

Board of Regents
University System of Georgia
Public Private Ventures (PPV) Portfolio

**PPV CASH FLOW ANALYSIS AND SUBMITTAL
TRAINING SESSION**

Presented by: Cynthia Robinson Alexander and Regina Travis
Office of Strategy and Fiscal Affairs – Finance
August 31, 2020



PPV Cash Flow Analysis and Submittal **TRAINING SESSION – HOUSEKEEPING**

- Keep your computer/phone on mute unless you need to speak.
- Use Teams Chat if any problems occur during the presentation.
- This session will be recorded, posted and available afterwards.
- Break/Intermission will be provided.



PPV Cash Flow Analysis and Submittal

TRAINING SESSION AGENDA

- I. Session Overview: The Value of PPV Project Cash Flow Reporting
- II. FY 2019 System Portfolio Overview and Trends
- III. FY 2020/2021 Focus

10 Minute Break

- IV. PPV Data Submission and BPM Review
 - a. Self-Liquidating Ratio
 - b. Project Revenues and Expenses / nVision Report
 - c. Using Project Reserves
 - d. Reporting Underperforming Projects
 - e. Certifying Cash Flow Data / Reporting for consolidated institutions
 - f. New Submittal Due Dates
- V. 10 Year Cash Flow

10 Minute Break

- VI. One-on-One Assistance



I. The Value of PPV Project Cash Flow Reporting

1. Provides historical data
2. Management Tool
 - a. Managing financial health
 - b. Determining need for corrective actions
 - c. Reviewing trend analysis – Establish financial benchmarks for maintaining facilities
3. Measurement Tool
 - a. Higher Education Systems
 - b. Reporting to Rating Agencies
4. Support for Institution's Budget Hearing



PPV Cash Flow Summary

Support for Institution's Budget Hearing

FY 2022 Budget Hearing Data Sheet

PPV Project(s) Summary

Institution Name: **Peachtree University**

FY 19 Capital Liability Ratio: 6.72%

FY 20 Capital Liability Ratio: 6.84%

Credit Rating: S&P A+ / Moody's A1

Name/Type of PPV Project	Coverage Ratio				Occupancy		Reserve Balances at of 6/30/20				Lease Payments			PPV Rating		
	FY 2017	FY 2018	FY 2019	FY 2020	FY20 (Housing only)	Repair & Replacement Reserve Balance	Cumulative Project Cash Flow Amt. Held By Institution	Amt. Cash Held By USO (Capital Liability Reserve)	Total Reserves	Original Bond Amount	Principal Outstanding	FY 2020	FY 2021	FY 2022	Risk Profile	Funding Source(s)
University Parking Deck (500 Spaces)	1.08	1.11	1.06	1.04	N/A	\$ 78,050	\$ 171,672	\$ 9,520	\$ 259,242	\$ 1,311,794	\$ 640,444	\$ 119,000	\$ 119,000	\$ 119,000	(Clear) No Issues	Parking Fee
Student Health Center (21,796 Sq. Ft.)	1.07	1.10	0.90	0.96	N/A	\$ 304,773	\$ 467,712	\$ 38,960	\$ 811,445	\$ 6,328,206	\$ 3,089,556	\$ 486,996	\$ 486,996	\$ 486,996	Watch/Monitor Key Factors	Student Fee
Student Housing - Phase I & II (2,000 Beds)	1.05	1.06	1.01	0.90	87.84%	\$ 1,222,628	\$ 4,032,516	\$ 813,901	\$ 6,069,045	\$ 102,470,000	\$ 92,675,000	\$ 6,521,997	\$ 6,716,517	\$ 6,917,790	(Clear) No Issues	Student Rents
University Bookstore (21,985 Sq. Ft.)	1.07	1.02	1.00	1.00	N/A	\$ 196,513	\$ 51,376	\$ 39,806	\$ 287,695	\$ 8,865,000	\$ 8,455,000	\$ 581,904	\$ 600,286	\$ 620,772	(Clear) No Issues	Bookstore Revenue
Student Wellness and Recreation Center (101,000 Sq. Ft.)	0.98	1.02	1.00	1.00	N/A	\$ 771,602	\$ 909,190	\$ 179,781	\$ 1,860,573	\$ 31,400,000	\$ 27,245,000	\$ 2,136,313	\$ 2,139,946	\$ 2,143,688	(Clear) No Issues	Student Fee
Total						\$ 2,573,566	\$ 5,632,466	\$ 1,081,967	\$ 9,288,000	\$ 150,375,000	\$ 132,105,000	\$ 9,846,210	\$ 10,062,745	\$ 10,288,246		

