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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III

Date: September 5, 2023

Re: University of South Florida Stadium Project

USF has submitted revised projections that are materially different than originally provided. The indicative interest rate on the Truist Loan has increased by 1.5%, from 5.5% to 7%, to account for a potential increase in the financing cost. Truist quoted an indicative rate as of August 14, 2023 of 6.68%. The actual interest rate will be set immediately prior to the loan closing based on prevailing interest rates at the time. USF also significantly increased the projected revenues expected to be generated from stadium operations based on the consultant's feasibility report. Projected stadium revenues were increased by \$15.2 million, from \$5.3 million to \$20.5 million, favorably impacting projected financial performance of the Project. The increase in revenues is attributable primarily to ticket sales (\$2.3 million), priority seating donations (\$3.1 million), premium seating donations (\$5.3 million), advertising (\$1.0 million), and naming rights (\$2.5 million). Combining the impact of the increased debt service of approximately \$2.2 million per year with the increased revenues of \$15.2 million results in a positive impact on the projected debt service coverage ratio for the Project.

The revisions to the projections for the Project highlight the uncertainty of future financial performance and dependence on generating substantial untapped revenue sources. Whatever conservatism was baked into the original assumptions has been eliminated and revenue projections/financial performance are fully dependent on realizing the consultants estimates. The material operating risk exacerbates the potential financial pressure on USF's endowment and fundraising efforts outlined in the initial memo. The debt being incurred is secured by gross revenues from athletics so that any negative operating performance or failure to meet fundraising goals will likely necessitate budget cuts for athletics or require additional subsidies from unrestricted funds from the USF endowment.

cc: Raymond Rodrigues, Chancellor, Board of Governors
Kevin Pichard, Director, Finance and Facilities, Board of Governors
Fell Stubbs, University Treasurer and Associate Vice President, University of South Florida
Executive Director, USF Financing Corporation