1-5 Yr Gov/Credit Rated A and Above; Pool III Domestic Equity Policy: 100% S&P500  
Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.



	QTR	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Domestic Equity</b>							
Vanguard Instl (Pool III)	-3.28 (16)	-3.28 (16)	21.58 (10)	10.12 (8)	9.89 (7)	12.13 (3)	07/01/2013
S&P 500 Index	-3.27 (12)	-3.27 (12)	21.62 (3)	10.15 (2)	9.92 (2)	12.17 (1)	
IM S&P 500 Index (MF) Median	-3.34	-3.34	21.25	9.78	9.58	11.75	
<b>Fixed Income</b>							
Galliard (Pool III)	0.34 (81)	0.34 (81)	3.09 (70)	-1.38 (92)	1.43 (68)	1.73 (44)	04/01/2010
ICE BofAML 1-5 Year AAA-A U.S. Corp. & Gov. Index	0.25 (87)	0.25 (87)	2.43 (93)	-1.65 (99)	1.06 (96)	1.32 (83)	
IM U.S. Short Duration Fixed Income (SA+CF) Median	0.79	0.79	3.51	-0.15	1.62	1.66	
Sawgrass (Pool III)	0.25 (88)	0.25 (88)	2.58 (89)	-1.38 (92)	1.19 (86)	1.53 (59)	04/01/2010
ICE BofAML 1-5 Year AAA-A U.S. Corp. & Gov. Index	0.25 (87)	0.25 (87)	2.43 (93)	-1.65 (99)	1.06 (96)	1.32 (83)	
IM U.S. Short Duration Fixed Income (SA+CF) Median	0.79	0.79	3.51	-0.15	1.62	1.66	

Pool III Policy: 15% S&P500, 85% BofA ML 1-5 Yr Gov/Credit Rated A and Above; Pool III Domestic Equity Policy: 100% S&P500  
 Returns for periods greater than one year are annualized.  
 Returns are expressed as percentages.

## Comparative Performance Trailing Returns

	QTR	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Pool IV (Net)</b>	<b>-2.95</b>	<b>-2.95</b>	<b>13.44</b>	<b>3.97</b>	<b>5.91</b>	<b>7.63</b>	<b>04/01/2010</b>
Pool IV Policy	-2.80	-2.80	14.49	4.07	5.83	7.76	
<b>Pool IV (Gross)</b>	<b>-2.95</b>	<b>-2.95</b>	<b>13.49</b>	<b>4.01</b>	<b>5.96</b>	<b>7.75</b>	<b>04/01/2010</b>
Pool IV Policy	-2.80	-2.80	14.49	4.07	5.83	7.76	
<b>Pool IV - Total Equity</b>	<b>-3.74</b>	<b>-3.74</b>	<b>21.64</b>	<b>8.12</b>	<b>8.54</b>	<b>10.35</b>	<b>04/01/2010</b>
Pool IV Equity Policy	-3.33	-3.33	21.73	8.88	8.40	10.60	
<b>Pool IV - Domestic Equity</b>	<b>-3.28 (48)</b>	<b>-3.28 (48)</b>	<b>21.58 (27)</b>	<b>10.12 (45)</b>	<b>9.89 (21)</b>	<b>11.87 (42)</b>	<b>04/01/2010</b>
Pool IV Domestic Equity Policy	-3.27 (48)	-3.27 (48)	21.62 (26)	10.15 (44)	9.92 (20)	12.41 (29)	
IM U.S. Equity (SA+CF+MF) Median	-3.41	-3.41	16.34	9.46	7.27	11.47	
<b>Pool IV - International Equity</b>	<b>-6.32 (77)</b>	<b>-6.32 (77)</b>	<b>19.64 (48)</b>	<b>0.08 (62)</b>	<b>3.11 (32)</b>	<b>4.62 (41)</b>	<b>04/01/2010</b>
MSCI AC World ex USA	-3.68 (36)	-3.68 (36)	21.02 (41)	4.24 (36)	3.07 (33)	4.44 (48)	
IM International Equity (MF) Median	-4.52	-4.52	19.12	2.06	2.26	4.34	
<b>Pool IV - Fixed Income</b>	<b>-1.70 (5)</b>	<b>-1.70 (5)</b>	<b>2.83 (5)</b>	<b>-3.95 (12)</b>	<b>1.10 (13)</b>	<b>2.67 (25)</b>	<b>04/01/2010</b>
Pool IV Fixed Income Policy	-1.89 (6)	-1.89 (6)	1.57 (23)	-4.92 (57)	0.29 (78)	1.98 (88)	
IM U.S. Broad Market Core Fixed Income (SA+CF) Median	-3.10	-3.10	1.07	-4.86	0.51	2.42	

Pool IV Policy: Prior to 7/1/2015: 30% BC Agg, 5% BC TIPS, 50% S&P500, 15% MSCI ACWxUS; 7/1/2015 to 11/30/2022: 50% S&P500, 15% MSCI ACWxUS, 35% BC Agg ; 12/1/2022 to 12/31/2022: 55% S&P500, 10% MSCI ACWxUS, 35% BC Agg; 1/1/2023 to present: 55% S&P500, 10% MSCI ACWxUS, 35% BC Int Agg  
Pool IV Equity Policy: Prior to 12/1/2022: 77% S&P500, 23% MSCI ACWxUS; 12/1/2022 to present: 85% S&P500, 15% MSCI ACWxUS;  
Pool IV Domestic Equity Policy: 100% S&P500  
Pool IV Fixed Policy: Prior to 7/1/2015: 86% BC Agg, 14% BC TIPS; 7/1/2015 to 12/31/2022: 100% BC Agg; 1/1/2023 to present: 100% BC Int Agg  
Galliard Pool IV Policy: Prior to 1/1/2023: 100% BC Agg; Since 1/1/2023: 100% BC Int Agg  
Returns for periods greater than one year are annualized and are expressed as percentages.



Comparative Performance

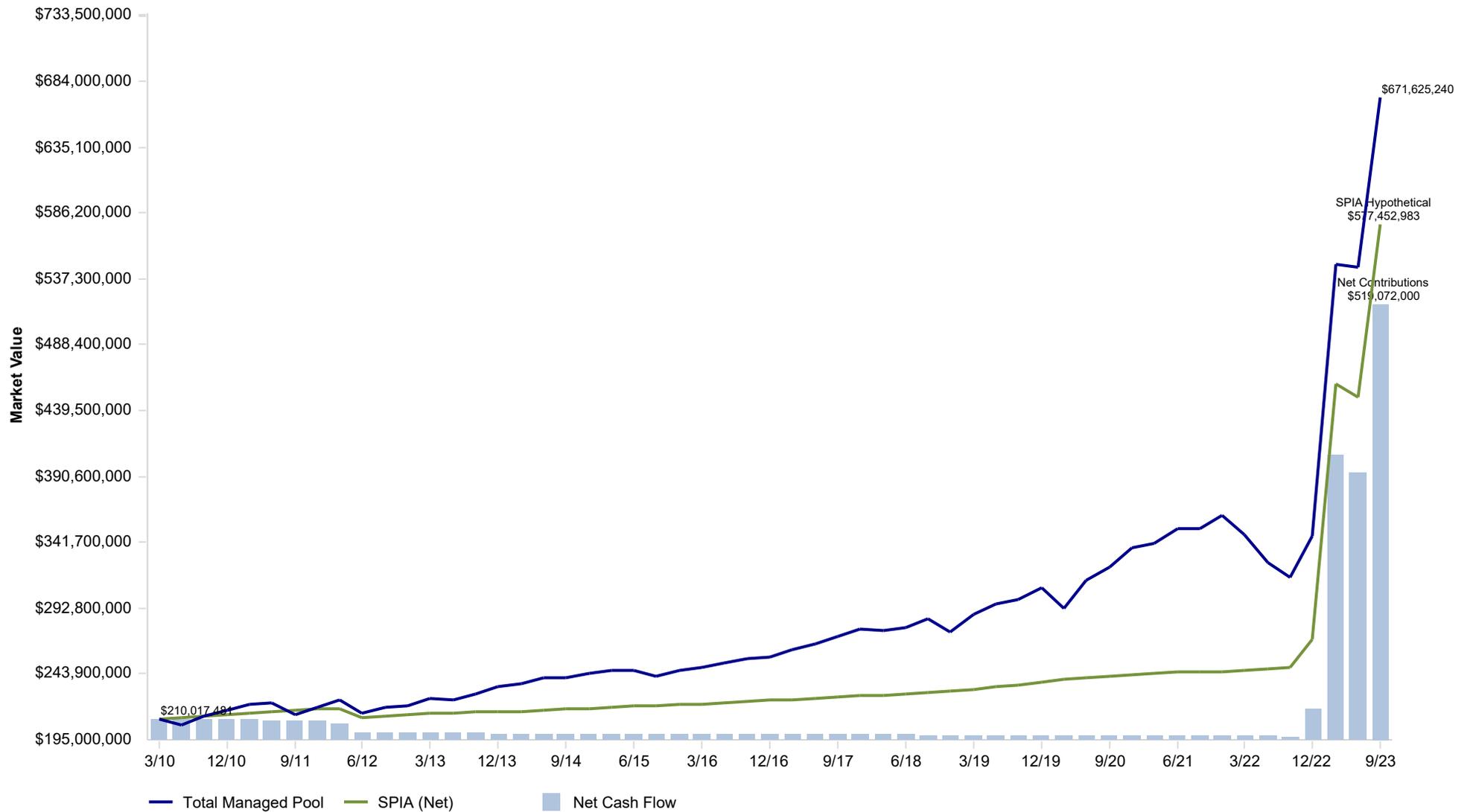
Pool IV

As of September 30, 2023

	QTR	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Domestic Equity</b>							
Vanguard Instl (Pool IV)	-3.28 (16)	-3.28 (16)	21.58 (10)	10.12 (8)	9.89 (7)	12.13 (3)	07/01/2013
S&P 500 Index	-3.27 (12)	-3.27 (12)	21.62 (3)	10.15 (2)	9.92 (2)	12.17 (1)	
IM S&P 500 Index (MF) Median	-3.34	-3.34	21.25	9.78	9.58	11.75	
<b>International Equity</b>							
Europacific Growth (Pool IV)	-6.32 (92)	-6.32 (92)	19.64 (89)	0.08 (100)	3.11 (30)	5.18 (14)	04/01/2010
MSCI AC World ex USA	-3.68 (36)	-3.68 (36)	21.02 (78)	4.24 (60)	3.07 (33)	4.44 (49)	
IM International Multi-Cap Core Equity (MF) Median	-4.13	-4.13	24.29	4.87	2.65	4.40	
<b>Fixed Income</b>							
Galliard Intermediate (Pool IV)	-1.70 (5)	-1.70 (5)	2.56 (6)	-4.38 (23)	0.98 (16)	2.65 (27)	04/01/2010
Galliard Pool IV Policy	-1.89 (6)	-1.89 (6)	1.57 (23)	-4.92 (57)	0.29 (78)	1.98 (88)	
IM U.S. Broad Market Core Fixed Income (SA+CF) Median	-3.10	-3.10	1.07	-4.86	0.51	2.42	

Pool IV Policy: Prior to 7/1/2015: 30% BC Agg, 5% BC TIPS, 50% S&P500, 15% MSCI ACWxUS; 7/1/2015 to 11/30/2022: 50% S&P500, 15% MSCI ACWxUS, 35% BC Agg ; 12/1/2022 to 12/31/2022: 55% S&P500, 10% MSCI ACWxUS, 35% BC Agg; 1/1/2023 to present: 55% S&P500, 10% MSCI ACWxUS, 35% BC Int Agg  
 Pool IV Equity Policy: Prior to 12/1/2022: 77% S&P500, 23% MSCI ACWxUS; 12/1/2022 to present: 85% S&P500, 15% MSCI ACWxUS;  
 Pool IV Domestic Equity Policy: 100% S&P500  
 Pool IV Fixed Policy: Prior to 7/1/2015: 86% BC Agg, 14% BC TIPS; 7/1/2015 to 12/31/2022: 100% BC Agg; 1/1/2023 to present: 100% BC Int Agg  
 Galliard Pool IV Policy: Prior to 1/1/2023: 100% BC Agg; Since 1/1/2023: 100% BC Int Agg  
 Returns for periods greater than one year are annualized and are expressed as percentages.

**Schedule of Investable Assets**



**Schedule of Investable Assets**

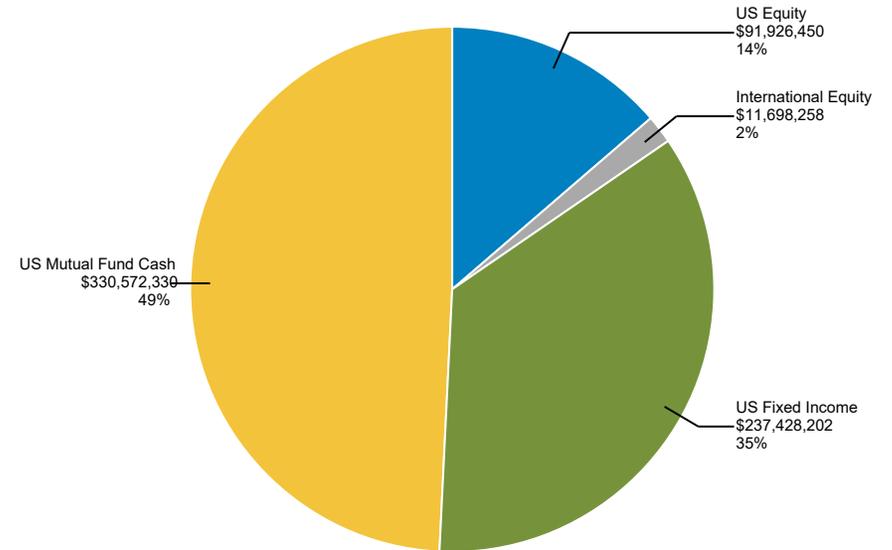
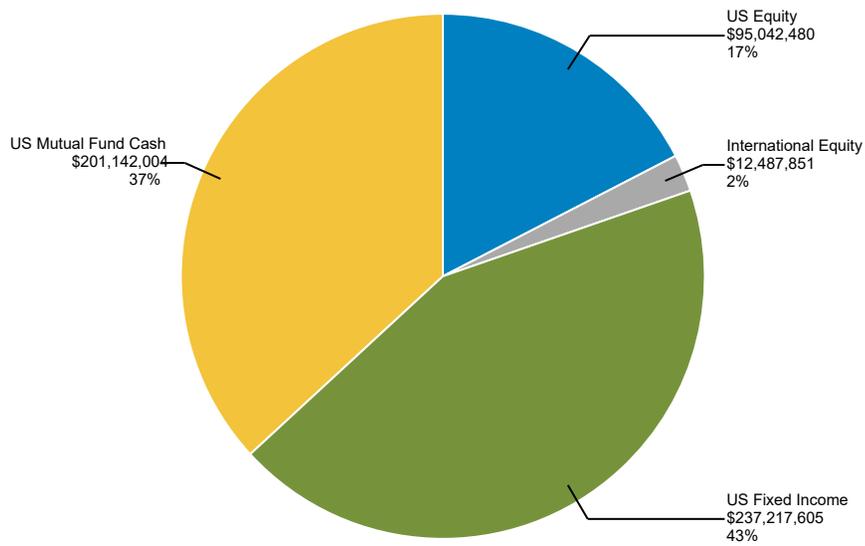
Periods Ending	Beginning Market Value	Net Cash Flow	Gain/Loss	Ending Market Value	Return %
Inception	\$210,017,481	\$309,054,519	\$152,553,240	\$671,625,240	4.09

Returns for periods greater than one year are annualized.  
 Net cash flows include those associated with management fees, portfolio expenses, and operating withdrawals. Expenses are reduced by commission recapture income received.  
 A prior period adjustment resulted in a \$30 change to the beginning MV.