1. Based on 2019 fall enrollment and historical capture rate and expense trends, are the projects expected to be self-liquidating in FY20? Yes.

2. Is a fee increase needed for FY22 and if so, what is anticipated magnitude? No fee increase recommended.

3. Anticipated loan from the capital liability reserve fund in FY21? If yes, what is estimated amount? No loan anticipated.

Comments:

1. The university realized a modest increase in enrollment of 0.5% from Fall 2018 to Fall 2019, with enrollment at 6,952 and 6,989, respectively. Shortfalls in the following two projects are driven by one-time expenditure improvements to enhance the facilities: (i) the Student Health Center at \$21,738 for technology improvements and (ii) the Student Housing Phase I & II at \$631,123 to implement a Sorority Living Learning Program, both of which were funded from project reserves. Current levels of reserves are sufficient to cover potential future shortfalls; however, we will monitor the Student Health Center, as this is the second consecutive year the project has underperformed.



II. FY19 System Portfolio Overview and Trends

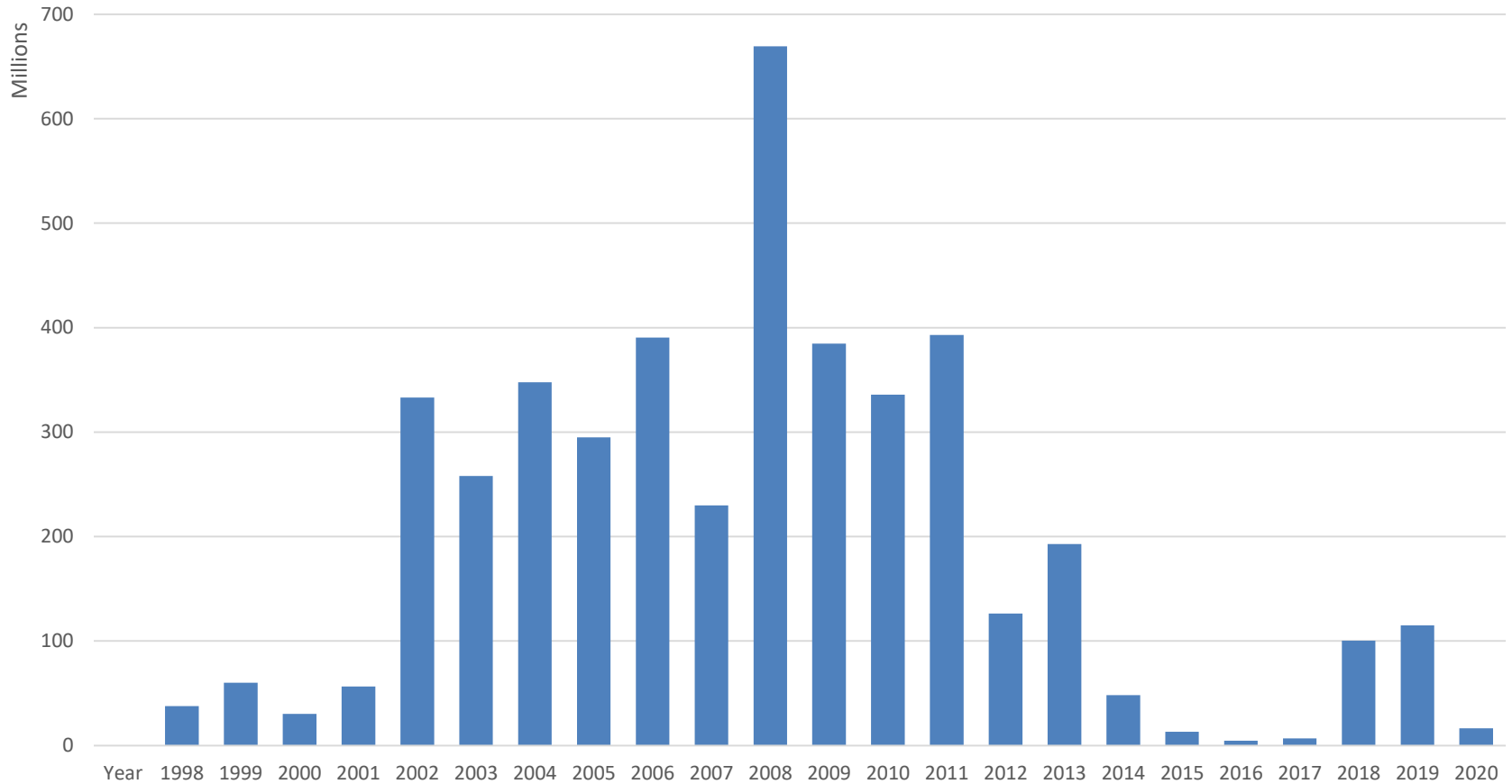
1. Portfolio Overview
2. Debt Plan
3. Other USG Initiatives



Capital Lease Obligations

FYE 2019 \$3.1 Billion Outstanding

FY 2019 Capital Lease Payments = \$266.2 Million



Capital Lease Portfolio

FY 2019 Cash Flow Performance

All lease payments paid in full and on time

- 25 projects (or 15%) did not meet a 1.0X coverage ratio
- Funding gaps typically covered from other auxiliaries
- Causes
 - Enrollment or occupancy trends
 - Increased online course offerings
 - Fee exemptions
 - Expenses

Capital Liability Management Reserve

- \$20 Million on deposit
- No loans outstanding

USG Rating Update

All rating agencies adjusted
Higher Education to Negative

Moody's & Fitch
Stable to Negative

S&P
Maintained Negative Outlook

+++++

**BOR Ratings During
COVID-19**

Georgia Southern University
A1 Rating, Stable Outlook

Kennesaw State University
A1 Rating, Stable Outlook



Ratings During COVID-19

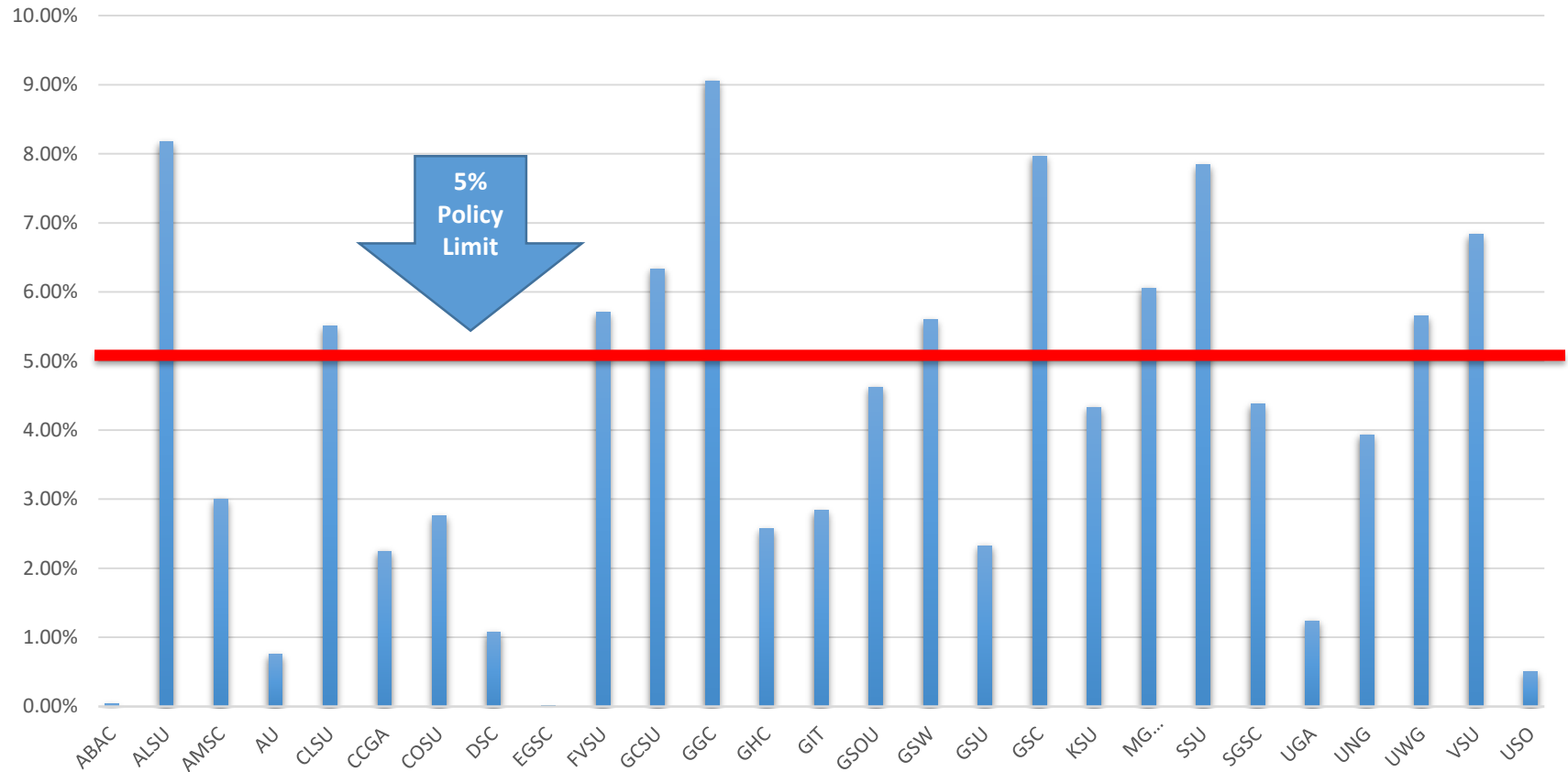
- Rating Outlook
- The stable outlook for the system reflects our expectations that **USG has sufficient resiliency** to adjust expenses and weather near-term operating challenges posed by the coronavirus outbreak, including the expectation that the majority of operating divisions, will service their respective Public Private Venture debt without extraordinary support by the system.