**Asset Allocation by Asset Class**  
**Total Managed Pool**  
**As of September 30, 2023**

Jun-2023 : \$545,889,939

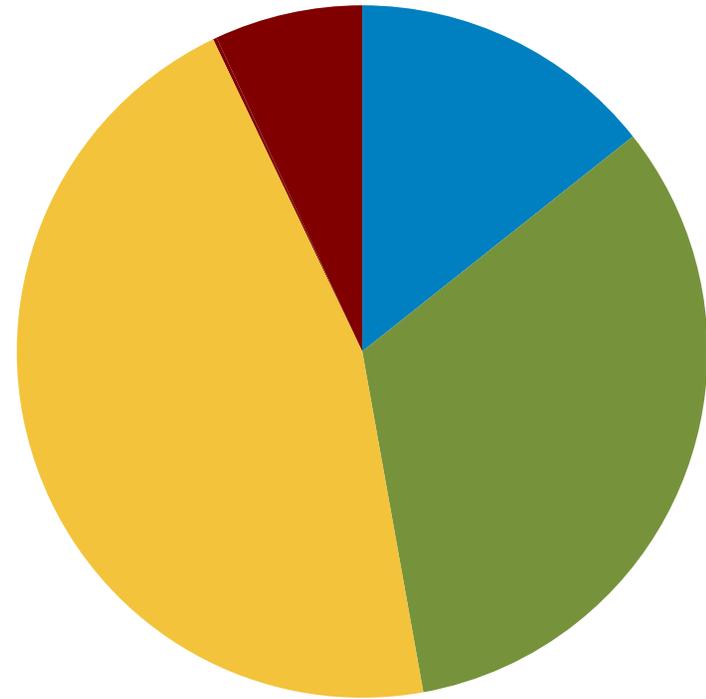
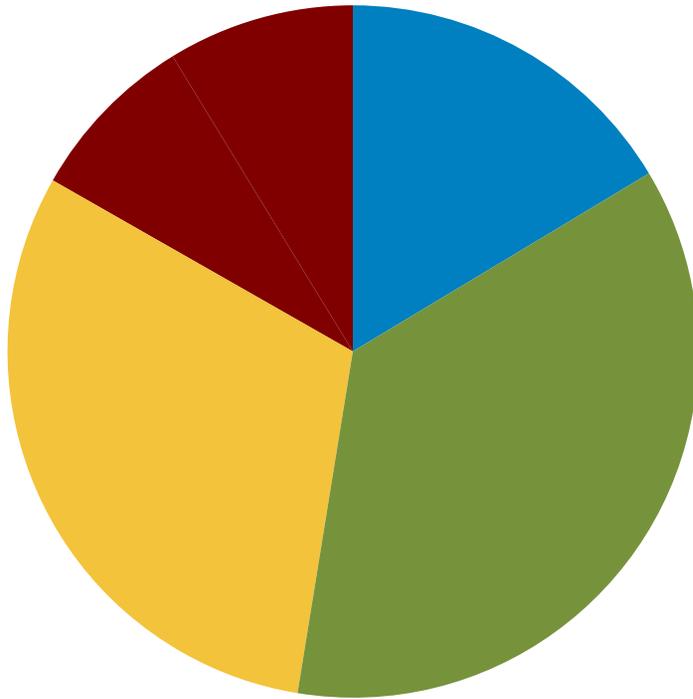
Sep-2023 : \$671,625,240



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ US Equity	95,042,480	17.4	■ US Equity	91,926,450	13.7
■ International Equity	12,487,851	2.3	■ International Equity	11,698,258	1.7
■ US Fixed Income	237,217,605	43.5	■ US Fixed Income	237,428,202	35.4
■ US Mutual Fund Cash	201,142,004	36.8	■ US Mutual Fund Cash	330,572,330	49.2

Jun-2023 : \$655,853,328.0

Sep-2023 : \$723,001,255.0



Allocation	Market Value	Allocation	Allocation	Market Value	Allocation
Equity	107,530,331	16.4	Equity	103,624,708	14.3
Fixed Income	237,217,605	36.2	Fixed Income	237,428,202	32.8
Mutual Fund Cash	201,142,004	30.7	Mutual Fund Cash	330,572,330	45.7
Bank of America	52,610,231	8.0	Bank of America	1,268,104	0.2
SPIA	57,353,158	8.7	SPIA	50,107,911	6.9

**Financial Reconciliation**  
**Total Managed Pool**  
**1 Quarter Ending September 30, 2023**

<b>Financial Reconciliation Quarter to Date</b>									
	<b>Market Value 07/01/2023</b>	<b>Net Transfers</b>	<b>Contributions</b>	<b>Distributions</b>	<b>Management Fees</b>	<b>Other Expenses</b>	<b>Income</b>	<b>Apprec./ Deprec.</b>	<b>Market Value 09/30/2023</b>
<b>Pool I</b>	<b>200,992,044</b>	-	<b>381,627,342</b>	<b>-255,870,342</b>	-	<b>-13,658</b>	<b>3,692,252</b>	-	<b>330,427,639</b>
Fidelity MM (Pool I)	99,985,031	-	190,410,432	-127,935,171	-	-6,829	1,831,559	-	164,285,023
Invesco MM (Pool I)	101,007,013	-	191,216,910	-127,935,171	-	-6,829	1,860,693	-	166,142,616
<b>Pool II</b>	<b>55,447,265</b>	-	-	-	-	<b>-4,112</b>	<b>414,149</b>	<b>303,030</b>	<b>56,160,332</b>
Galliard (Pool II)^	55,447,265	-	-	-	-	-4,112	414,149	303,030	56,160,332
<b>Pool III</b>	<b>154,696,142</b>	-	-	-	-	<b>-10,724</b>	<b>1,026,721</b>	<b>-1,443,101</b>	<b>154,269,038</b>
<b>Pool III - Fixed</b>	<b>129,966,511</b>	-	-	-	-	<b>-9,302</b>	<b>936,779</b>	<b>-543,507</b>	<b>130,350,481</b>
Galliard (Pool III)	74,486,509	-	-	-	-	-5,724	669,611	-413,946	74,736,450
Sawgrass (Pool III)	55,480,002	-	-	-	-	-3,578	267,168	-129,561	55,614,031
<b>Pool III - Dom Equity</b>	<b>24,704,822</b>	-	-	-	-	-	<b>89,630</b>	<b>-899,594</b>	<b>23,894,858</b>
Vanguard Instl (Pool III)	24,704,822	-	-	-	-	-	89,630	-899,594	23,894,858
<b>Pool III - Mutual Fund Cash</b>	<b>24,809</b>	-	-	-	-	<b>-1,422</b>	<b>312</b>	-	<b>23,699</b>
<b>Pool IV</b>	<b>134,754,488</b>	-	-	-	-	<b>-9,988</b>	<b>739,901</b>	<b>-4,716,170</b>	<b>130,768,231</b>
<b>Pool IV - Fixed</b>	<b>51,803,828</b>	-	-	-	-	<b>-4,246</b>	<b>483,130</b>	<b>-1,365,323</b>	<b>50,917,389</b>
Galliard Intermediate (Pool IV)	51,803,828	-	-	-	-	-4,246	483,130	-1,365,323	50,917,389
Dodge & Cox Income (Pool IV)	-	-	-	-	-	-	-	-	-
<b>Pool IV - Dom Equity</b>	<b>70,337,658</b>	-	-	-	-	-	<b>255,188</b>	<b>-2,561,254</b>	<b>68,031,592</b>
Vanguard Instl (Pool IV)	70,337,658	-	-	-	-	-	255,188	-2,561,254	68,031,592
<b>Pool IV - Int'l Equity</b>	<b>12,487,851</b>	-	-	-	-	-	-	<b>-789,593</b>	<b>11,698,258</b>
Europacific (Pool IV)	12,487,851	-	-	-	-	-	-	-789,593	11,698,258
<b>Pool IV - Mutual Fund Cash</b>	<b>125,151</b>	-	-	-	-	<b>-5,742</b>	<b>1,583</b>	-	<b>120,992</b>
<b>Total Managed Pool</b>	<b>545,889,939</b>	-	<b>381,627,342</b>	<b>-255,870,342</b>	-	<b>-38,481</b>	<b>5,873,023</b>	<b>-5,856,241</b>	<b>671,625,240</b>

**Financial Reconciliation**  
**Total Managed Pool**  
July 1, 2023 To September 30, 2023

<b>Financial Reconciliation Fiscal Year to Date</b>									
	<b>Market Value 07/01/2023</b>	<b>Net Transfers</b>	<b>Contributions</b>	<b>Distributions</b>	<b>Management Fees</b>	<b>Other Expenses</b>	<b>Income</b>	<b>Apprec./ Deprec.</b>	<b>Market Value 09/30/2023</b>
<b>Pool I</b>	<b>200,992,044</b>	-	<b>381,627,342</b>	<b>-255,870,342</b>	-	<b>-13,658</b>	<b>3,692,252</b>	-	<b>330,427,639</b>
Fidelity MM (Pool I)	99,985,031	-	190,410,432	-127,935,171	-	-6,829	1,831,559	-	164,285,023
Invesco MM (Pool I)	101,007,013	-	191,216,910	-127,935,171	-	-6,829	1,860,693	-	166,142,616
<b>Pool II</b>	<b>55,447,265</b>	-	-	-	-	<b>-4,112</b>	<b>414,149</b>	<b>303,030</b>	<b>56,160,332</b>
Galliard (Pool II)^	55,447,265	-	-	-	-	-4,112	414,149	303,030	56,160,332
<b>Pool III</b>	<b>154,696,142</b>	-	-	-	-	<b>-10,724</b>	<b>1,026,721</b>	<b>-1,443,101</b>	<b>154,269,038</b>
<b>Pool III - Fixed</b>	<b>129,966,511</b>	-	-	-	-	<b>-9,302</b>	<b>936,779</b>	<b>-543,507</b>	<b>130,350,481</b>
Galliard (Pool III)	74,486,509	-	-	-	-	-5,724	669,611	-413,946	74,736,450
Sawgrass (Pool III)	55,480,002	-	-	-	-	-3,578	267,168	-129,561	55,614,031
<b>Pool III - Dom Equity</b>	<b>24,704,822</b>	-	-	-	-	-	<b>89,630</b>	<b>-899,594</b>	<b>23,894,858</b>
Vanguard Instl (Pool III)	24,704,822	-	-	-	-	-	89,630	-899,594	23,894,858
<b>Pool III - Mutual Fund Cash</b>	<b>24,809</b>	-	-	-	-	<b>-1,422</b>	<b>312</b>	-	<b>23,699</b>
<b>Pool IV</b>	<b>134,754,488</b>	-	-	-	-	<b>-9,988</b>	<b>739,901</b>	<b>-4,716,170</b>	<b>130,768,231</b>
<b>Pool IV - Fixed</b>	<b>51,803,828</b>	-	-	-	-	<b>-4,246</b>	<b>483,130</b>	<b>-1,365,323</b>	<b>50,917,389</b>
Galliard Intermediate (Pool IV)	51,803,828	-	-	-	-	-4,246	483,130	-1,365,323	50,917,389
Dodge & Cox Income (Pool IV)	-	-	-	-	-	-	-	-	-
<b>Pool IV - Dom Equity</b>	<b>70,337,658</b>	-	-	-	-	-	<b>255,188</b>	<b>-2,561,254</b>	<b>68,031,592</b>
Vanguard Instl (Pool IV)	70,337,658	-	-	-	-	-	255,188	-2,561,254	68,031,592
<b>Pool IV - Int'l Equity</b>	<b>12,487,851</b>	-	-	-	-	-	-	<b>-789,593</b>	<b>11,698,258</b>
Europacific (Pool IV)	12,487,851	-	-	-	-	-	-	-789,593	11,698,258
<b>Pool IV - Mutual Fund Cash</b>	<b>125,151</b>	-	-	-	-	<b>-5,742</b>	<b>1,583</b>	-	<b>120,992</b>
<b>Total Managed Pool</b>	<b>545,889,939</b>	-	<b>381,627,342</b>	<b>-255,870,342</b>	-	<b>-38,481</b>	<b>5,873,023</b>	<b>-5,856,241</b>	<b>671,625,240</b>

	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
Fidelity MM (Pool I)	0.25	164,285,023	410,713	0.25 % of Assets
Invesco MM (Pool I)	0.21	166,142,616	348,899	0.21 % of Assets
<b>Pool I</b>	<b>0.23</b>	<b>330,427,639</b>	<b>759,612</b>	
Galliard	0.10	56,160,332	56,160	0.10 % of Assets
<b>Pool II</b>	<b>0.10</b>	<b>56,160,332</b>	<b>56,160</b>	
Galliard	0.10	74,736,450	74,736	0.10 % of Assets
Sawgrass	0.07	55,614,031	38,930	0.07 % of Assets
<b>Pool III - Fixed Income</b>	<b>0.09</b>	<b>130,350,481</b>	<b>113,666</b>	
Vanguard Institutional Index*	0.04	23,894,858	8,363	0.04 % of Assets
<b>Pool III - Domestic Equity</b>	<b>0.04</b>	<b>23,894,858</b>	<b>8,363</b>	
Mutual Fund Cash*	0.21	23,699	50	0.21 % of Assets
<b>Pool III</b>	<b>0.08</b>	<b>154,269,038</b>	<b>122,079</b>	
Galliard Intermediate	0.20	50,917,389	101,835	0.20 % of Assets
<b>Pool IV - Fixed Income</b>	<b>0.20</b>	<b>50,917,389</b>	<b>101,835</b>	
Vanguard Institutional Index*	0.04	68,031,592	23,811	0.04 % of Assets
<b>Pool IV - Domestic Equity</b>	<b>0.04</b>	<b>68,031,592</b>	<b>23,811</b>	
Europacific Growth*	0.46	11,698,258	53,812	0.46 % of Assets
<b>Pool IV - International Equity</b>	<b>0.46</b>	<b>11,698,258</b>	<b>53,812</b>	
Mutual Fund Cash*	0.21	120,992	254	0.21 % of Assets
<b>Pool IV</b>	<b>0.14</b>	<b>130,768,231</b>	<b>179,712</b>	
<b>Total Managed Pool</b>	<b>0.17</b>	<b>671,625,240</b>	<b>1,117,564</b>	

\*Audited expense ratio.

\*\*The University of Central Florida pays Bank of New York Mellon a custodial fee of 2.5 basis points annually, billed quarterly on each account's market value.

\*\*\*The University of Central Florida pays AndCo an all inclusive fee, billed quarterly in arrears, of \$110,000 for investment consulting services.

\*Fee information on this page is an illustrative estimate of management fees based on current reported portfolio values. Fee estimates do not reflect actual calculation methodologies or applicable carried interest.

<b>Active Return</b>	- Arithmetic difference between the manager's performance and the designated benchmark return over a specified time period.
<b>Alpha</b>	- A measure of the difference between a portfolio's actual performance and its expected return based on its level of risk as determined by beta. It determines the portfolio's non-systemic return, or its historical performance not explained by movements of the market.
<b>Beta</b>	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of the portfolio's systematic risk.
<b>Consistency</b>	- The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. Higher consistency indicates the manager has contributed more to the product's performance.
<b>Distributed to Paid In (DPI)</b>	- The ratio of money distributed to Limited Partners by the fund, relative to contributions. It is calculated by dividing cumulative distributions by paid in capital. This multiple shows the investor how much money they got back. It is a good measure for evaluating a fund later in its life because there are more distributions to measure against.
<b>Down Market Capture</b>	- The ratio of average portfolio performance over the designated benchmark during periods of negative returns. A lower value indicates better product performance
<b>Downside Risk</b>	- A measure similar to standard deviation that utilizes only the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. A higher factor is indicative of a riskier product.
<b>Excess Return</b>	- Arithmetic difference between the manager's performance and the risk-free return over a specified time period.
<b>Excess Risk</b>	- A measure of the standard deviation of a portfolio's performance relative to the risk free return.
<b>Information Ratio</b>	- This calculates the value-added contribution of the manager and is derived by dividing the active rate of return of the portfolio by the tracking error. The higher the Information Ratio, the more the manager has added value to the portfolio.
<b>Public Market Equivalent (PME)</b>	- Designs a set of analyses used in the Private Equity Industry to evaluate the performance of a Private Equity Fund against a public benchmark or index.
<b>R-Squared</b>	- The percentage of a portfolio's performance that can be explained by the behavior of the appropriate benchmark. A high R-Squared means the portfolio's performance has historically moved in the same direction as the appropriate benchmark.
<b>Return</b>	- Compounded rate of return for the period.
<b>Sharpe Ratio</b>	- Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is an absolute rate of return per unit of risk. A higher value demonstrates better historical risk-adjusted performance.
<b>Standard Deviation</b>	- A statistical measure of the range of a portfolio's performance. It represents the variability of returns around the average return over a specified time period.
<b>Total Value to Paid In (TVPI)</b>	- The ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid into the fund to date. It is a good measure of performance before the end of a fund's life
<b>Tracking Error</b>	- This is a measure of the standard deviation of a portfolio's returns in relation to the performance of its designated market benchmark.
<b>Treynor Ratio</b>	- Similar to Sharpe ratio but utilizes beta rather than excess risk as determined by standard deviation. It is calculated by taking the excess rate of return above the risk free rate divided by beta to derive the absolute rate of return per unit of risk. A higher value indicates a product has achieved better historical risk-adjusted performance.
<b>Up Market Capture</b>	- The ratio of average portfolio performance over the designated benchmark during periods of positive returns. A higher value indicates better product performance.

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# Board of Trustees

*Budget and Finance Committee*

*November 16, 2023*

## **Agenda Item**

INFO-2: University Operating Budget Report – 1<sup>st</sup> Quarter, Ended September 30, 2023

## **Proposed Board Action**

This item is provided to inform the committee of the University's operating financials budget-to-actual results and year-over-year comparisons to the previous fiscal year.

## **Authority for Board of Trustees Action**

Policy BOT-9, Board Policy for University Operating, Carryforward, and Capital Outlay Budgets; UCF Policy No. 3-211, University Budget Process

### **Supporting Documentation Included**

Attachment A: Description of UCF Budget Entities

Attachment B: University Operating Budget Report – 1<sup>st</sup> Quarter, Ended September

### **Facilitators/Presenters**

Gerald Hector, Senior Vice President for Administration and Finance

Danta White, Senior Assistant Vice President for Financial Affairs and University Controller



# University Operating Budget Report – 1<sup>st</sup> Quarter, Ended September 30, 2023

## EXECUTIVE SUMMARY

### Objective

This item provides the fiscal year 2023-2024 (FY2024) quarter ending September 30, 2023, operating financials budget-to-actual results and year-over-year comparisons to fiscal year 2022-2023 (FY2023). The final annual budget reflects \$2.1 billion in revenues and expenditures which agrees with the spending authority approved by the Board of Trustees. The most significant contributing source being E&G Main. at approximately one third, Local Funds contributed approximately one third, and Contracts & Grants, Auxiliary Services and Faculty Practice Plan combined filling out just under one third.

After the first quarter of operations, actual revenues were \$629.9 million or 29.30% of budget. Expenditures were \$599.4 million or 27.88% of the annual budget. The two combined generated a surplus of \$30.5 million. Compared to prior year actual results, revenues are up 7.29% and expenditures are up 11.98%.

### Summary of Key Observations/Recommendations

- Education & General
  - E&G Main: Actual revenues were \$224.1 million or 30.81% of total budgeted revenues and an increase from prior year of \$20.5 million or 10.07%. Revenue increases were primarily a result of increased appropriations (\$10 million), increase in tuition and fee revenues (\$5.5 million), and increase in investment earnings (\$3.8 million) for the quarter. The university received increased annual appropriations for STEM \$20 million, Nursing Education \$0.7 million, and various non-recurring activities of \$40 million. Additionally, student credit hours increased 2% from the prior year. The increase in investment earnings is primarily due to timing as investment earnings were not allocated in the prior year until June. Actual expenditures were \$145.9 million or 20.05% of total budgeted expenditures and an increase of \$9.4 million or 6.89% from prior year. The increase in expenditures is primarily due to utilities (\$2.6 million increase), rent (\$1.7 million due to timing of Lake Nona Cancer Center lease payment), and IT services costs.
  - E&G College of Medicine (COM): Actual revenues were \$12.3 million or 25.27% of total budgeted revenues and an increase from prior year of \$0.6 million or 5.28%. Actual expenditures were \$11.8 million or 24.24% of total budgeted expenditures and an increase of \$1.9 million or 19.57% from prior year. There were no significant variances in actual revenues. The increase in expenses is due to timing of recording scholarship expenses which occurred in future periods during FY2023.
  - E&G Florida Center for Students with Unique Abilities (FCSUA): Actual revenues were \$2.2 million or 25.00% of total budgeted revenues and in-line with prior year. Actual expenditures were \$3.2 million or 35.58% of total budgeted expenditures and

an increase of \$1.1 million or 52.43% from prior year. The increase in expenditures is primarily the result of a \$1.0 million increase in scholarships awarded.