- It also incorporates **USG's ongoing commitment to overseeing and managing** the PPV program while **maintaining stable operating performance and sizeable financial reserves...** Moody's Investor Service, 13 Aug 2020, Kennesaw State University (GA).



Institution Capital Liability Ratios

June 30, 2019

USG: 3.3%



UNIVERSITY SYSTEM OF GEORGIA

University System of Georgia
FY 2020 - 2024 Capital Liability Management Plan
(in thousands)

	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Total Principal Outstanding - Beginning of Year	\$3,111,586	\$2,987,289	\$3,039,514	\$3,019,361	\$2,991,054
Projected New Issuance					
PPV and/or GHEFA	14,060	159,126	100,000	100,000	100,000
Multi-Year Lease Contracts	0	15,000	15,000	15,000	15,000
Multi-Year Energy Performance Contracts	8,200	10,000	10,000	10,000	10,000
Scheduled Retirements and Refunding Impact	(146,557)	(131,902)	(145,153)	(153,306)	(166,123)
Total Principal Outstanding - End of Year	\$2,987,289	\$3,039,514	\$3,019,361	\$2,991,054	\$2,949,932
Total Capital Liability Payments (includes MYL & EPC)	\$291,137	\$302,770	\$319,499	\$330,955	\$342,349
USG Budgeted and Projected Operating Revenues	\$8,994,470	\$9,191,003	\$9,383,976	\$9,581,287	\$9,783,042
Capital Liability Payment Ratio (System Policy Limit of 5%)	3.2%	3.3%	3.4%	3.5%	3.5%



New Public Private Venture Projects

1. Integrated Capital Review
2. Academic Need
3. Rising Construction Costs
4. Affordability Index



System-Wide Efficiency Initiatives

Dining Enabling Contract

- Leverage economies of scale to achieve competitive pricing
- 10-year “enabling contract” which allows additional institutions to join
- Aladdin Food Management Services
- Vendor is at risk for any operating shortfalls, not the institution
- No Guarantees or Minimums
- Fixed Meal Plan Pricing (Institution pays only the fixed meal plan price to vendor)
- 6 Residential Campuses (meal plans, catering, and retail operations)
- 8 Commuter Campuses (retail and catering operations)

Pooled Insurance Program

- Leverage economies of scale to achieve competitive pricing
- Created insurance pool PPV, USDA, and other non-state financed projects
- Arthur J. Gallagher Risk Management Services, Inc. (RFP for broker service)
- \$2,539,346,630 Total Insurable Value
- 14,638,966 square feet
- Property and Liability Premiums for FY 2020-2021 is \$4.8 million (up 26%)
- 21 Campuses have properties insured

Operation & Maintenance Contract (On Hold)

- Use Third Party to provide Facility Management services to address and enhance the condition of USG student housing
- Institutions will participate on an “opt-in” basis
- Issue an RFP for Third Party Facilities Management Services
- Improve the overall condition of the facilities
- Improve service consistency
- Improve financial management
- Reduce deferred maintenance
- Contain operating costs



III. FY 2020/2021 Focus

1. Non-Performing Assets
 - a. Increase in number of non-performing assets
 - b. Measures to address non-performing assets

2. Emphasis on Housing
 - a. Occupancy/Revenue
 - b. Operating Expenses
 - c. Facility Condition Assessment Report (FCAR) / Repair & Replacement projects / Prevent deferred maintenance

3. Refinancing Debt – Capture Savings

4. Current Market Trends – Impact of COVID-19

5. Coding COVID-19 Related Expenses and Revenue
 - a. Track COVID expenses for possible reimbursement
[Public Emergency Code (PUBL_EMERG) vs PPV Code]
 - b. Project Revenues – CARES Money



Post-Bond Issuance Compliance

Foundation / LLC / Borrower Responsibilities:

1. **Annual filing of Operational and Financial Data - SEC Rule 15c2-12 (MCDC)**
 - **Continuing Disclosure Agreement (CDA)**
 - o Contractual obligation for on-going disclosure
 - o Due Date (example: 120 days after the end of the Company's Fiscal Year)
 - o Required information (Official Statement - base line scope)
 - o Transmit data to MSRB's **Electronic Municipal Market Access System (EMMA)**
 - o A Failure to File Notice (material failures to comply)
 - o Low tolerance from SEC for non-compliance / Underwriter's due diligence check list
 - o Third party post-issuance compliance service (Dissemination Agent)
 - **COVID-19 Disclosure**
 - o See sample disclosure
2. **Vendor contracts reviewed by Bond Counsel**
 - IRS Revenue Procedure 2017-13 (Private Business Use)
3. **Annual LLC Operating Budget Report submitted to Trustee**
 - Foundation cash inflow/outflow per the proforma
4. **Arbitrage Reports prepared for arbitrage rebate calculation**
 - Required every 5 years, recommended every year



IV. PPV Data Submission and BPM Review

Review of PPV Project Cash Flow Data

BPM Section 25.6.13

MEASUREMENT/STANDARD

1. A project with a self-liquidating ratio below 1.0x. (Project did not break even, negative after paying expenses including lease payment.)
2. Not keeping reasonable pace with the financials (Lagging revenues and extraordinary expenses)
3. A project with self-liquidating ratio projected to be below 1.0x within the next 5 years.