- E&G Florida Community Schools (FCS): Actual revenues were \$2.8 million or 25% of total budgeted revenues. The state moved the management of the FCS program from the state to UCF effective July 1, 2023; thus, this its first year as a separate budget entity. This change resulted in an \$11 million increase in state appropriations to UCF. Program expenditures were incurred during the quarter, however, updates to Workday were delayed thus charges were recorded in other budget entities. Corrects are in progress to move charges to the correct fund and budget entity and will be reflected in the next quarterly update.
- Contracts and Grants (C&G): Actual revenues were \$55.2 million or 21.33% of total budgeted revenues and an increase from prior year of \$13.9 million or 33.54%. Actual expenditures were \$58.7 million or 22.10% of total budgeted expenditures and an increase of \$12.7 million or 27.64% from prior year. Both revenue and expenditure increases are primarily due to prior year Workday conversion (billing conversion process not completed until late July) and implementation of new processes (delays in new expense approval process and monthly closings). Actual revenues and expenditures are in-line with fiscal year 2021-2022 (FY2022) first quarter (excluding FY2022 HEERF funding), which demonstrates the overall progress made since Workday go-live.
- Auxiliaries: Actual auxiliary revenues were \$94.8 million or 25.81% of total budgeted revenues and reflected an increase from prior year of \$5.4 million or 6.02%. Revenue increases were primarily due improvements to Workday internal billing processes resulting in timelier internal utility billings in FY2023. Actual expenditures were \$100.9 million or 25.71% of total budgeted expenditures and an increase of \$30.9 million or 44.08% from prior year. The increase was primarily attributable to timing of debt payments (Parking debt payoff \$9.5 million and Housing \$5.3 million debt payment made in subsequent period in FY2023), Parking (\$3.6 million) and Housing (\$2.1 million) project funding transfers to Facilities, increased state health insurance cost paid from the fringe benefit pool (\$2.8 million), and a \$3.7 million increase in distance learning fee uses resulting from the universities continued shift to an all funds budget model.
- Local Funds: The Local Funds budget contains operating resources for the following individual budget entities:
  - Student Financial Aid (SFA): SFA actual revenues were \$196.3 million of the \$235.7 million total Local funds revenues (83.27% of total Local Fund actual revenues) and expenditures were \$238.4 million of the \$276.4 million total Local Fund expenditures (86.25% of total Local Fund actual expenditures). Revenue decreased \$5.4 million from prior year primarily due to a decrease in Bright Futures funding. There were no significant expenditure variances.
  - Student Activities: Actual revenues were \$8.4 million and expenditures \$5.9 million. There were no significant budget variations or changes in revenues or expenditures.
  - Concessions: Actual revenues were \$0.3 million and expenditures \$0.05 million. There were no significant budget variations or changes in revenues or expenditure.

- Technology Fee: Actual revenues were \$4.0 million and actual expenditures were \$5.5 million. There were no significant budget variations or changes in revenues. Expenditures increased \$2.7 million or 94.08%, primarily due to funding for IT projects (\$1.1 million increase) and IT related consulting fees (\$1.1 million increase).
  - Intercollegiate Athletics: Actuals revenues were \$26.6 million (11.30% of total Local Fund actual revenues) and expenses were \$26.6 million (9.61% of total Local Fund actual expenditures). See DSO quarterly reports for a full overview of UCFAA activities and analysis.
- Faculty Practice Plan (FPP). Actual revenues were \$2.8 million and actual expenditures were \$2.5 million. See DSO quarterly reports for a full overview of the Central Florida Clinical Practice Organization activities and analysis.

### **Additional Background**

See Attachment A for a description of each budget entity's functions.

### **Rationale**

This agenda item is intended to support the Committee's review and assessment of the University's operating budget as outlined in the Budget and Finance Committee Charter.

### **Implementation Plan**

Not Applicable

### **Resource Considerations**

Not Applicable

### **Conclusion**

This agenda item is intended to provide Trustees with an overview of the University's first quarter operating financials budget-to-actual results, and year-over-year comparisons to fiscal year 2022-2023.



# Attachment A

## DESCRIPTION OF UCF Budget Entities

### Objective

The of this attachment is to provide an overview for each of the university's state mandated budget entities.

### Education & General

The Education & General revenues consist of state appropriations (general revenue and Educational Enhancement funds (Lottery)), and student fees which include tuition and out-of-state-fees. Expenditures from these funds are restricted to operating activities for educational purposes including general instruction, research, public service, plant operations and maintenance, student services, libraries, administrative support, and other enrollment related operations. This budget entity is further segregated into three separate budget entities with separate state appropriations: (1) Main (2) College of Medicine and (3) Florida Center for Students with Unique Abilities (FCSUA).

### Contracts & Grants

The C&G budget primarily consists of research activities that are funded by federal, state, local, and private funds. Additionally, Florida Board of Governor's regulations requires donations and contributions the university receives from a university Foundation to be included in the C&G budget.

### Auxiliaries

Auxiliary enterprises (auxiliaries) include those activities that are not instructional in nature but support the operation of the university. The primary auxiliary areas include Housing, Student Health Services, Parking Services, Computer Store, Telecommunications, Continuing Education, Dining Services, and the Bookstore. The auxiliaries must generate adequate revenue to cover their expenses and allow for future renovations, and building or equipment replacement, if applicable. Several auxiliaries are partially or wholly funded by student fees, including Student Health Services, Parking Services, Material and Supply Fees, and Equipment Fees. The uses of certain auxiliary revenues are restricted by either state statute, BOG regulations, and/or bond covenants. They include the following auxiliaries: Housing (bonded facilities), Distance Learning, Material and Supply Fees, Equipment Fees, and Administrative Auxiliaries (primarily funded by a charge to auxiliaries for costs borne by the central operations on their behalf). Housing restrictions will become unrestricted upon payoff of all bonded debt in 2042.

### Local Funds

The Local Funds budget contains operating resources for the following individual budget

entities:

*Student Financial Aid (SFA)*: The student financial aid budget largely represents scholarships, grants, and loan funds that are received by the university and subsequently disbursed to students. SFA also includes the financial aid fee charged to students.

*Student Activities*: The student activities budget is funded in three distinct categories; (i) Activity and Service Fee paid by students, (ii) revenues generated from the Student Union, and (iii) revenues generated from the Recreation and Wellness Center.

*Concessions*: The concessions budget is funded from vending commissions and related sponsorship revenue. These funds are used for events and other expenditures that support the university.

*Technology Fee*: The revenue from this fee will be used to enhance instructional technology resources for students and faculty.

*Intercollegiate Athletics*: Revenues are primarily derived from student athletic fees, ticket sales, and sales of other goods and services. For budgetary reporting to the BOG, Intercollegiate Athletics includes activities of the university direct support organization (DSO) the University of Central Florida Athletics Association (UCFAA).

### **Faculty Practice Plan (FPP)**

The FPP collects and distributes income from faculty billings for patient services to UCF Health to cover the cost of medical services.

## Attachment B

### University of Central Florida Financial Update Quarter Ended September 30, 2023

-	Current Year: BOG Approved Budget	Current Year Actuals	\$ Remaining Approved Budget	% of Approved Budget Received/Used	Prior Period Actuals	YOY \$ Fav/(Unfav) Variance	YOY % Fav/(Unfav) Variance
<b>Sources:</b>							
E&G Main	727,285,128	224,103,871	503,181,257	30.81%	203,599,914	20,503,957	10.07%
E&G College of Medicine	48,630,721	12,288,124	36,342,597	25.27%	11,671,473	616,652	5.28%
E&G Florida Center for Students with Unique Abilities	8,984,565	2,246,141	6,738,424	25.00%	2,246,141	0	0.00%
E&G Florida Community Schools	11,000,000	2,750,000	8,250,000	25.00%	0	2,750,000	0.00%
Contracts & Grants	258,950,414	55,231,514	203,718,900	21.33%	41,358,917	13,872,597	33.54%
Auxiliaries	367,302,157	94,810,865	272,491,291	25.81%	89,423,545	5,387,320	6.02%
Local Funds	717,038,226	235,679,780	481,358,447	32.87%	236,599,435	(919,655)	(0.39%)
Faculty Practice Plan (FPP)	10,542,907	2,766,209	7,776,698	26.24%	2,167,058	599,151	27.65%
<b>Total Sources</b>	<b>2,149,734,119</b>	<b>629,876,505</b>	<b>1,519,857,614</b>	<b>29.30%</b>	<b>587,066,483</b>	<b>42,810,022</b>	<b>7.29%</b>
<b>Uses:</b>							
E&G Main	727,285,128	145,852,659	581,432,469	20.05%	136,445,033	(9,407,626)	(6.89%)
E&G College of Medicine	48,630,721	11,787,903	36,842,817	24.24%	9,858,329	(1,929,574)	(19.57%)
E&G Florida Center for Students with Unique Abilities	8,984,565	3,196,527	5,788,037	35.58%	2,097,025	(1,099,502)	(52.43%)
E&G Florida Community Schools	11,000,000	11,000,000	11,000,000	0.00%	0	0	0.00%
Contracts & Grants	265,616,148	58,713,800	206,902,348	22.10%	45,999,120	(12,714,680)	(27.64%)
Auxiliaries	392,383,971	100,898,281	291,485,690	25.71%	70,031,564	(30,866,717)	(44.08%)
Local Funds	682,917,599	276,424,828	406,492,770	40.48%	268,904,291	(7,520,537)	(2.80%)
Faculty Practice Plan (FPP)	12,915,987	2,526,423	10,389,564	19.56%	1,941,787	(584,636)	(30.11%)
<b>Total Uses</b>	<b>2,149,734,118</b>	<b>599,400,422</b>	<b>1,550,333,696</b>	<b>27.88%</b>	<b>535,277,149</b>	<b>(64,123,273)</b>	<b>(11.98%)</b>
<b>Surplus/(Deficit)</b>	<b>0</b>	<b>30,476,083</b>	<b>(30,476,082)</b>		<b>51,789,334</b>	<b>106,933,295</b>	



# Board of Trustees

*Budget and Finance Committee*

*November 16, 2023*

## **Agenda Item**

INFO-3: Direct Support Organizations' (DSO) Financial Reports – 1<sup>st</sup> Quarter, Ended September 30, 2023

## **Proposed Board Action**

This item is provided to inform the committee of DSO year-to-date actuals compared to the year-to-date budget and to the same period of the prior year.

## **Authority for Board of Trustees Action**

For informational purposes only. No board action required.

### **Supporting Documentation Included**

Attachment A: Description of DSO Operations  
Attachment B: UCF Academic Health  
Attachment C: UCF Athletics Association  
Attachment D: UCF Convocation Corporation  
Attachment E: UCF Finance Corporation  
Attachment F: UCF Foundation  
Attachment G: UCF Research Foundation  
Attachment H: UCF Stadium Corporation  
Attachment I: Central Florida Clinical Practice Organization

### **Facilitators/Presenters**

Gerald Hector, Senior Vice President for Administration and Finance  
Christy Tant, Assistant Vice President for DSO Accounting and Reporting



# Direct Support Organizations' (DSO) Financial Reports – 1st Quarter, Ended September 30, 2023

## EXECUTIVE SUMMARY

### Objective

To provide a financial update on the operations of each of the university's direct support organizations (DSO) and the Central Florida Clinical Practice Organization.

The attached reports compare year-to-date actuals to year-to-date budget and to actuals of the same period of the prior year. They are intended to present funding sources and uses and do not include all financial statement adjustments.

### Summary of Key Observations/Recommendations

All entities reported funding sources more than funding uses, except as noted below:

- UCF Finance Corporation's uses exceeded funding sources as of the end of the quarter. This is normal due to the timing of scheduled cash flows. Cash reserves were sufficient to fund this deficit. Further, it will be offset by approximately \$4.0 million of rent to be received from the university in the fourth quarter.

All scheduled debt service payments were made, except as noted below:

- UCF Athletics has not made any quarterly interest payments on the line of credit with UCF Foundation. Conversations are continuing as UCF Athletics ramps up its operations to compete in the Big 12 conference.

All R&R reserves were funded as planned.

Actual results are consistent with year-to-date budgets and prior year actuals, except as noted below. It is important to note that prior year totals are significantly impacted by the first quarter of transitioning to Workday last fall. Grouping of data as we worked through stabilization might have items in categories that were later adjusted. For comparative purposes, we utilized the amounts within the system from the prior years as a proxy. On a variance analysis the changes year over year seem appropriate. The UCF Foundation had a more unique set of circumstances with its prior year totals because of the new direct interface that Workday allows for both operational and programmatic activities. To that end, they are only showing a singular year view for this first quarter of FY2024. Adjustments and reclassifications will be completed for the prior year totals in the second quarter report of FY2024.

**UCF Academic Health** – Key information is provided in the footnotes on Attachment B.

### **UCF Athletics Association**

- Student athletic fees are trending higher than budget and prior year. Fall 2023 student credit hours are trending 2% higher than Fall 2022.

- Ticket sales and ticket related transactions are trending below budget because Playfly has not paid for sponsor tickets as originally anticipated by the letter of intent. Approximately \$0.6 million is expected in the second quarter.
- The unfavorable variance in sponsorships revenue and favorable variance in other athletic revenues is due to the way in which the first quarter multi-media rights guaranteed royalty payment from PlayFly was recorded. This \$2.0 million received in the first quarter will be reclassified to sponsorship revenue in the second quarter to reduce these variances to budget and prior year.
- The increase in NCAA/ conference distributions over the prior year is due to the Big 12 conference having a different distribution schedule than the AAC and was anticipated.
- The favorable variance in scholarship support is due to the university allocating an additional \$2.0 million for Alston awards after the budget was approved.
- Football ticket revenue of \$4.6 million was transferred to UCF Stadium Corporation and excess revenues of \$2.8 million were returned to the Association during the quarter. The unfavorable variance in net transfers received from UCF Stadium Corporation is due to the timing of transfers and is expected to reverse in the second quarter. Net transfers from UCF Stadium Corporation are expected to be positive later in the year.
- Sport operations trends exceeds budget and prior year primarily due to group travel, recruiting, and equipment expenditures for football and all sports resulting from the move to the Big 12 conference.

### **UCF Convocation Corporation**

- Housing revenues and expenses are consistent with budget. Our housing facilities are routinely at capacity. The favorable variance in housing revenues compared to the prior year is due to the housing rate increase approved by the BOT in June of 2023. The unfavorable variance in housing expenses compared to the prior year is primarily due to a lag in recording utilities and other expenses in the prior year due to our system conversion.
- Retail revenues are also consistent with budget and trending slightly over budget with occupancy currently at full capacity, except for the space vacated by Rec and Wellness at the end of the prior year. The vacancy left by Rec and Wellness was accounted for in the budget while we pursue tenants to fill the space. A brokerage partner is engaged and soliciting potential tenants. Retail expenses are also trending slightly over budget and prior year. This is correlated with the timing of utility bill backs to tenants. Utilities are a pass-through expense offset in the collection of utility revenues. The unfavorable variance in retail expenses from the prior year is primarily due to a lag in recording utilities and other expenses in the prior year due to our system conversion.
- Arena event revenue and event expenses exceeded budget but resulted in net revenue. The variances are due to more events than forecasted and better overall event performance. The

Arena and Venue hosted 98 events in the first quarter. When compared to the prior year, the unfavorable variance in event expense is primarily due to a lag in recording utilities and other expenses in the prior year due to our system conversion. The unfavorable variance in non-event revenue when compared to prior year is due to the receipt of one-time capital expenditure funding received from OVG. These funds are being used in the current year to fund a portion of the facility projects on the critical needs list. All other amounts in arena operations are consistent with budget and prior year.

**UCF Finance Corporation** – Nothing notable to report.

**UCF Stadium Corporation**

- Operating revenues include premium seating revenue, concession revenue, merchandise sales, and an allocation of revenues from the university's beverage contract. Actuals are in line with budget but lagging the prior year primarily due to there being one less home game in the current year.
- Operating expenses include general and administrative costs and transfers to the repair and replacement reserve. Actuals are consistent with budget and higher than prior year due to expenses being recorded earlier than in the prior year.
- Ticket sales revenue exceeded the budget and prior fiscal year. Higher ticket sales is attributed to the transition to the Big 12 Athletic Conference.
- Excess revenues of \$2.7 million were returned to UCF Athletics Association. The transfers to UCF Athletics Association are less than budget and prior year because September's excess revenues (\$0.7 million) were not transferred back to the Association until October.

**UCF Foundation**

- Total sources are consistent with budget and total uses are favorable compared to budget. This is primarily due to savings from unfilled positions. UCF Foundation currently has 31 open positions across three departments comprised of the following: 11 in Development; 17 in Administration; 3 in Alumni Relations.
- Attachment F represents a summarized version of unrestricted sources and uses. The release of restricted funds to other entities does not appear on this report. However, the university has utilized approximately \$7.9 million of UCF Foundation gifts in support of programs, scholarships, and other university priorities.

**UCF Research Foundation** – Key information is provided in the footnotes on Attachment G.

**Central Florida Clinical Practice Organization** – Key information is provided in the footnotes on Attachment I.

**Additional Background**

Refer to Attachment A for a description of each DSO's operations, significant debt issuances, and

significant flows of funds between the DSOs and between the university and DSOs.

### **Rationale**

This agenda item is intended to support the Committee's review and assessment of the University DSOs' quarterly financial statements as outlined in the Budget and Finance Committee Charter.

### **Implementation Plan**

Not applicable.

### **Resource Considerations**

There are no new resource considerations for DSOs within this information item. The DSOs were created for the benefit of the university; however, as standalone entities, their operations go back into their operations. Their ongoing operations continue to benefit the university, and any excess funds are factored into their operations for FY2024. Two of our DSOs will receive allowable funds from the university for their operations in the new year. The Athletics fees are set up in a fee fund for the use of Athletics during the year to cover costs. The Foundation receives assistance with personnel, and Athletic scholarships are also provided to student athletes. These investments and operations of our DSOs fit into our goals of our strategic plan, "Unleashing Potential."

### **Conclusion**

This agenda item is intended to provide Trustees with an overview of the University DSOs' financial statements on a quarterly basis.



# Attachment A

## DESCRIPTION OF DSO OPERATIONS

### Objective

The purpose of this attachment is to provide a description of operations for each of the university's direct support organizations, their significant debt issuances, and significant flows of funds between the DSOs and between the university and DSOs. Stated amounts represent approximate current year actuals.

### UCF Academic Health

UCF Academic Health supports medical education, research, and patient care through the planning and development of clinical initiatives and affiliated partnerships that serve the educational, research, and clinical mission of the College of Medicine. It is currently engaged in two primary activities:

- Shared governance and a 20% equity ownership in Central Florida Health Services, LLC (CFHS), a joint venture with Hospital Corporation of America. CFHS is responsible for the development and operation of UCF Lake Nona Medical Center, the university's teaching hospital.
- Development and oversight of leased space to private partners in the UCF Lake Nona Cancer Center which includes lease administration and collection of rental income.

UCF Academic Health pays rent to the university for its use of the UCF Lake Nona Cancer Center (\$2.0 million, plus common-area maintenance). It does not hold any debt.

### UCF Athletics Association

UCF Athletics Association operates the university's intercollegiate athletic programs and joined the Big 12 Conference on July 1, 2023. The Association does not fund a repair and replacement reserve, but its leadership committed to building a \$10.0 million operating reserve by retaining \$2.5 million of surplus operating funds for five years beginning in fiscal year 2022-23.

The Association's debt matures on dates that range from September 2024 to July 2033. This includes a note payable to the university, line of credit payable to UCF Foundation, and construction-related debt owed to third parties. In addition, the Association is required to remit annual exit fee payments to the American Athletic Conference through fiscal year 2035-36.

The Association receives athletic fees assessed to students by the university (\$23.0 million) as well as non-cash support provided by the university to fund athletic scholarships (\$11.1 million) and Title IX compensation and benefits for coaches of women's sports (\$0.9 million). It also receives an allocation from the university's exclusive beverage provider contract (\$0.6 million) and

licensing fees associated with the sale of apparel and other merchandise from the university's bookstore contract (\$0.7 million). The Association pays the university an annual overhead fee of \$100,000. It is closely related with and acts in good faith as "manager" of UCF Stadium Corporation and for the arena operations of UCF Convocation Corporation.

### **UCF Convocation Corporation**

UCF Convocation Corporation operates four student residence halls (Towers Knights Plaza), the convocation center (Addition Financial Arena and The Venue), surrounding retail space (Knights Plaza), and adjacent parking. The corporation's operations yield sufficient revenues to fund its operating expenses, debt service payments, and repair and replacement reserves. The corporation's original financing model planned a surplus to be generated by its housing operations to fund both the housing and arena debt service payments. Revenue increases need to be generated to fund repair and replacement reserves at levels adequate to maintain the corporation's facilities long-term.

The corporation's debt matures on dates that range from October 2026 to October 2035 with semi-annual debt service payments due in October and April. It is secured by revenues generated from housing operations, arena operations, and commercial retail rental income. With each debt refunding the corporation entered into separate support agreements whereby the university is obligated to the extent that is has legally available (i.e. unrestricted either by contract or statute) revenues to cover any funding deficiencies.

The corporation receives rent from the university for its priority use of the arena (\$2.2 million), the corporation's managed parking garages (\$1.0 million), and retail space (\$1.2 million), as well as an allocation from the university's exclusive beverage provider contract (\$0.1 million). The corporation pays the university for managed services related to housing and facilities operations in addition to an annual overhead fee of \$100,000. The corporation also receives guaranteed royalty payments (\$1.0 million) and arena overhead (\$0.5 million) from UCF Athletics Association.

### **UCF Finance Corporation**

UCF Finance Corporation holds debt related to the construction of the Burnett Biomedical Sciences building on the health sciences campus in Lake Nona. The university provides approximately \$4.0 million of annual rent pursuant to the 2017 amended and restated operating lease agreement. This funds the corporation's operating expenses and debt service payments for the following fiscal year. This corporation does not fund a repair and replacement reserve.

The corporation's debt matures in July 2037 with semi-annual debt service payments due in July and March. It is secured by the university's indirect cost revenues from federal, state, and private grants.

### **UCF Stadium Corporation**

UCF Stadium Corporation holds debt related to the construction of the university's football stadium. Premium seating revenues, concessions and pledged revenue transfers from UCF Athletics

Association are more than sufficient to fund the corporation's operational expenses, debt service payments, and repair and replacement reserves. Once the debt service requirements are fulfilled, any unrestricted excess revenues are transferred back to UCF Athletics Association who depends on the receipt of these funds to maintain its operations.

The corporation's debt matures on dates that range from March 2029 to March 2036 with semi-annual debt service payments due in September and March. It is secured by a pledge from UCF Athletics Association of gross football ticket revenues, stadium rent and a guaranteed royalty payment. Away game guarantees and conference distributions are also pledged but are not reflected in the budget and are not required to be distributed unless they are needed to meet annual debt service obligations. There is a support agreement whereby the university is obligated to the extent that is has legally available (i.e. unrestricted either by contract or statute) revenues to fund deficiencies that may arise in the event the corporation is unable to make the minimum bond payments.

The corporation receives stadium rent (\$2.1 million) and guaranteed royalty payments (\$2.0 million) from UCF Athletics Association. It also receives an allocation from the university's exclusive beverage provider contract (\$0.2 million) and licensing fees associated with the sale of apparel and other merchandise from the university's bookstore contract (\$0.2 million).

### **UCF Foundation**

UCF Foundation's principal function is to provide charitable and educational aid to the university. The information provided in the quarterly reports is a reflection of the Foundation's unrestricted activity only and does not include income distribution from endowment or revenue for current operations with donor designations and restrictions.

The Foundation holds debt that matures on dates that range from October 2025 to July 2051. All debt is secured by building rental revenues and collateralized by the same buildings. UCF Foundation receives rental revenue from the university (\$16.8 million) and as well as non-cash support provided by the university to fund compensation and benefits (\$11.6 million).

### **UCF Research Foundation**

UCF Research Foundation promotes and supports the research activities of faculty, staff, and students. Its operating activities include contracts, grants, royalties, contributions, rents, conferences, unit residuals, and consortiums. UCF Research Foundation does not hold any debt.

### **Central Florida Clinical Practice Organization (an affiliated organization)**

The Central Florida Clinical Practice Organization (CFCPO) was formed to support the medical education program and clinical faculty within the College of Medicine. Its primary mission is to provide administrative services for the College of Medicine's clinical mission, which includes UCF Health, the faculty practice of the College, and HealthARCH, a healthcare consulting unit. Administrative services include the billing and collection of professional fees associated with the practice of medicine, the advisory fees for services provided by HealthARCH, and payments for

the operating expenses associated with providing those services. The organization's operating statement also includes UCF Clinical LLC, a subsidiary and disregarded entity of the CFCPO, which contracts with a professional employment organization to provide staffing for UCF Health and HealthARCH.

The CFCPO transfers funds to the College of Medicine as needed to fund various strategic initiatives and other activities. It does not hold any debt as the building and debt are owned by UCF Foundation.

## Attachment B

UCF Academic Health, Inc.  
 FY24 Quarterly Financial Update  
 As of September 30, 2023

	2023-24	2023-24	2023-24	YOY	2022-23	YOY
	ANNUAL	YEAR TO	YEAR TO	Fav/(Unfav)	YEAR TO	Fav/(Unfav)
	BUDGET	DATE BUDGET	DATE ACTUALS	Variance	DATE ACTUALS	Variance
<b><u>Funding Sources</u></b>	\$	\$	\$	\$	\$	\$
Commercial Lease Revenue <sup>1</sup>	2,612,552	668,737	668,737	-	639,066	29,671
<b>Total Funding Sources</b>	<b>2,612,552</b>	<b>668,737</b>	<b>668,737</b>	<b>-</b>	<b>639,066</b>	<b>29,671</b>
<b><u>Funding Uses</u></b>						
Professional Services	36,600	9,150	7,039	2,111	7,690	651
Facility Expense <sup>2</sup>	2,548,492	637,123	620,000	17,123	573,419	(46,581)
Information Technology	2,500	-	2,630	(2,630)	1,979	(651)
Other Expense	24,960	6,113	6,023	90	5,489	(534)
						-
<b>Total Funding Uses</b>	<b>2,612,552</b>	<b>652,386</b>	<b>635,692</b>	<b>16,694</b>	<b>588,577</b>	<b>(47,115)</b>
<b>Sources Less Uses</b>	<b>-</b>	<b>16,351</b>	<b>33,045</b>	<b>16,694</b>	<b>50,489</b>	<b>(17,444)</b>

## Attachment C

**UCF Athletics Association**  
**FY24 Quarterly Financial Update**  
**As of September 30, 2023**

	2023-24	2023-24	2023-24	YTD	2022-23	YOY
	ANNUAL	YEAR TO	YEAR TO	Fav/(Unfav)	YEAR TO	Fav/(Unfav)
	BUDGET	DATE BUDGET	DATE ACTUALS	Variance	DATE ACTUALS	Variance
<b><u>Funding Sources</u></b>	\$	\$	\$	\$	\$	\$
Student athletic fees	22,913,747	9,626,137	9,989,779	363,642	9,673,356	316,423
Higher education emergency relief fund (Heerf)	-	-	-	-	-	-
Ticket sales and ticket related transactions <sup>1</sup>	14,708,082	6,318,446	5,803,808	(514,638)	5,428,509	375,299
Philanthropic Donations for Operating	3,550,000	887,500	960,786	73,286	190,948	769,838
Game Guarantees Received	276,670	200,000	-	(200,000)	6,000	(6,000)
Sponsorships	12,286,667	3,808,783	1,742,403	(2,066,380)	3,324,835	(1,582,432)
Pledges to be used for debt service	2,379,550	594,888	101,827	(493,061)	-	101,827
NCAA/ conference distributions	20,818,337	2,452,316	2,435,316	(17,000)	1,725	2,433,591
Other athletic revenues	1,822,139	220,900	2,614,292	2,393,392	177,608	2,436,684
Scholarship support from university	9,463,000	3,942,751	4,788,718	845,967	4,635,383	153,335
Net revenue received from Stadium Corp Trans	4,221,050	(775,200)	(1,849,869)	(1,074,669)	(833,206)	(1,016,663)
<b>Total Funding Sources</b>	<b>92,439,242</b>	<b>27,276,519</b>	<b>26,587,060</b>	<b>(689,459)</b>	<b>22,605,158</b>	<b>3,981,902</b>
<b><u>Funding Uses</u></b>						
Scholarships	11,500,948	4,807,689	4,916,027	(108,338)	4,880,071	(35,956)
Employee compensation	30,829,036	7,857,494	7,492,133	365,361	7,580,799	88,666
Sport operations	16,656,930	4,044,799	4,697,688	(652,889)	2,671,177	(2,026,511)
Support operations	15,793,537	5,253,702	5,542,528	(288,826)	5,420,499	(122,029)
Non-recurring operations	2,433,000	1,118,708	1,076,211	42,498	838,761	(237,450)
AAC Exit Fees	2,500,000	-	-	-	-	-
Guaranteed Royalty and Rent to Stadium Corp	4,121,000	707,000	707,000	-	707,000	-
Retained Earnings for Liquidity (Reserve)	2,500,000	-	-	-	-	-
<b>Total Funding Uses</b>	<b>86,334,451</b>	<b>23,789,393</b>	<b>24,431,587</b>	<b>(642,194)</b>	<b>22,098,307</b>	<b>(2,333,280)</b>
<b><u>Non-operating Sources/ (Uses)</u></b>						
Interest income	-	-	45,201	45,201	10,509	34,692
Interest expense	(505,131)	(144,293)	(173,143)	(28,850)	(156,991)	(16,152)
Principal	(5,374,728)	(1,948,000)	(1,948,000)	-	(2,939,000)	991,000
<b>Total Non-operating Sources/ (Uses)</b>	<b>(5,879,859)</b>	<b>(2,092,293)</b>	<b>(2,075,942)</b>	<b>16,351</b>	<b>(3,085,482)</b>	<b>1,009,540</b>
<b>Sources Less Uses</b>	<b>224,932</b>	<b>1,394,833</b>	<b>79,531</b>	<b>(1,315,302)</b>	<b>(2,578,631)</b>	<b>2,658,162</b>

<sup>1</sup> Ticket sales and ticket related transactions revenue excludes \$2.6 million of premium seating revenues recorded only on Stadium Corporation's financials. Net revenue received from Stadium Corp Transfer is comprised of the following:

Ticket Sales transferred to Stadium Corporation	(4,609,668)
Excess revenues returned to the Association	2,759,799
Net transfers in (out)	<u>(1,849,869)</u>

**Debt Service Summary**

	Year to Date Debt Service Summary			
	Principal	Interest	Total	Outstanding Principal as of 9/30/23
Fifth Third - Line of Credit	330,000	59,345	389,345	4,125,000
Regions - Construction Note (Roth Athletic Center)	1,618,000	27,730	1,645,730	1,155,000
UCF Foundation - Line of Credit	-	67,500	67,500	9,000,000
UCF - Loan	-	18,568	18,568	4,485,005
<b>Total Debt Service</b>	<b>1,948,000</b>	<b>173,143</b>	<b>2,121,143</b>	<b>18,765,005</b>

# Attachment D

UCF Convocation Corporation, Inc.  
FY23 Quarterly Financial Update  
As of September 30, 2023

	2023-2024	2023-2024	2023-2024	YTD	2022-2023	YOY
	ANNUAL	YEAR TO	YEAR TO	Fav/(Unfav)	YEAR TO	Fav/(Unfav)
	BUDGET	DATE BUDGET	DATE ACTUALS	Variance	DATE ACTUALS	Variance
<b><u>Housing Operations</u></b>						
	\$	\$	\$	\$	\$	\$
Operating Revenues	19,526,240	9,372,595	9,297,159	(75,437)	9,008,649	288,510
Operating Expenses	5,775,241	1,732,572	1,829,076	(96,504)	942,872	(886,205)
	13,750,999	7,640,023	7,468,082	(171,941)	8,065,777	(597,695)
<b><u>Non-Operating Revenue/(Expenses):</u></b>						
Interest Earnings	165,000	41,250	(3,791)	(45,041)	141	(3,932)
Housing debt service	(7,728,483)	-	-	-	-	-
Housing R&R reserve contributions	(650,000)	(325,000)	(326,435)	(1,435)	(277,292)	(49,143)
Total Non-Operating Revenue/Expenses	(8,213,483)	(283,750)	(330,226)	(46,476)	(277,150)	(53,076)
<b>Housing Operations Surplus/(Deficit)</b>	<b>5,537,516</b>	<b>7,356,273</b>	<b>7,137,856</b>	<b>(218,417)</b>	<b>7,788,627</b>	<b>(650,771)</b>
<b><u>Retail Operations</u></b>						
Total Retail Revenues	1,962,899	490,725	518,683	27,958	546,737	(28,054)
Total Operating Expenses	560,435	140,109	144,384	(4,275)	27,561	(116,823)
<b>Retail Operations Surplus/(Deficit)</b>	<b>1,402,464</b>	<b>350,616</b>	<b>374,299</b>	<b>23,683</b>	<b>519,177</b>	<b>(144,878)</b>
<b><u>Arena Operations</u></b>						
Event Revenue	8,506,017	2,126,504	2,669,420	542,916	2,632,212	37,208
Non-event Revenue	3,247,328	2,200,000	2,200,000	-	3,200,000	(1,000,000)
Event Expenses	9,709,447	2,427,362	2,833,602	(406,241)	2,256,699	(576,903)
Non-event Expenses	1,325,830	331,458	224,971	106,486	330,283	105,312
	718,068	1,567,685	1,810,847	243,162	3,245,230	(1,434,383)
<b><u>Nonoperating Revenues/(Expenses)</u></b>						
Interest Earnings	15,000	3,750	(10,110)	(13,860)	64	(10,174)
Transfers from UCF	-	-	-	-	-	-
Transfers to UCF	(246,300)	-	-	-	-	-
Arena debt service	(6,014,030)	-	-	-	-	-
Arena R&R reserve contributions	(500,000)	-	-	-	-	-
Total Nonoperating Revenues/(Loss)	(6,745,330)	3,750	(10,110)	(13,860)	64	(10,174)
<b>Arena Operations Surplus/(Deficit)</b>	<b>(6,027,262)</b>	<b>1,571,435</b>	<b>1,800,736</b>	<b>229,301</b>	<b>3,245,294</b>	<b>(1,444,558)</b>
<b>Total Project Surplus/(Deficit)</b>	<b>912,718</b>	<b>9,278,324</b>	<b>9,312,891</b>	<b>34,568</b>	<b>11,553,098</b>	<b>(2,240,207)</b>

NOTE: This quarterly report reflects debt service payments and transfers to the repair and replacement (R&R) reserve as funding uses. The spending from R&R and operating reserves is separately reported and summarized in the tables below. Further details of the status of each project is reported on Attachments B and C.