PPV Project Cash Flow - Self Liquidating Ratio

BPM Section 25.6.12

Calculate Self-Liquidating Ratio for each project and it is the ratio of Net Operating Income to Lease Payment

Calculation:

- ✓ Revenue = \$4,600,000
- ✓ Expenses = \$1,200,000
- ✓ Lease Payment = \$2,400,000
- ✓ Net Operating Income (NOI) = \$4,600,000 minus \$1,200,000 or \$3,400,000
- ✓ Coverage Ratio = NOI/Lease Payment or \$3,400,000/\$2,400,000 or 1.42

PPV Project Revenue and Expenses

BPM Section 25.6.1-2

1. **Project Identification Numbers** required provided by System Office
2. **Traceable Revenue** to the Institution's audited financial statements and business plan, the financial system of record and the nVision report for the appropriate period.
3. Expenses defined as **Expenditures Incurred** (for receipt of goods or services) by June 30, which would include Actual ledger expenditures plus encumbrances. The intent is to report a full 12-month period.



PPV Project Revenue and Expenses

BPM Section 25.6.1-2

4. **Allocated Operating Expenses** permitted if accounting methodology and/or technology barriers prevent institution from being able to track directly.

5. Use of **Allocation Method** for operating expenses:

- Assumptions for allocation must be reasonable
- Allocation method approved by System Office
- Once established and utilized, cannot be changed without prior approval
- Method of allocation is stated in annual Cash Flow submittal

6. Resident Life **Cost of Delivering Support Programs** are permitted

- Reasonable and consistent year to year



PPV Project Reserves

BPM Section 25.6.6

- Adequate Project Reserves must be maintained at all times.
- The Capital Liability Reserve fund is only a portion of the reserves required.
- Each institution must maintain ample project reserves to cover liability payments in times of revenue shortfalls.
- It is recommended that PPV projects maintain a minimum of 1 year worth of lease payments in reserve.
- If institution has multiple projects crossing several auxiliaries, institution should consult with Central Office in determining sufficient reserve amounts.



Underperforming PPV Projects

BPM Section 25.6.1-2

Addressing Underperforming PPV Projects

- Prior to submittal of cash flow, **CBO to NOTIFY** System Office
- **ADOPT** and **IMPLMENT PROJECT ACTION PLAN** to address shortfall in coordination with System Office
- As request, **SUBMIT UPDATES** demonstrate compliance with **PROJECT ACTION PLAN**.



PPV Portfolio Focus - SUCCESS

FY2020 Reporting Period

- FY 2020 Cash Flow System opens Tuesday, September 1st, Reports **DUE SEPTEMBER 18th, 25th and OCTOBER 2nd, 2020.**
- **COMMUNICATE** with USO Finance Team your PPV performance; especially any project not achieving a 1.0X coverage.
- Review of PPV cash flow, operations, capital expenditures, 5yr business plans, audited financial statements, 10-year projections, PeopleSoft and Nvision reports for **CONNECTIVITY**
- Review of Net Cash/Project reserve for **SUFFICIENCY** (Expenditure of 10% or greater of reserve discuss with Asset Manager) and R&R
- Campus and System Office jointly devise **PLAN OF ACTION** for all Non-Performing Assets and ongoing monitoring of plan
- Work with System Office, update **10 YEAR CASH FLOW PROJECTIONS** on or before December 1, 2020 for all PPV projects



PPV Cash Flow Database

Reporting Reminders

- **FY 2020 Cash Flow System opens Tuesday, September 1st. Q&A Sessions available September 1st - 4th. Reports due September 18th, 25th and October 2nd, 2020.**
- Log-in Information and Data
 - <https://www.usg.edu/ppv/>
 - Password
 - Update roles
 - Add new PPV Project(s)
 - Updated Proforma due to refinancing
 - Remove Projects that have been Paid/Defeased
- **Email Cynthia Alexander/Regina Travis to schedule a call to discuss any project(s) below the 1.0x coverage ratio.**
- Supporting Documentation
 - nVision Report
 - June 30 R&R Report (Foundation)