	Year to Date Debt Service Summary			
	Principal	Interest	Total	Outstanding Principal as of 9/30/23
Housing debt service	-	-	-	81,075,000
Arena debt service	-	-	-	60,430,000
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,505,000</b>

**R&R Reserve Summary**

	R&R Reserve Available for Use				R&R Reserve Held at Trustee			
	As of 7/1/23	YTD Transfers from Trust	YTD Expenditures	As of 9/30/23	As of 7/1/23	YTD Funding	Transfers to Corporation	As of 9/30/23
Housing	441,367	-	(192,262)	249,105	2,458,401	300,000	-	2,758,401
Arena	649,398	-	(9,261)	640,137	-	-	-	-
Parking	280,700	-	-	280,700	28,673	26,435	-	55,108
<b>Total R&amp;R Reserve Activity</b>	<b>1,371,465</b>	<b>-</b>	<b>(201,524)</b>	<b>1,169,941</b>	<b>2,487,074</b>	<b>326,435</b>	<b>-</b>	<b>2,813,509</b>

**Operating Reserve Summary**

	Operating Reserve for Critical Needs			
	Budgeted Expenditures	YTD Expenditures	Encumbered	Amount Remaining
University-managed projects	7,485,000	(755,442)	-	6,729,558
Arena-managed projects	4,291,980	(902,075)	(1,194,281)	2,195,624
<b>Total</b>	<b>11,776,980</b>	<b>(1,657,517)</b>	<b>(1,194,281)</b>	<b>8,925,182</b>

Attachment E

UCF Finance Corporation, Inc.  
 FY24 Quarterly Financial Update  
 As of September 30, 2023

	2023-24 ANNUAL BUDGET	2023-24 YEAR TO DATE BUDGET	2023-24 YEAR TO DATE ACTUALS	YTD Fav/(Unfav) Variance	2022-23 YEAR TO DATE ACTUALS	YOY Fav/(Unfav) Variance
<b><u>Funding Sources</u></b>						
Transfers from University	\$ 4,006,756	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Other (Loss)	5,000	1,250	(1,697)	(2,947)	20	(1,717)
<b>Total Funding Sources</b>	<b>4,011,756</b>	<b>1,250</b>	<b>(1,697)</b>	<b>(2,947)</b>	<b>20</b>	<b>(1,717)</b>
<b><u>Funding Uses</u></b>						
Principal - Burnett Biomedical Sciences Building	2,816,000	2,816,000	2,816,000	-	2,750,000	(66,000)
Interest - Burnett Biomedical Sciences Building	1,172,136	602,964	602,964	-	635,964	33,000
Operating Expenses	23,620	18,000	18,380	(380)	-	(18,380)
<b>Total Funding Uses</b>	<b>4,011,756</b>	<b>3,436,964</b>	<b>3,437,344</b>	<b>(380)</b>	<b>3,385,964</b>	<b>(51,380)</b>
<b>Sources Less Uses</b>	<b>-</b>	<b>(3,435,714)</b>	<b>(3,439,041)</b>	<b>(3,327)</b>	<b>(3,385,944)</b>	<b>(53,097)</b>

**Debt Service Summary**

	Year to Date Debt Service Summary			
	Principal	Interest	Total	Outstanding Principal as of 9/30/23
Burnett Biomedical Sciences Building	2,816,000	602,964	3,418,964	47,431,000
<b>Total Debt Service</b>	<b>2,816,000</b>	<b>602,964</b>	<b>3,418,964</b>	<b>47,431,000</b>

## Attachment F

UCF Foundation, Inc.  
 FY24 Quarterly Financial Update  
 As of September 30, 2023

	2023-24	2023-24	2023-24	FYTD Fav/(Unfav) Variance
	ANNUAL BUDGET	YEAR TO DATE BUDGET	YEAR TO DATE ACTUALS	
	\$	\$	\$	\$
<b>Funding sources</b>				
Funding from related organizations				
University funding				
Univ - E&G	11,046,138	3,682,046	3,978,298	296,252
Total Funding from related organizations	11,046,138	3,682,046	3,978,298	296,252
Foundation operations				
Endowment assessment	4,200,000	1,050,000	1,050,000	-
Operating Pool investment earnings	5,600,000	1,400,000	1,400,000	-
Current year allocation from buildings	1,300,000	325,000	325,000	-
Miscellaneous Revenues	623,500	155,875	20,010	(135,865)
Distribution form CAPFA funds	5,000,000	1,250,000	1,250,000	-
Athletics Line of Credit Interest	270,000	67,500	67,500	-
Total funding from operations	16,993,500	4,248,375	4,112,510	(135,865)
<b>Total Funding Sources</b>	<b>28,039,638</b>	<b>7,930,421</b>	<b>8,090,808</b>	<b>160,387</b>
<b>Funding uses</b>				
Support to university				
President's allocations	1,384,725	44,068	28,899	15,169
Vice Presidents' allocations	335,643	328,644	399,550	(70,906)
Other allocations to university	309,255	224,564	72,581	151,983
Total Support to university	2,029,623	597,276	501,029	96,246
Foundation expenses				
Salaries and benefits				
Development	6,279,456	1,690,623	1,490,627	199,996
Administration	7,963,145	2,143,924	1,970,004	173,919
Alumni Relations	2,955,836	795,802	577,291	218,511
Total Salaries and Benefits	17,198,437	4,630,348	4,037,922	592,427
Other operating				
Development	1,461,197	365,299	156,434	208,865
Administration	4,836,193	1,209,048	1,031,870	177,178
Alumni Relations	2,476,928	619,232	498,142	121,090
Total Other operating	8,774,318	2,193,580	1,686,447	507,133
Total Foundation expenses	25,972,755	6,823,928	5,724,368	1,099,559
<b>Total Funding Uses</b>	<b>28,002,378</b>	<b>7,421,203</b>	<b>6,225,398</b>	<b>1,195,806</b>
<b>Sources Less Uses</b>	<b>37,260</b>	<b>509,218</b>	<b>1,865,410</b>	<b>1,356,192</b>

**Debt Service Summary**

	Year to Date Debt Service Summary			
	Principal	Interest	Total	Outstanding Principal as of 09/30/23
Research Pavillion, IST, Orlando Tech Center	-	-	-	5,128,000
University Tower and Biomolecular Research Ann	-	-	-	4,734,000
Lake Nona Cancer Center	-	-	-	46,500,000
Digital Learning Building	-	-	-	5,179,000
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,541,000</b>

## Attachment G

**UCF Research Foundation, Inc.**  
**Fiscal Year 2023-2024 Quarterly Financial Update**  
**As of September 30, 2023**

	2023-24	2023-24	2023-24		2022-23	
	ANNUAL	YEAR TO	YEAR TO	YOY	YEAR TO	YOY
	BUDGET	DATE	DATE	Fav/(Unfav)	DATE	Fav/(Unfav)
		BUDGET	ACTUALS	Variance	ACTUALS	Variance
<b><u>Funding Sources</u></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Royalties and licensing fees	1,000,000	350,000	390,898	40,898	164,338	226,560
Contracts and grants <sup>2</sup>	13,600,000	4,600,000	5,063,329	463,329	2,508,202	2,555,127
Contribution and other agreements income <sup>2</sup>	3,200,000	1,000,000	1,272,001	272,001	791,218	480,783
Conferences and workshops	300,000	10,000	6,935	(3,065)	41,691	(34,756)
Incubator Rents	350,000	87,500	85,213	(2,287)	85,207	6
Management fees and F&A	1,550,000	387,500	401,859	14,359	310,974	90,885
<b>Total Funding Sources<sup>1</sup></b>	<b>20,000,000</b>	<b>6,435,000</b>	<b>7,220,235</b>	<b>785,235</b>	<b>3,901,630</b>	<b>3,318,605</b>
<b><u>Funding Uses</u></b>						
Royalties and licensing allocations and expense	750,000	262,500	293,174	(30,674)	123,254	(169,920)
Contracts and grants expense <sup>2</sup>	13,600,000	4,600,000	5,063,329	(463,329)	2,508,202	(2,555,127)
Contribution and other agreements expense <sup>2</sup>	3,200,000	1,000,000	1,272,001	(272,001)	791,218	(480,783)
Conferences and workshops	300,000	10,000	12,340	(2,340)	47,976	35,636
Incubator Rents	350,000	87,500	86,627	873	90,733	4,106
Other operating expenses	1,470,098	300,000	319,594	(19,594)	270,397	(49,197)
Gap Fund	250,000	-	-	-	-	-
<b>Total Funding Uses</b>	<b>19,920,098</b>	<b>6,260,000</b>	<b>7,047,065</b>	<b>(787,065)</b>	<b>3,831,780</b>	<b>(3,215,285)</b>
<b>Sources Less Uses</b>	<b>79,902</b>	<b>175,000</b>	<b>173,170</b>	<b>(1,830)</b>	<b>69,850</b>	<b>103,320</b>

<sup>1</sup> Total funding sources encompass all awarded monies, regardless of any applicable restrictions. UCFRF recognizes revenue only when expenses are incurred in executing the respective contracts and grants, or when an enforceable promise is made. This approach to revenue recognition may sometimes lead to the appearance of budget surpassing revenue in certain line items, while in others it may result in a budget deficit to expenses, or vice versa. To emphasize these presentations may occasionally show favorable or unfavorable positions per line item when compared to the actuals. However, it is crucial to understand that these figures may not always reflect the true activity accurately. Overall, the net impact remains favorable due to the continuous receipt of additional awards and funding dollars.

<sup>2</sup> Contracts and grants, as well as contributions and other agreement sources, have demonstrated substantial growth over the budget projections for fiscal 2024 and the actuals from fiscal 2023. This surge is primarily attributable to a remarkable increase in the number of awards, encompassing both new contracts and modifications, resulting in an impressive 92% rise in overall funding dollars from the previous quarter. Notable awarded dollars received during fiscal 2024 were from Naval Air Warfare Center Training Systems Division, US Department of Commerce, Economic Development Administration, Adobe and Lockheed Martin.

## Attachment H

**UCF Stadium Corporation, Inc.**  
**FY24 Quarterly Financial Update**  
**As of September 30, 2023**

	2023-24 ANNUAL BUDGET	2023-24 YEAR TO DATE BUDGET	2023-24 YEAR TO DATE ACTUALS	YTD Fav/(Unfav) Variance	2022-23 YEAR TO DATE ACTUALS	YOY Fav/(Unfav) Variance
<b><u>Funding Sources</u></b>						
Operating revenue	\$ 3,728,500	\$ 2,609,950	\$ 2,610,673	\$ 723	\$ 2,752,376	\$ (141,703)
<b>Total Funding Sources</b>	<b>3,728,500</b>	<b>2,609,950</b>	<b>2,610,673</b>	<b>723</b>	<b>2,752,376</b>	<b>(141,703)</b>
<b><u>Funding Uses</u></b>						
Operating expenses <sup>1</sup>	305,000	13,750	13,805	(55)	50	(13,755)
<b>Total Funding Uses</b>	<b>305,000</b>	<b>13,750</b>	<b>13,805</b>	<b>(55)</b>	<b>50</b>	<b>(13,755)</b>
<b><u>Non-operating Sources/ (Uses)</u></b>						
Ticket sales	4,562,250	4,288,520	4,609,668	321,148	4,363,332	246,336
Stadium rent	2,121,000	707,000	707,000	-	707,000	-
Guaranteed royalty	2,000,000	-	-	-	-	-
Transfers to UCFAA	(8,783,300)	(3,513,320)	(2,759,799)	753,521	(3,530,126)	770,327
Interest income	50,000	12,500	21,274	8,774	12,841	8,433
Debt service	(3,628,450)	(708,725)	(708,725)	-	(755,518)	46,793
Pledges for Leadership Center	255,000	-	6,744	6,744	1,189	5,555
<b>Total Non-operating Sources/ (Uses)</b>	<b>(3,423,500)</b>	<b>785,975</b>	<b>1,876,162</b>	<b>1,090,187</b>	<b>798,718</b>	<b>1,077,444</b>
<b>Sources Less Uses</b>	<b>-</b>	<b>3,382,175</b>	<b>4,473,030</b>	<b>1,090,855</b>	<b>3,551,044</b>	<b>921,986</b>

<sup>1</sup> Operating expenses include general and administrative costs and transfers to the R&R reserve. Expenditures from the R&R reserve are shown in a separate table at the bottom of the report.

**Debt Service Summary**

	Year to Date Debt Service Summary			
	Principal	Interest	Total	Outstanding Principal as of 9/30/23
Tax-exempt bonds	-	514,084	514,084	25,245,000
Taxable bonds	-	177,423	177,423	7,305,000
Leadership Center	-	17,218	17,218	1,383,000
<b>Total Debt Service</b>	<b>-</b>	<b>708,725</b>	<b>708,725</b>	<b>33,933,000</b>

**R&R Reserve Summary**

	R&R Reserve Summary			
	As of 7/1/23	YTD Funding	YTD Expenditures	As of 9/30/23
Non-recurring maintenance (R&R) Expenses	1,515,183	-	(752,500)	762,683
<b>Total R&amp;R Reserve Activity</b>	<b>1,515,183</b>	<b>-</b>	<b>(752,500)</b>	<b>762,683</b>

# Attachment I

**Central Florida Clinical Practice Organization, Inc.**  
**FY24 Quarterly Financial Update**  
**As of September 30, 2023**

	2023-24	2023-24	2023-24	YOY	2022-23	YOY
	ANNUAL	YEAR TO	YEAR TO	Fav/(Unfav)	YEAR TO	Fav/(Unfav)
	BUDGET	DATE BUDGET	DATE ACTUALS	Variance	ACTUALS	Variance
<b><u>Funding Sources</u></b>	\$	\$	\$	\$	\$	\$
Patient Care <sup>1</sup>	8,962,268	1,736,113	2,366,123	630,010	1,925,402	440,721
Other <sup>2</sup>	1,580,639	369,715	400,086	30,371	241,656	158,430
<b>Total Funding Sources</b>	<b>10,542,907</b>	<b>2,105,828</b>	<b>2,766,209</b>	<b>660,381</b>	<b>2,167,058</b>	<b>599,151</b>
<b><u>Funding Uses</u></b>						
Professional Services <sup>3</sup>	5,054,715	1,207,960	1,187,684	20,276	1,011,091	(176,593)
Medical Supplies, Services & Equipment <sup>4</sup>	2,962,163	651,677	1,037,378	(385,701)	760,903	(276,475)
Facility Expense	130,140	32,477	41,044	(8,567)	26,919	(14,125)
Information Technology	347,870	85,293	72,504	12,789	85,609	13,105
Other Expense	143,182	32,472	23,811	8,661	57,265	33,454
Transfers to the College of Medicine <sup>5</sup>	3,557,256	733,218	164,002	569,216	-	(164,002)
<b>Total Funding Uses</b>	<b>12,195,326</b>	<b>2,743,097</b>	<b>2,526,423</b>	<b>216,674</b>	<b>1,941,787</b>	<b>(584,636)</b>
<b>Sources Less Uses</b>	<b>(1,652,419)</b>	<b>(637,269)</b>	<b>239,786</b>	<b>877,055</b>	<b>225,271</b>	<b>14,515</b>



# Board of Trustees

*Budget and Finance Committee*

*November 16, 2023*

## **Agenda Item**

INFO-4: University and Direct Support Organization Debt Report June 30, 2023

## **Proposed Board Action**

This item is to provide the Committee with a summary of outstanding debt balances, year-end coverage ratios, and the projected debt service for fiscal year 2023-2024.

## **Authority for Board of Trustees Action**

Specific trustee request

### **Supporting Documentation Included**

Attachment A: University and DSO Debt Summary June 30, 2023

Attachment B: University Global Amortization Schedule as of June 30, 2023

Attachment C: DSO Global Amortization Schedule as of June 30, 2023

Attachment D: Fitch Update May 2023

Attachment E: S&P Update August 2023

Attachment F: Moody's Update October 2023

### **Facilitators/Presenters**

Gerald Hector, Senior Vice President for Administration and Finance

Bert Francis, Assistant Vice President for Debt Management and University Treasurer



# University and Direct Support Organizations Debt Report, June 30, 2023

## EXECUTIVE SUMMARY

### Objective

The University Treasury office has compiled a high-level board overview, summarizing outstanding debt balances, year-end coverage ratios, and the projected debt service for fiscal year 2024.

### Summary of Key Observations/Recommendations

Significant transactions and events since the last report submission (February 23, 2023):

**Early Defeasance of University Parking Bonds:** In June 2023, the University's Board of Trustees approved the early defeasance of all outstanding university parking bonds. On July 7th, the University transferred approximately \$10.1 million to the State Board of Administration (SBA) escrow deposit trust fund to purchase State and Local Government Securities (SLGS). These SLGS were subsequently utilized to call the Series 2012A bonds on August 8th, 2023, and to provide funds for all future debt service payments on the Series 2018A and Series 2019A bonds. As a result of this strategic move, the University has saved over \$900,000 in interest over the remaining life of the bonds and has removed various restrictions on the use of Parking auxiliary funds. It's important to note that due to the timing of this defeasance, the attached June 30, 2023, summary still reflects the Parking bonds as outstanding, but with no estimated debt service amount for fiscal year 2024.

**Renewal of UCF Athletics Revolving Line of Credit:** Also in June 2023, the University's Board of Trustees approved the renewal of the UCF Athletics reducing revolving line of credit. This debt continues to employ an interest rate based on 79% of the 30-day SOFR Rate plus 1.34%. While the rate formula remained consistent with the previous year, increases in the 30-day SOFR rate resulted in a new effective interest rate of 5.35% as of June 30, 2023.

**Transition to the Big 12 Conference:** On September 10, 2021, the UCF Board of Trustees accepted an invitation to join the Big 12 Conference and withdraw from the American Athletics Conference (AAC) by July 1, 2024. This transition was successfully executed on June 9, 2023, with the Association and AAC formalizing a separation agreement that allowed UCF to exit the AAC effectively by June 30, 2023. As part of this agreement, the Association agreed to pay an exit fee of \$18,000,000. As of June 30, 2023, the outstanding amount is \$10,500,000, with installments of \$2,500,000 due in fiscal year 2024, and \$666,667 annually thereafter through fiscal year 2036.

**Rating Surveillance and Stable Outlook:** The University has successfully completed its annual rating surveillance process, and we are pleased to report that Moody's, S&P, and Fitch have all reaffirmed our current ratings while projecting a stable outlook. This outcome reflects the institution's continued financial strength and responsible fiscal management, positioning us favorably in the financial market. We remain committed to maintaining our financial stability and sustaining our strong creditworthiness.

### **Additional Background**

This committee has requested a periodic report on the debt of the university and direct support organizations.

### **Rationale**

This agenda item is intended to support the Committee's review and assessment of the University's debt and DSO debt.

### **Implementation Plan**

Not Applicable

### **Resource Considerations**

Not Applicable

### **Conclusion**

This agenda item is intended to provide Trustees with an overview of the University's and DSO debt.

**University and Direct Support Organization Debt**  
As of June 30, 2023

	Total Debt Outstanding 06/30/2023	Total Projected Debt Service FY 2023	FY 2023 Coverage Ratio		Debt Ratings		
			Actual	Required	Moody's	S&P	Fitch
<b>University Issued Bonds</b>							
<b>Parking Bonds</b>							
Parking Series 2012	\$ 4,340,000	\$ -					
Parking Series 2018	900,000	-					
Parking Series 2019	4,225,000	-					
<b>Total Parking Bonds</b>	<b>9,465,000</b>	<b>-</b>	NR	NR	NR	NR	NR
<b>Housing Bonds</b>							
Housing Series 2018	13,525,000	2,718,875					
Housing Series 2021	40,830,000	3,682,038					
<b>Total Housing Bonds</b>	<b>54,355,000</b>	<b>6,400,913</b>	N/A	1.20	Aa3	A+	A+
<b>Total University Issued Bonds</b>	<b>\$ 63,820,000</b>	<b>\$ 6,400,913</b>					
<b>Direct Support Organization Debt</b>							
<b>UCF Convocation Corporation</b>							
Housing Series 2018 (Nontaxable)	\$ 81,075,000	\$ 7,728,483	2.16	1.20	UR	UR	UR
Arena Series 2015A (Nontaxable)	48,385,000	1,988,963	1.52	1.20	UR	A+	AA-
Arena Series 2015B (Taxable)	12,045,000	4,025,068	1.52	1.20	UR	A+	AA-
<b>Total UCF Convocation Corporation</b>	<b>141,505,000</b>	<b>13,742,513</b>					
<b>UCF Stadium Corporation</b>							
Series 2015A (Nontaxable)	25,245,000	2,518,169			UR	A+	AA-
Series 2015B (Taxable)	7,305,000	779,845			UR	A+	AA-
Series 2015C Leadership Center (Nontaxable)	1,383,000	330,437			UR	UR	UR
<b>Total UCF Stadium Corporation</b>	<b>33,933,000</b>	<b>3,628,450</b>	5.62	1.20			
<b>UCF Finance Corporation</b>							
Series 2017 Burnett BioMed (Nontaxable)	50,247,000	3,988,136	8.93	1.25	UR	UR	UR
<b>Total UCF Finance Corporation</b>	<b>50,247,000</b>	<b>3,988,136</b>					
<b>UCF Athletics Association</b>							
UCF Loan (Nontaxable)	4,779,309	1,000,000	NR	NR	UR	UR	UR
Roth Athletic Center loan (Nontaxable)	2,773,000	1,657,280	NR	NR	UR	UR	UR
Construction Line of Credit (Nontaxable)	4,455,000	550,688	NR	NR	UR	UR	UR
UCF Foundation Line of Credit	9,000,000	270,000	NR	NR	UR	UR	UR
Athletics Conference Exit Fee Payable	10,500,000	2,500,000	NR	NR	UR	UR	UR
<b>Total UCF Athletics Association</b>	<b>31,507,309</b>	<b>5,977,968</b>					
<b>UCF Foundation</b>							
Series 2020 (Nontaxable) - Formerly Series 2009	5,128,000	1,770,627	3.91	1.50	UR	UR	UR
Series 2017 (Nontaxable)	4,143,000	773,376	NR	NR	UR	UR	UR
Series 2020 (Taxable) - Formerly Series 2018	5,049,000	402,783	2.60	1.10	UR	UR	UR
Lake Nona Cancer Center (Nontaxable)	45,500,000	1,500,000	NR	NR	UR	UR	UR
<b>Total UCF Foundation</b>	<b>59,820,000</b>	<b>4,446,786</b>					
<b>UCF Hospitality School Foundation</b>							
Series 2004 (Nontaxable)	5,695,000	1,037,847	NR	NR	UR	UR	UR
<b>Total UCF Hospitality School Foundation</b>	<b>5,695,000</b>	<b>1,037,847</b>					
<b>Total Direct Support Organization Debt</b>	<b>\$ 322,707,309</b>	<b>\$ 32,821,700</b>					
<b>Total University and DSO Debt</b>	<b>\$ 386,527,309</b>	<b>\$ 39,222,612</b>					

A "NR" note in the coverage ratio column indicates that a year end coverage ratio is not required for the specific debt instrument.

A "UR" note in the debt rating column indicates that the debt issuance is currently not rated by any outside agency.

A "NA" note in the debt rating column indicates that the debt coverage ratio is not yet available.

## Attachment B

Attachment B - University Global Amortization Schedule

FISCAL YEAR	Parking Series 2012A		Parking Parking 2018A		Parking Parking 2019A		Housing Series 2018A		Housing Series 2021A		Total Prinicipal & Interest		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	425,000	134,450	900,000	45,000	620,000	211,250	2,095,000	623,875	2,085,000	1,597,038	6,125,000	2,611,613	8,736,613
2025	440,000	117,450			650,000	180,250	2,200,000	516,500	2,195,000	1,490,038	5,485,000	2,304,238	7,789,238
2026	455,000	104,250			685,000	147,750	2,310,000	403,750	2,305,000	1,377,538	5,755,000	2,033,288	7,788,288
2027	470,000	90,600			720,000	113,500	2,435,000	285,125	2,420,000	1,259,413	6,045,000	1,748,638	7,793,638
2028	480,000	76,500			755,000	77,500	1,420,000	188,750	2,540,000	1,135,413	5,195,000	1,478,163	6,673,163
2029	495,000	62,100			795,000	39,750	1,495,000	115,875	2,675,000	1,005,038	5,460,000	1,222,763	6,682,763
2030	510,000	47,250					1,570,000	39,250	2,815,000	867,788	4,895,000	954,288	5,849,288
2031	525,000	31,950							2,960,000	723,413	3,485,000	755,363	4,240,363
2032	540,000	16,200							1,565,000	610,288	2,105,000	626,488	2,731,488
2033									1,645,000	530,038	1,645,000	530,038	2,175,038
2034									1,725,000	445,788	1,725,000	445,788	2,170,788
2035									1,805,000	366,563	1,805,000	366,563	2,171,563
2036									1,870,000	302,413	1,870,000	302,413	2,172,413
2037									1,930,000	245,413	1,930,000	245,413	2,175,413
2038									1,975,000	196,713	1,975,000	196,713	2,171,713
2039									2,015,000	156,813	2,015,000	156,813	2,171,813
2040									2,060,000	114,775	2,060,000	114,775	2,174,775
2041									2,100,000	70,575	2,100,000	70,575	2,170,575
2042									2,145,000	24,131	2,145,000	24,131	2,169,131
<b>Total</b>	<b>4,340,000</b>	<b>680,750</b>	<b>900,000</b>	<b>45,000</b>	<b>4,225,000</b>	<b>770,000</b>	<b>13,525,000</b>	<b>2,173,125</b>	<b>40,830,000</b>	<b>12,519,181</b>	<b>63,820,000</b>	<b>16,188,056</b>	<b>80,008,056</b>

# Attachment C

Attachment C: OSG Global Amortization Schedule																																					
FISCAL YEAR	Convocation (Housing Series 2015 (Non-Resale))		Convocation (Arts Series 2015a (Non-Resale))		Convocation (Arts Series 2015b (Non-Resale))		Stadium (Series 2015a (Non-Resale))		Stadium (Series 2015b (Non-Resale))		Stadium (Series 2015c (Non-Resale))		Finanza (Series 2017 (Non-Resale))		Athletics (UCF Loan)		Athletics (Contribution Line of Credit)		Athletics (Foundation Loan)		Athletics (Athletics Contract End Fee Payment)		Foundation (Series 2020 (Non-Resale) Formerly 2020)		Foundation (Series 2017 (Non-Resale))		Foundation (Series 2020 (Leasehold) Formerly 2018)		Foundation (Lake Nona Center Capital (Non-Resale))		UCF Hospitality School Foundation (Series 2016 (Non-Resale))		Total Principal & Interest		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	5,320,000	2,250,453	1,989,963	3,910,000	415,058	1,490,000	1,628,189	420,000	326,845	206,000	34,437	2,616,000	1,172,136	330,000	220,668	926,739	72,272	330,000	220,668	1,618,000	29,280	270,000	2,500,000	1,069,000	102,627	630,000	138,376	295,000	139,783	1,500,000	940,000	92,847	24,945,729	8,275,972	32,821,702		
2025	5,690,000	2,266,461	1,989,963	3,920,000	276,475	1,500,000	603,669	440,000	226,103	203,000	27,065	2,660,000	1,120,724	340,000	202,230	1,041,874	56,126	340,000	202,230	1,710,000	62,280	270,000	690,667	1,710,000	62,280	690,000	117,567	270,000	120,000	2,000,000	950,000	75,241	24,429,241	7,693,241	40,284,741		
2026	5,820,000	1,868,061	1,989,963	3,910,000	114,243	1,490,000	675,669	450,000	320,303	311,000	19,522	2,695,000	1,033,644	350,000	162,670	1,028,676	41,324	350,000	162,670	1,750,000	20,913	280,000	690,667	1,750,000	20,913	690,000	95,257	280,000	113,944	2,000,000	950,000	59,607	22,851,343	6,762,609	29,613,442		
2027	6,000,000	1,251,187	1,939,686	3,920,000	96,265	1,720,000	703,669	460,000	228,969	318,000	11,776	3,027,000	961,800	370,000	103,115	1,028,676	41,324	370,000	103,115	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	42,872	22,323,659	6,172,130	28,506,462		
2028	6,165,000	1,349,691	1,949,691	4,190,000	1,822,225	1,780,000	741,919	500,000	276,420	320,000	3,860	3,150,000	888,236	380,000	142,678	1,028,676	41,324	380,000	142,678	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	26,328	20,755,667	5,606,724	26,362,391		
2029	6,320,000	1,251,411	1,939,686	4,200,000	1,623,636	1,880,000	662,219	520,000	226,269	155,000	3,860	3,150,000	812,024	400,000	111,118	1,028,676	41,324	400,000	111,118	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	20,450	21,453,667	5,002,349	26,456,016		
2030	6,510,000	1,152,226	1,438,663	4,575,000	1,438,663	1,830,000	592,266	550,000	220,245	150,000	3,860	3,250,000	735,676	420,000	98,706	1,028,676	41,324	420,000	98,706	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	19,703	20,214,667	4,373,204	24,587,871		
2031	6,690,000	1,050,965	1,438,663	4,790,000	1,223,644	2,020,000	466,266	570,000	220,269	150,000	3,860	3,350,000	636,856	430,000	74,430	1,028,676	41,324	430,000	74,430	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	18,241	19,015,667	3,743,176	22,760,843		
2032	6,890,000	814,416	1,438,663	4,980,000	1,033,625	2,090,000	426,666	600,000	177,783	150,000	3,860	3,410,000	575,916	450,000	51,200	1,028,676	41,324	450,000	51,200	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	16,847	17,816,667	3,143,176	20,960,843		
2033	7,070,000	617,610	1,438,663	5,200,000	815,125	2,160,000	302,261	630,000	161,823	150,000	3,860	3,460,000	490,008	470,000	26,215	1,028,676	41,324	470,000	26,215	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	14,490	16,617,667	2,503,176	19,120,843		
2034	7,270,000	416,240	1,438,663	5,440,000	571,200	2,240,000	273,800	670,000	168,823	150,000	3,860	3,500,000	406,064	490,000	-	1,028,676	41,324	490,000	-	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	12,080	15,418,667	1,853,176	17,271,843		
2035	7,480,000	267,270	1,438,663	5,690,000	346,100	2,320,000	189,800	700,000	74,418	150,000	3,860	3,560,000	321,108	510,000	-	1,028,676	41,324	510,000	-	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	9,620	14,220,667	1,198,176	15,418,843		
2036	7,700,000	160,901	1,438,663	5,890,000	177,800	2,420,000	96,800	740,000	38,110	150,000	3,860	3,737,000	230,200	530,000	-	1,028,676	41,324	530,000	-	1,750,000	72,545	290,000	690,667	1,750,000	72,545	720,000	72,545	290,000	113,944	2,000,000	950,000	7,080	13,022,667	903,176	13,925,843		
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2043	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2044	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2049	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	81,075,000	19,054,826	48,385,000	16,029,794	12,045,000	8,913,340	23,245,000	7,472,213	7,305,000	2,628,213	1,383,000	103,021	10,247,000	6,983,644	4,775,300	209,285	4,495,000	1,284,436	2,773,000	50,820	9,000,000	940,000	10,500,000	-	5,128,000	188,709	4,143,000	487,263	5,069,000	1,181,729	45,400,000	-	9,895,000	307,709	332,707,309	97,002,619	379,709,928



## RATING ACTION COMMENTARY

# Fitch Affirms University of Central Florida's (FL) Issuer Default Rating at 'AA'; Outlook Stable

Fri 05 May, 2023 - 5:11 PM ET

Fitch Ratings - New York - 05 May 2023: Fitch Ratings has affirmed University of Central Florida's (UCF) Issuer Default Rating (IDR) at 'AA' and has also affirmed outstanding dormitory system revenue bonds issued by the State of Florida Board of Governors (BoG) on behalf of UCF at 'A+'.

At the same time, Fitch has affirmed the 'AA-' rating on UCF's outstanding parking system revenue bonds issued by the State of Florida BoG. Additionally, Fitch affirmed the 'AA-' ratings on outstanding general revenue bonds of direct-support organizations (DSO), UCF Convocation Corp. (CC) and UCF Stadium Corp. (SC).

The Rating Outlook is Stable.

## RATING ACTIONS

ENTITY / DEBT ↕

RATING ↕

PRIOR ↕

University of Central Florida (FL)	LT IDR	AA Rating Outlook Stable		AA Rating Outlook Stable
		Affirmed		
UCF Convocation Corporation (FL) /General Revenues/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
UCF Stadium Corporation (FL) /General Revenues/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
University of Central Florida (FL) /Housing System Revenues/1 LT	LT	A+ Rating Outlook Stable	Affirmed	A+ Rating Outlook Stable
University of Central Florida (FL) /Issuer Default Rating/1 LT	LT	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable
University of Central Florida (FL) /Parking Revenues/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable

#### [VIEW ADDITIONAL RATING DETAILS](#)

### SECURITY

UCF Dormitory facility revenue bonds are secured by the net revenues of UCF's housing system after payment of current expenses, administrative expenses and if necessary the rebate amount.

UCF parking facility revenue bonds are secured by the net revenues of UCF's parking system, which includes a mandatory student transportation access fee (TAF). Certain expenses, including those related to the campus shuttle system, are subordinate to debt service on the parking bonds.

UCF SC Series 2015 revenue bonds are secured by a first lien on pledged facilities gross revenues of the UCF Athletic Association, and moneys on deposit in funds/accounts under the indenture, and certain interest earnings thereon. These bonds have a required coverage ratio of 1.2x.

The UCF CC Series 2015 Arena Bonds are secured by a lien on pledged revenues comprised of facilities revenues, including naming rights revenues, advertisement and sponsorship revenues, and other revenues from premium seating or collected on the CC's behalf, as well as non-operating revenues, including net lease and rental revenues from retail and commercial uses, surplus revenues transferred from the CC's housing system (approximately \$4 million-\$5million annually) payments under an operating agreement with the university (minimum \$2.2 million annually), and other revenues collected on behalf of the issuer; and interest earnings.

## **ANALYTICAL CONCLUSION**

UCF's 'AA' IDR reflects the university's very strong financial profile combined with its 'aa' revenue defensibility and 'a' operating risk profile assessments. As one of twelve public institutions in the state, UCF has a statewide and national draw for students and has considerable fundraising capabilities. The Stable Rating Outlook reflects Fitch's expectation that the university will sustain adjusted cash flow margins in line with historical trends, and that balance sheet strength will be maintained.

Pursuant to Fitch's criteria, ratings on securities with narrower or limited revenue pledges may be notched below the parent IDR. Debt service for each of the auxiliary bonds is sufficient, and in some cases strong (as discussed in the specific revenue sections below).

The 'A+' rating for the housing system revenue bonds, at two notches below the UCF 'AA' IDR, reflects the credit strengths of the university and the fundamental importance of the auxiliary function to UCF operations, offset by a heavy debt burden and limited financial cushion. Debt service coverage of 1.87x in fiscal 2022 exceeds historical (pre-pandemic) coverage, and is supported by healthy enrollment trends driving both strong student demand for limited supply of on-campus housing and occupancy.

The 'AA-' rating for the parking system revenue bonds, at one notch below the UCF IDR, also reflects the credit strengths of the university and the fundamental importance of the auxiliary function to UCF operations. Debt service coverage for the parking bonds is strong at 6.7x in fiscal 2022, also exceeding historical levels, and supported by healthy enrollment

trends driving high demand for parking on UCF's campus and solid transportation access fee growth

The 'AA-' rating for the DSO entities, at one notch below the UCF IDR, also reflects the credit strengths of the university and close ties to the DSOs. Fitch believes UCF's support is reliable based on the importance of the asset and extensive integration of management between UCF and DSO entities. Debt service coverage for the Stadium Corp. and the Convocation Corp. improved to 4.84x and 1.81x in fiscal 2022, respectively, exceeding historically (pre-pandemic) adequate levels.

Fitch expects demand and debt service coverage for both the housing and parking auxiliary systems and the DSO entities to be sustainable in fiscal 2023 and beyond to support the current ratings.

## **KEY RATING DRIVERS**

### **Revenue Defensibility: 'aa'**

#### **Strong Demand and State Appropriations**

UCF's revenue defensibility is consistent with an 'aa' assessment, characteristic of a competitive national public institution with strong in-state and national student draw, evidenced by consistent enrollment growth and very strong demand indicators. Fitch's expectation of improving state support for operations at times of economic growth is somewhat tempered by the limitations on tuition rate increases in the State of Florida.

### **Operating Risk: 'a'**

#### **Sufficient Adjusted Cash Flow; Strong Capital Support**

The university's 'a' operating risk assessment is consistent with UCF's adequate adjusted cash flow margins (averaging 6.7% over the prior three-year period) and capital spending requirements that benefit from consistent state and foundation support, as well as manageable capital needs in the near to intermediate term. The revenue bonds rated by Fitch are supported by auxiliary enterprises, each of which generate adequate cash flow to provide sufficient debt service coverage.

### **Financial Profile: 'aa'**

## Strong and Resilient Financial Profile

UCF's 'aa' financial profile is consistent with UCF's strong capital-related ratios. Available funds (AF) measured about \$726.8 million at FYE 2022, including \$154.8 million of UCF Foundation funds. Fitch defines AF as unrestricted cash and investments less non-expendable restricted net assets. AF to adjusted debt (including the Fitch-adjusted net pension liability), is strong at 126% at fiscal year-end 2022. Overall, in Fitch's forward-looking scenario, leverage is expected to remain in line with recent historical levels through a moderate investment stress with AF to adjusted debt holding steady in stress years with improvement in the out years.

### **Asymmetric Additional Risk Considerations**

There are no asymmetric risk factors affecting the ratings.

### **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Sustained improvement in UCF's adjusted cash flow margin above 12%, irrespective of support funds;
- Material improvement in UCF's available funds-to-adjusted debt ratio at or above 200%;
- Improvement in UCF's competitive demand profile that supports materially improved and sustained coverage on its limited pledge bonds, could lift the IDR and consequently the auxiliary and DSO bond ratings.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Failure to maintain auxiliary and DSO bond debt service coverage from pledged revenues at or above required bond coverage levels, without transfers from UCF or federal support monies;
- Weakening in UCF's competitive demand profile leading to materially weaker coverage on any or all of its limited pledge bonds;
- Narrowing in the university's available funds-to-adjusted debt ratio below 60%;

--Significant unplanned debt issuance by any auxiliary or DSO could pressure the rating, particularly if compounded with UCF's weaker operations or liquidity metrics.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **CREDIT PROFILE**

UCF was founded in 1963 and is one of the 12 universities in the State University System of Florida. It is currently the largest public institution by enrollment in the state and the nation. UCF is a metropolitan comprehensive university, serving 68,761 students in fall 2022 across its main campus, hospitality campus, and health sciences campus in Orlando, FL and its 10 regional locations. The university also operates an academic center in downtown Orlando.

The dormitory and parking systems are component auxiliary enterprises of UCF that finance and operate the university's on-campus housing and parking facilities and transportation services.

The UCF SC and CC are discrete component units of UCF and were certified as a direct-support organizations (DSO) in 2005 under Florida Law. The purpose of the SC was to finance, construct and operate a stadium on behalf of UCF and the UCF Athletic Association (Association).

UCF operates and maintains FBC Mortgage Stadium (formerly, known as Spectrum Stadium) on the main campus in Orlando Florida for the service and convenience of the university. The CC was formed to finance and operate the convocation center area on campus, which includes the original arena, the new convocation center/arena, the four "towers" student housing projects, certain parking facilities (three garages) and retail areas. DSO entities are governed by a board of trustees, a majority of whom (voting members) are

appointed by the university president. The university CFO, other university officers, and a representative from UCF's board sit on the DSO entities' board reflecting their integrated management with the university.

## **ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS**

No asymmetric risk factors affected the ratings.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG CONSIDERATIONS**

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit

[www.fitchratings.com/esg](http://www.fitchratings.com/esg).

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**APPLICABLE CRITERIA**

[U.S. Public Finance College and University Rating Criteria \(pub. 22 Sep 2022\) \(including rating assumption sensitivity\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 27 Apr 2023\) \(including rating assumption sensitivity\)](#)

**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v1.3.4 ([1](#))

**ADDITIONAL DISCLOSURES**

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

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### ENDORSEMENT STATUS

University of Central Florida (FL)

EU Endorsed, UK Endorsed

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## Florida Board of Governors University of Central Florida; Auxiliary - System; Public Coll/Univ - Limited Student Fees

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# Florida Board of Governors University of Central Florida; Auxiliary - System; Public Coll/Univ - Limited Student Fees

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UCF Convocation Corp AUXSYS		
<i>Long Term Rating</i>	A+/Stable	Affirmed
UCF Convocation Corp AUXSYS		
<i>Long Term Rating</i>	A+/Stable	Affirmed
UCF Stadium Corporation AUXSYS		
<i>Long Term Rating</i>	A+/Stable	Affirmed
UCF Stadium Corporation AUXSYS (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
<b>Florida Board of Governors, Florida</b>		
University of Central Florida, Florida		
Florida Brd of Governors (University of Central Florida) PCU_USF		
<i>Long Term Rating</i>	A+/Stable	Affirmed
<b>Florida Division of Bond Finance, Florida</b>		
University of Central Florida, Florida		
Florida Div of Bnd Fin (University of Central Florida) ser 2021A due 10/01/2041		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Florida Div of Bnd Fin (University of Central Florida) (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

## Credit Highlights

- S&P Global Ratings affirmed its 'A+' long-term rating on the Florida Board of Governors' (BOG) dormitory revenue bonds, issued for the University of Central Florida (UCF or the university).
- At the same time, S&P Global Ratings affirmed its 'A+' long-term rating on UCF Stadium Corp.'s series 2015A and 2015B revenue bonds and the UCF Convocation Corp.'s series 2015A and 2015B revenue bonds.
- The outlook is stable.

## Security

The housing system bonds are secured by net revenues of the housing system, which in our opinion is a narrower pledge than an unlimited student fee. We do not publicly rate the university's unlimited student-fee pledge.

The 'A+' ratings on the UCF Stadium Corp.'s and UCF Convocation Corp.'s series 2015A and 2015B bonds are also based on a narrow pledge and reflect our view of the strength of UCF's separate support agreements with the UCF Stadium Corp. and the UCF Convocation Corp., as well as the university's commitment to its budget and covenant to

replenish any deficiencies in the debt service reserve funds (DSRFs) from its legally available revenues.

Using June 30, 2022, audited financials and layering in bond defeasances of all parking revenue bonds that occurred after the fiscal year-end, total debt (including operating leases and debt of the direct support organizations [DSOs]) was \$648.1 million; of this, \$352.7 million is attributed to DSOs. References to pro forma debt metrics include the aforementioned defeasance of the parking revenue bonds after the June 30, 2022, fiscal year-end.

Most of UCF's debt (including component unit debt) is fixed rate. Current state law prohibits UCF from granting new support agreements for any future DSO debt. Therefore, while the UCF Stadium Corp. and UCF Convocation Corp. can issue additional debt under the trust indenture, subject to meeting stipulated additional bond tests, UCF is prohibited from providing new support agreements similar to those provided for the UCF Stadium Corp.'s and UCF Convocation Corp.'s rated series 2015A and 2015B bonds. Management is evaluating capital needs and accompanying debt, but the timing of any potential debt issuance is undetermined at this time.

### Credit overview

The ratings reflect both S&P Global Ratings' view of the strong institutional credit characteristics of UCF and the security pledge supporting the rated bonds. We view the university's enterprise risk profile as solid, reflecting its large and stable enrollment, aided by its broad program offerings and good demand characteristics. UCF has a robust financial risk profile with good revenue diversity and healthy state operating appropriations. S&P Global Ratings determines the ratings on the bonds based on the underlying strength of UCF, differentiated from an unlimited student fee pledge given the narrower security pledge of both the housing system bonds and the convocation and stadium bonds. Supporting the 'A+' rated housing bonds is our view of the UCF's housing system, which includes:

- Support for its auxiliary system debt that mitigated occupancy and coverage challenges in fiscal years 2020 and 2021;
- Rebound in housing occupancy since fall 2021 following steep demand drops due to pandemic pressures (UCF has no on-campus residency requirement for students); and
- Significant improvement in maximum annual debt service (MADS) coverage to 1.87x for the dormitory revenue bonds in fiscal 2022 following two years of coverage below 1.0x (excluding federal stimulus funds transferred to the housing system, which ensured coverage of over 1.0x) due to occupancy drops and housing refunds to students.

The rating also reflects the following factors:

- Large student base, competitive acceptance rates, and sound student quality, with a wide range of graduate and professional offerings;
- Healthy support from Florida for operating and capital appropriations, which remain an important revenue stream; and
- Low pro forma MADS burden, at 1.7% of fiscal 2022 adjusted operating expenses.

In our opinion, partially offsetting these factors are:

- Below-average (relative to rating category medians) financial resource ratios compared with operations and pro forma debt (including debt of UCF's DSOs); and

- Limited tuition and fee-raising flexibility imposed by the state legislature for several years that will continue through fall 2023, therefore constraining one important area of revenue generation for the university and given modest growth plans.

UCF is a comprehensive university, serving central Florida and other regions in the state from its main Orlando campus and regional campuses. The university's fall 2022 headcount enrollment was 68,406. UCF offers bachelor's and advanced-degree programs in more than 200 areas of study through the colleges of arts and humanities; sciences; business administration; education; engineering and computer science; and health and public affairs, as well as through the College of Optics and Photonics, the Rosen College of Hospitality Management, and the College of Medicine at the UCF Health Sciences campus at Lake Nona. UCF also operates an academic center in downtown Orlando. The university has been officially designated as an emerging preeminent research university by the Florida legislature as a result of its having met a set of rigorous state-defined benchmarks.

### **Environmental, social, and governance**

We analyzed the university's environmental, social, and governance credit factors pertaining to its market position, management and governance, and financial performance. Health and safety risks, which we consider a social risk factor, have largely abated and are neutral in our credit rating analysis. While UCF is not directly on the coast, we still consider environmental risks to be somewhat elevated, given its location in Florida that could be more susceptible to weather events and the effects of climate change. Despite the environmental risk, we believe UCF's governance risk is a neutral factor in our analysis.

## **Outlook**

The stable outlook reflects our expectation that during our outlook period, the university's enrollment and demand profile will remain stable, state support will remain healthy, net adjusted financial operations will improve while financial resources will remain at current levels or improve. The outlook also reflects continued sustained high occupancy and debt service coverage (DSC) levels on the housing bonds. Lastly, we also expect that the DSC on the UCF Stadium Corp.'s series 2015A and 2015B bonds and UCF Convocation Corp.'s rated series 2015A and B bonds will be at least equal to the rate covenant of 1.2x.

### **Downside scenario**

Factors that could result in a negative rating action include a trend of enrollment declines, sustained full-accrual operating deficits, or erosion of financial resources from current levels. In addition, occupancy drops, or a significant decline in MADS coverage from fiscal 2022 levels could lead to a lower rating. In our view, annual DSC lower than 1.2x, a dilution of legally available revenues, and operating or demand pressure at the university could have negative rating implications for the UCF Stadium Corp. series 2015A and 2015B bonds and the rated UCF Convocation Corp. series 2015A and 2015B bonds.

### **Upside scenario**

Although it is unlikely to occur during our outlook period, we could consider a positive rating action if the university's balance sheet metrics increase to levels more consistent with those of higher-rated peers, and it preserves other core credit characteristics.

## Credit Opinion

### Enterprise Risk Profile

#### Market position and demand

UCF is the largest university by enrollment in Florida and one of the nation's largest public universities. Similar to several Florida public peers, the university has limited geographic diversity with 90.8% of fall 2022 students from Florida, and the rest coming from other states and foreign countries. A key contributing factor to UCF's large size is its ability to attract state college (two-year colleges) graduates with associate degrees, in which it ranks the highest in the state.

Over the past two years, enrollment has declined 6.4% as the university has focused on attracting more out-of-state and international students while improving student quality. Enrollment for fall 2023 is anticipated to be flat. The declines in enrollment have been intentional by management given its strategic focus on student-quality metrics, while the state's emphasis is on performance funding metrics. The university maintains good programmatic diversity, as undergraduates account for 88.27% of fall 2022 enrollment, with graduate and professional students representing the remainder.

Demand for the university remains solid, in our opinion. Freshman applications for fall 2022 increased by a still healthy 12.7% to 45,554. Selectivity, freshman-to-sophomore retention, and the six-year graduation rate have remained solid and compare favorably with medians. The retention and graduation rates are well above national averages but lower than comparable metrics for the state's two co-flagship institutions. One measure of student quality is standardized test scores, and the university's average ACT score for incoming freshmen, at 28, exceeds the national. Although nationally many eminent higher education institutions are test optional, the BOG's policy requires submission of an ACT or SAT score by incoming freshmen.

UCF's graduate full-time-equivalent enrollment, like undergraduate enrollment, has declined in the past two years. In fall 2020, the university had an increase in students due to the pandemic and many students choosing to enter graduate school. Since fall 2020, management has focused on right-sizing the graduate school as well as renewing its focus on STEM graduate programs.

We think graduate enrollment will remain an area of growth, given the university's research status and comprehensive graduate and professional program offerings, but the focus will align with UCF's core mission as a STEM-related graduate center.

In general, Florida public universities are the second lowest-priced (after Wyoming) higher education option in the U.S. The university's annual tuition for in-state undergraduates was kept flat at \$6,368 for the 2023-2024 academic year, continuing the state and public university system's mandate to remain affordable for students in return for higher state appropriations. Management said that in 2014, the state legislature repealed universities' ability to increase differential tuition for undergraduate students, permitting most public universities to impose only the tuition rate passed by the legislature. In our view, this constrains an area of revenue generation for the university, as tuition and fees have not

increased in the past decade.

## **Fundraising**

UCF's foundation aims to double current fundraising results to create a sustainable, \$100-million-a-year fundraising enterprise, achieved via greater alumni participation and engagement, and garnering more gifts. Since UCF's last campaign ended in 2020, it has continued to be successful in its fundraising in non-campaign years. In fiscal 2021, UCF received its largest gift to date (\$40 million) from MacKenzie Scott to foster social mobility and develop skilled talent needed to advance industry across the state and beyond. The university raised \$63.1 million in fiscal 2021, its highest level since 2018, bolstered by the aforementioned gift. For fiscal 2022, UCF raised \$85 million and anticipates that 2023 will close having raised \$110 million, its highest level yet. At 8%, the alumni participation rate is modest compared with that of peer institutions, albeit consistent with the national average for public universities.

UCF's last campaign, which launched in July 2012 and ran through 2020, was the largest campaign in its history. The campaign raised \$531 million and had the goal to support facilities, endowment, scholarships, and annual operating support. With a new strategic plan in place, we would expect UCF to launch a new campaign in the next couple of years.

## **Management and governance**

The Florida BOG is the governing board for the State University System of Florida, of which UCF is a member. The board has 17 members, 14 of whom are appointed by the governor. UCF is directly governed by a board of trustees (BOT) consisting of 13 members. The governor appoints six members and the BOG appoints five, with two ex officio members. The senate confirms these members and they serve staggered terms of five years. The chair of the faculty senate and the president of the university student body are the other two members of the BOT. The BOG establishes the powers and duties of the BOT. There have been a number of rotational changes at the BOT, which we understand is typical.

The university overhauled its senior management team in response to events that transpired in summer 2018, in which the state auditor general flagged certain leftover state operating appropriations as being spent on an academic building project, a violation of state rules governing public universities. Following an investigation conducted by a law firm, the university's president, provost, chief financial officer, and key finance staff stepped down. At this time, all key positions have been permanently filled.

The current university president was hired on March 20, 2020, following a national search. He has an extensive higher education background; prior to joining UCF, he served as chancellor of the University of Missouri. The senior vice president for administration and finance was named in late 2020; he previously held multiple senior management finance and operations positions at various higher education institutions. UCF also created and filled a new vice president for compliance and risk position to focus on internal accountability and ethics. In our view, the issues of the past management team have been resolved and the current management team has relevant higher education expertise, and there has been a minimal operational impact on core operations, as evidenced by UCF's continued improvement in student quality and growth in research.

## Financial Risk Profile

### Financial operations

For fiscal 2022, including institutionally funded financial aid, state operating appropriations, interest and dividend income, and federal and state student financial aid, total adjusted operating revenues equaled approximately \$1.5 billion. Total adjusted operating expenses, including institutionally funded financial aid, interest expense, a \$23 million difference between total pension contributions and expenses, and an \$18.1 million difference between total other postemployment benefits (OPEB) contributions and expenses equaled approximately \$1.6 billion. Management posted a modest \$56.8 million operating full-accrual net adjusted deficit (based on our calculations) or negative 3.5% of total adjusted operating expenses. This was primarily spurred by pension-related expense fluctuations. Fiscal 2022 market volatility depressed investment returns and contributed to increased contribution requirements. Cash-basis operations have always been solid, including a large \$93.4 million depreciation expense recognized for fiscal 2022. We expect fiscal 2023's operating performance could continue to be pressured; however, for fiscal 2024, the university is anticipated to benefit from increased state appropriations as well as increased nontuition fees.

We view the university's revenue base as diverse, with student charges representing 40.7% of fiscal 2022 adjusted operating revenues, state operating appropriations constituting 24.5%, federal and state student financial aid at 21.9%, and grants and contracts at 12.0%.

### State appropriations

The university received \$378.6 million in state noncapital (operating) appropriations in fiscal 2022, an increase of 2.6% over the previous year. Fiscal 2023 total state appropriations equaled about \$399.4 million, and the state's recently passed fiscal 2024 budget included a 13.7% increase in education and general budget appropriations to all the Florida public universities. In addition, the budget included substantial increases to capital appropriations after several years of reduced funding of PECO grants.

### Financial resources

In our view, available resource measures are sound relative to adjusted operating expenses, but below-average compared with the rating category when including the debt attributed to university DSO units, which are considered component units of the university. Cash and investments including DSOs equaled 64.2% of adjusted operating expenses and 158.4% of pro forma debt. While we have aggregated the DSO debt onto the university balance sheet, we also recognize that the debt has dedicated revenue streams or is self-funding and does not require financial support from general operations of the university.

The university's endowment pool, wholly held at the UCF Foundation, increased to \$208 million as of June 30, 2022, most of which is restricted. Mirroring broader market returns, UCF's endowment returns were negative 8.52%, which was comparable with those of peers. The asset allocation based on March 31, 2022, valuations was 51.5% equities, 14.7% private debt and equity, 12.8% real assets, 15.8% cash and fixed income, and 5% other, which we consider relatively aggressive, albeit in line with that of peers. No material asset allocation shifts are expected in the near term, per management. The endowment contributes a minor amount to operations. The foundation follows both its investment and spending policies.

## Debt and contingent liabilities

**UCF Stadium Corp. (f/k/a Golden Knights Corp.) and UCF Convocation Corp.'s series 2015A and 2015B bonds.** Both the UCF Stadium Corp. and the UCF Convocation Corp. are DSOs of UCF and are presented as discrete components units on the university's financial statements. The support agreements extend through the life of the bonds with no abatement or setoffs. Under each support agreement, UCF also has the right to waive or defer reimbursement for any operating and maintenance (O&M) charges due from the UCF Stadium Corp. and UCF Convocation Corp. for utilities provided to the convocation center and football stadium projects, if net revenues available to pay debt service are expected to be less than 1.2x DSC. Legally available revenues that UCF can use to cover deficiencies in the DSRFs for the UCF Stadium Corp. series 2015A and 2015B bonds, and the UCF Convocation Corp.'s series 2015A and 2015B bonds include various auxiliary enterprise funds; existing fund balances from auxiliary enterprises (such as housing, parking, health services, the bookstore, and food services); unrestricted indirect cost reimbursement from research contracts and grant revenues; and investment earnings on the university's pooled investments account. Legally available revenues specifically exclude UCF tuition, fees, and state appropriations, and per management, these are not pledged to other university bonds or debt. The university estimates that as of June 30, 2022, total legally available revenues equaled \$175.2 million, which covers total MADS of \$9.3 million for the UCF Stadium Corp.'s series 2015A and 2015B bonds, and the UCF Convocation Corp.'s series 2015A and 2015B bonds by what we consider a solid 18.8x. Legally available auxiliary revenues decreased in fiscal years 2019, 2020, and 2021 due to funding transfers for university construction projects, coupled with lower auxiliary revenues triggered by the pandemic, which were not reimbursed fully as of June 30, 2021, from the university's institutional CARES Act funding. Management reports that, to date, UCF has never had to waive or defer collection of any O&M charges from the UCF Stadium Corp. because the DSC is lower than 1.2x, and there has never been a deficiency in the DSRF established for the UCF Stadium Corp.'s series 2015A and B bonds and the UCF Convocation Corp.'s series 2015A and 2015B bonds. Annual DSC for fiscal 2021 was 1.4x for UCF Convocation Corp.'s series 2015A and 2015B bonds, and 3.6x for the UCF Stadium Corp. series 2015A and 2015B bonds. Management projects improved coverage for fiscal years 2022 and 2023 as pandemic pressures abate.

**Housing system bonds.** The housing system revenue bonds are secured by a net revenue pledge of the university's housing system and are on parity with each other. There is no annual rate covenant (beyond the requirement to make annual debt service payments). Pre-pandemic, the housing system MADS coverage was approximately 1.57x, but softened to below 1.0x in fiscal years 2020 and 2021 (excluding federal stimulus funding) due to low occupancy. No university funds were used in fiscal years 2020 and 2021 to support debt service. In fiscal 2022, occupancy rebounded to over 100% and MADS coverage reached its highest level recorded, at 1.87x. Coverage is anticipated to remain strong given occupancy and management's plan to increase rates 4.5% for fiscal 2024 and 4% annually in fiscal years 2025-2028.

## Pensions and OPEB

The university provides retirement benefits through two state defined-benefit plans: Florida Retirement System and the Health Insurance Subsidy defined-benefit plan. The state's pension-funded ratios exceed the S&P Global Ratings-calculated average for all states, based on fiscal 2022 information available on state pension plans. Management reports the university has been making the required employer contributions to its plans. OPEB obligations are funded on a pay-as-you-go basis. The university indicates that it plans to finance retiree health care

benefits on a pay-as-you-go basis, and these liabilities are intended to amortize over a period not to exceed 30 years. Overall, we consider pension and OPEB contributions to be manageable as a percentage of total UCF adjusted operating expenses, and not financially constraining at this time. We expect UCF to absorb increased contribution requirements without impairing core operating performance.

University of Central Florida, Florida--enterprise and financial statistics						
	--Fiscal year ended June 30--					--Medians for 'AA' category rated public colleges and universities--
	2023	2022	2021	2020	2019	2022
<b>Enrollment and demand</b>						
Full-time-equivalent enrollment	59,314	61,029	63,389	60,497	59,357	41,783
Undergraduates as a % of total enrollment	88.3	88.0	88.2	88.2	88.3	80.2
First-year acceptance rate (%)	34.6	34.3	42.0	38.2	35.9	73.2
First-year matriculation rate (%)	30.9	30.7	29.1	28.9	34.4	27.0
First-year retention rate (%)	92.5	91.4	91.9	91.3	90.1	86.8
Six-year graduation rate (%)	74.8	74.4	73.4	71.9	72.1	71.0
<b>Income statement</b>						
Adjusted operating revenue (\$000s)	N.A.	1,543,404	1,489,305	1,446,641	1,387,748	2,148,374
Adjusted operating expense (\$000s)	N.A.	1,599,895	1,490,782	1,438,202	1,373,542	2,030,534
Net adjusted operating margin (%)	N.A.	(3.5)	(0.1)	0.6	1.0	3.2
Estimated operating gain/loss before depreciation (\$000s)	N.A.	36,925	78,010	83,842	87,527	MNR
Tuition discount (%)	N.A.	48.4	44.1	42.0	39.4	28.2
Student dependence (%)	N.A.	40.7	41.8	43.2	43.5	37.0
State appropriations to revenue (%)	N.A.	24.5	24.8	26.2	27.6	17.3
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	12.0	12.0	10.4	10.1	13.4
<b>Debt</b>						
Outstanding debt (\$000s)	N.A.	304,867	261,153	158,473	169,313	931,471
Foundation debt (\$000s)	N.A.	352,698	280,418	294,288	300,157	MNR
Total debt with foundation (\$000s)	N.A.	657,565	541,571	452,761	469,470	1,142,825
Proposed debt (\$000s)	N.A.	N.A.	42,815	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	648,100	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	1.9	1.3	1.2	1.3	MNR
Current MADS burden (%)	N.A.	1.5	1.7	1.1	1.1	3.4
Pro forma MADS burden (%)	N.A.	1.5	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	12.0	13.1	12.8	12.2	13.5
<b>Financial resource ratios</b>						
Endowment market value (\$000s)	N.A.	208,442	198,559	160,838	164,722	1,102,535
Related foundation market value (\$000s)	N.A.	301,185	289,705	180,123	145,174	945,352
Cash and investments (\$000s)	N.A.	651,675	667,232	593,980	603,082	1,345,446

**University of Central Florida, Florida--enterprise and financial statistics (cont.)**

	--Fiscal year ended June 30--					--Medians for 'AA' category rated public colleges and universities--
	2023	2022	2021	2020	2019	2022
Cash and investments including foundation (\$000s)	N.A.	1,026,663	1,048,200	872,263	861,209	2,837,567
Cash and investments including foundation to operations (%)	N.A.	64.2	70.3	60.6	62.7	115.3
Cash and investments including foundation to debt (%)	N.A.	156.1	193.5	192.7	183.4	278.4
Cash and investments including foundation to pro forma debt (%)	N.A.	158.4	N.A.	N.A.	N.A.	MNR

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100\*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service.

## Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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## CREDIT OPINION

2 October 2023



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# University of Central Florida, FL

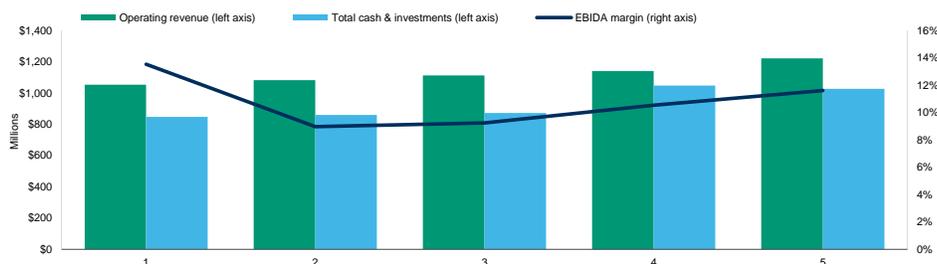
## Update to credit analysis

### Summary

[University of Central Florida](#) (Aa2 stable issuer rating) will continue to benefit from sizable and growing operations as a large, comprehensive public university with very good operating performance, a growing research profile, affordable pricing and positive demographic prospects. While cash and investment growth has been slower than peers, financial reserves still provide a healthy buffer to operations and debt, with favorable philanthropic trends. Challenges include relatively high reliance on potentially volatile funding from the [State of Florida](#) (Aaa stable) and state-imposed caps on tuition and fees, which limit operating flexibility and revenue growth as the university undertakes strategic investments to keep up with enrollment growth. Our credit opinion also incorporates limited revenue pledges for housing and parking bonds (no longer outstanding), which have generally sound debt service coverage from pledged revenues.

Exhibit 1

**UCF's ability to grow its revenue base and reserves while delivering steady EBIDA margins reflects solid oversight of its expanding enterprise**



Source: Moody's Investors Service

### Credit strengths

- » Large and growing public research university benefiting from strong Florida demographics, with growing research and philanthropic profiles
- » Pledged net revenue streams provide generally solid debt service coverage for dormitory and parking bonds
- » Monthly liquidity covers a healthy 184 days cash on hand
- » Solid financial management results in consistently positive operations, though EBIDA is weaker than Aa2-rated peers

## Credit challenges

- » State tuition control limits pricing flexibility and pressures revenue growth
- » Slow growth of reserves relative to peers
- » Relatively high reliance on potentially volatile state funding
- » Growing expenses associated with strategic investments targeting achievement of status as a Florida preeminent university

## Rating outlook

The stable outlook is based on Moody's expectations of steady operating performance while maintaining healthy student demand, continued revenue growth and measured accumulation of financial reserves. It also incorporates continued good coverage of debt service from pledged revenues.

## Factors that could lead to an upgrade

- » Substantial, sustained increase in financial resources providing a much stronger cushion to debt and operations
- » Ongoing enhancement of revenue diversity and strengthening of student demand

## Factors that could lead to a downgrade

- » Material reduction in state support
- » Sustained deterioration of EBIDA margins below 10% or weakening in debt service coverage from pledged revenues
- » Significant increase in financial leverage

## Key indicators

Exhibit 2

### UNIVERSITY OF CENTRAL FLORIDA, FL

	2018	2019	2020	2021	2022	Median: Aa Rated Public Universities
Total FTE Enrollment	56,856	57,777	59,622	57,933	56,670	30,783
Operating Revenue (\$000)	1,052,801	1,082,394	1,113,163	1,140,445	1,221,744	1,505,466
Annual Change in Operating Revenue (%)	7.5	2.8	2.8	2.5	7.1	8.8
Total Cash & Investments (\$000)	846,700	859,799	872,256	1,048,198	1,026,659	1,947,594
Total Adjusted Debt (\$000)	1,394,141	1,502,283	1,559,325	1,680,779	1,730,959	1,862,165
Total Cash & Investments to Total Adjusted Debt (x)	0.6	0.6	0.6	0.6	0.6	1.0
Total Cash & Investments to Operating Expenses (x)	0.9	0.8	0.8	0.9	0.9	1.3
Monthly Days Cash on Hand (x)	198	178	184	212	197	191
EBIDA Margin (%)	13.5	9.0	9.2	10.5	11.6	14.4
Total Debt to EBIDA (x)	3.1	4.9	4.5	3.6	3.7	3.4
Annual Debt Service Coverage (x)	8.1	5.3	6.1	7.8	9.3	4.1

Annual Debt Service Coverage calculated for primary university and excludes debt service of discretely presented component units.

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

## Profile

University of Central Florida is a large, comprehensive public research university with over \$1.2 billion in revenue in fiscal 2022. Since opening in 1968, enrollment has grown to near 57,000 full-time equivalent students across several campuses in central Florida, including the main campus in Orlando, and online.

## Detailed credit considerations

### Market

UCF will continue to demonstrate strong student demand as it focuses on continued strengthening of academic excellence rather than enrollment growth. Leadership is working toward status as one of the state's preeminent universities, which would result in increased state funding. Favorable regional high school graduate trends, a desirable [Orlando](#) (Aa1 stable) location, attractive pricing and a strengthening academic profile contribute favorably to UCF's excellent strategic positioning. Transfer students account for over half of entering students. Significant investment in programs in health sciences, including nursing, and other STEM fields offer further new synergies for UCF, its school of medicine, research centers and local corporate partners as well as its growing research profile. Research expenses were \$174 million in fiscal 2022.

### Operating performance

UCF's track record of revenue growth will continue, benefiting from state support and a fundraising campaign. Fiscal 2024 will see a material state appropriation increase of over 18%, or \$72 million. While the majority of funds are one-time increases, a \$40 million, two-year increase to STEM support is recurring, and one-time funding includes support for UCF's operations, research and student success goals. Overall, small operating surpluses and EBIDA margins generally in the 10%-12% range will continue. Much of the revenue growth will be consumed by expenditures needed to support UCF's strategic goals. While state funding varies from year to year because of performance-based funding awards, it typically provides over one-third of operating revenue, exposing the university to pressured revenue if state funding declines meaningfully. Pension and OPEB costs, including costs for both defined benefit (DB) and defined contribution (DC) plans, comprised around 3% of expenses in fiscal 2022.

### Wealth

UCF's financial reserves will continue to grow at a measured pace through modest retained surpluses, positive investment returns and fundraising. Total cash and investments buffer operations by 0.9x, slightly weaker than similarly rated peers. However, growth lags peers; total cash and investments of over \$1 billion for fiscal 2022 were up just 21% since fiscal 2017 compared to a median peer growth rates of 36%. The slower rate of growth reflects UCF's significant capital investment of almost \$500 million since fiscal 2018. While this has resulted in weaker financial resource growth relative to peers, it benefits the university's strategic positioning and supports its enrollment growth. Positively, UCF has materially increased fundraising, with a \$100 million goal annually through fiscal 2027; over \$110 million was raised in fiscal 2023. Monthly liquidity will remain in line with peers at 197 monthly days cash on hand. The university has made some modest changes to management of its operating funds to improve returns without decreasing access to short-term liquidity.

### Leverage

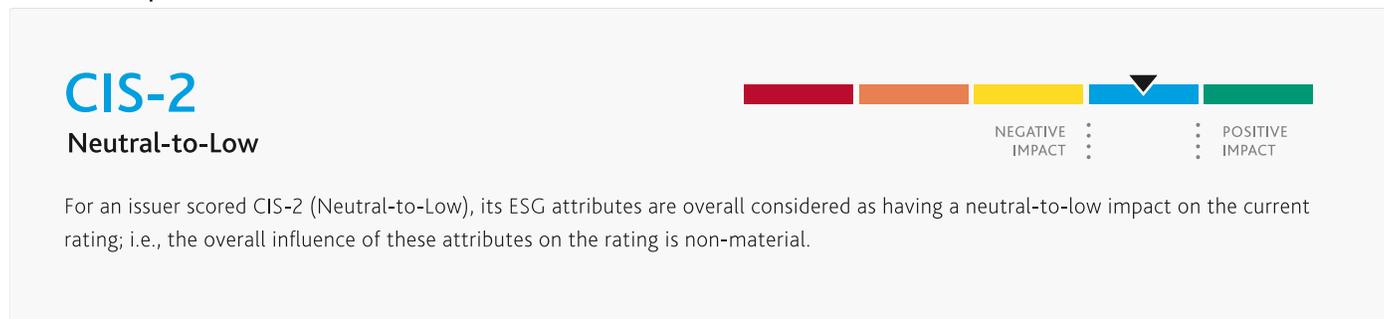
UCF's debt burden will remain manageable as it does not have definitive additional debt plans in the near future. A stadium project is in the planning phase, with expectations that increased conference distributions from UCF's transition to the Big 12 Conference will support project costs. Total direct debt of \$518 million includes debt of direct support organizations (DSOs) including UCF Finance Corporation, UCF Foundation, UCF Athletics Association, UCF Convocation Corporation and UCF Stadium Corporation as well as affiliated entity UCF Hospitality Housing Corporation.

Debt to EBIDA of 3.7x for fiscal 2022 is stronger than peers. For the housing system (Aa3 stable), debt service coverage bounced back to a solid 1.9x after dipping slightly below 1x in fiscal 2020 and 2021 as a result of the pandemic (excluding use of federal funds and reserves). Fall 2023 occupancy is at capacity, and planned increases in housing rental rates will support ongoing renewal; new housing is also under consideration. In addition to the UCF housing system debt and housing-related debt at various DSOs, UCF and its Foundation are also party to several P3 housing projects, which are included in total adjusted debt. Notably, parking system debt was fully defeased at the beginning of fiscal 2024.

## ESG considerations

### University of Central Florida, FL's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3  
ESG Credit Impact Score



Source: Moody's Investors Service

The University of Central Florida's CIS-2 credit impact score reflects ESG attributes that have limited impact on the current rating. This incorporates moderately negative exposure to environmental and governance risks, partially mitigated by strong financial reserves, favorable student demand and UCF's important role in serving the greater Orlando area.

Exhibit 4  
ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

Environmental risks (E-3) incorporate moderately negative physical climate risks from higher than typical exposure to hurricanes and extreme rainfall. Severe weather risk is somewhat mitigated by UCF's hurricane preparedness and resiliency efforts. UCF is the 4th university in the US to receive accreditation from the Emergency Management Accreditation Program, which it proactively pursued. Accreditation is based on 64 emergency standards that are industry best practices. UCF also has numerous sustainability initiatives and protects over 800 acres of conservation lands. It aims to reach carbon neutrality by 2050 and to become a zero-waste campus.

### Social

Social risks (S-3) reflect strong regional growth that mitigates the university's limited student revenue raising ability and revenue diversity. Gains in the expected number of high school graduates and young adults in Florida support favorable demographic prospects. Excellent state funding underscores the importance of the relationship with the state. Favorably, low tuition pricing contributes to its value proposition, with notable strengthening in student outcomes in recent years. The university's growing sponsored research enterprise and designation as an emerging preeminent state research university contribute to its customer relations acumen with federal agencies and other key grantors. However, substantial state control of tuition and fee pricing, fringe benefit programs, faculty tenure exposure and demand for specialized labor introduce human capital risks. Customer relations elements with the state as customer include performance funding and legislative power to set tuition pricing, which could lead to variability in funding.

## Governance

Governance risks (G-3) incorporate several years of sound financial stewardship and strategic planning after some prior leadership strain. We expect that UCF will continue to successfully manage stakeholder relations and its strengthening academic profile, enhanced by a boost in state funding supporting low tuition pricing and capital investment. Public universities typically have some board structure and governance risks given their lack of full independence from the state. Board structure risks include the board selection process, with six members appointed by the governor and five appointed by the Florida Board of Governors, joining the faculty senate chair and student body president. Considerations also include multiple layers of governance as a state agency subject to oversight from the state and its legislature, the Board of Governors and Board of Trustees and multiple discretely presented support organizations that assist in executing UCF's strategies. Legislation has tended to increase centralization of control at the state level relative to other states, with increased control of standards around accreditation, tenure review processes and other areas, limiting institutional autonomy. Favorably, Florida universities recently gained increased flexibility in spending tuition revenue and carry-forward funds.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The Higher Education rating methodology includes a scorecard that summarizes the factors that are generally most important to higher education credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, operating environment, and financial strategy on a qualitative basis, as described in the methodology.

Exhibit 5

### University of Central Florida

Scorecard Factors and Sub-factors	Value	Score
<b>Factor 1: Scale (15%)</b>		
Adjusted Operating Revenue (USD Million)	1,222	Aa
<b>Factor 2: Market Profile (20%)</b>		
Brand and Strategic Positioning	Aa	Aa
Operating Environment	A	A
<b>Factor 3: Operating Performance (10%)</b>		
EBIDA Margin	12%	A
<b>Factor 4: Financial Resources and Liquidity (25%)</b>		
Total Cash and Investments (USD Million)	1,027	Aa
Total Cash and Investments to Operating Expenses	0.9	Aa
<b>Factor 5: Leverage and coverage (20%)</b>		
Total Cash and Investments to Total Adjusted Debt	0.6	A
Annual Debt Service Coverage	9.3	Aaa
<b>Factor 6: Financial Policy and Strategy (10%)</b>		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		Aa3
Assigned Rating		Aa2

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Investors Service

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