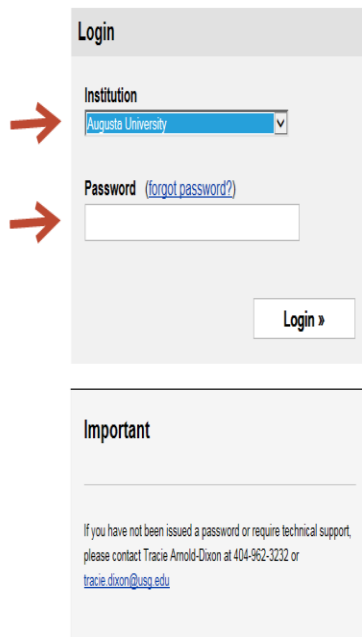


Cash Flow Login Page

<https://www.usg.edu/ppv/>



Public Private Real Estate Ventures
Creating A More Educated Georgia

A screenshot of the login page. The top section is titled "Login" and contains a dropdown menu for "Institution" with "Auguste University" selected, a password input field with a "(forgot password?)" link, and a "Login »" button. Two red arrows point to the dropdown menu and the password field. Below the login section is an "Important" section with a horizontal line and text: "If you have not been issued a password or require technical support, please contact Tracie Arnold-Dixon at 404-962-3232 or tracie.dixon@usg.edu".

1. Choose your institution from the drop-down list and enter your password.
2. Forgot your password? Click “**(forgot password)**”, and create a new password. If you need additional assistance, please contact Cynthia Robinson Alexander (404-962-3175) or Regina Travis (404-962-3166).
3. Select the project that you would like to work with and proceed with data entry.
4. Please remember that it is necessary for both the Preparer and the CBO to certify the information.
5. Once you have logged into the system, you will find the “**Help**” button at the top right side of the page.

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Board of Regents of the University System of Georgia
270 Washington Street, S.W.
Atlanta, GA 30334



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Cash Flow Institution Sample

<https://www.usg.edu/ppv/>

CASH FLOW SUBMITTAL									
FISCAL YEAR 2019									
FUND FINANCIAL STATEMENT PROGRAM									
Institution	Project Name			Project Location			Project Description		
Board of Regents	Shared Services Facility			Download PDF					
	Name of Project			Fund Account					
	James Mann			4000000					
	Email Address (Optional)			Date of Final Review/Notice					
	Glenn Mckey@usg.edu / 404-962-3213			2009					
Table:	11.001	Project Fund Balances			11.001	Total of Maximum Debt Service Payments			
REVENUES:		FY2017 - Pro-Budget		FY2017 - Actual		FY2019		Pro-Forma/Actual (2019)	
		Total	Per Cap	Total	Per Cap	Total	Per Cap	Total	Per Cap
	Student Fee Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Board Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other (Specify)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotal - Board/Income & Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	State Fund (Fund 10000)	\$ 188,500	\$ 18.50	\$ 188,500	\$ 18.81	\$ -	\$ 6,500	\$ -	\$ 0.31
	Tuition Fee Income (Fund 10000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Miscellaneous Income (Fund 10000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Continuing Education (Fund 10000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Research/Student Cost Recovery (Fund 10000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other (Specify)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotal - Fund Income	\$ 188,500	\$ 18.50	\$ 188,500	\$ 18.81	\$ -	\$ 6,500	\$ -	\$ 0.31
	Prize/Revenue - Non-Mandatory Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Bookstore Auxiliary Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Dining Auxiliary Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Campus Auxiliary Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Auxiliary Income (Specify)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotal - Auxiliary Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES		\$ 188,500	\$ 18.50	\$ 188,500	\$ 18.81	\$ -	\$ 6,500	\$ -	\$ 0.31
OPERATING & MAINTENANCE EXPENSE:									
	Personnel Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Repairs and Maintenance	\$ -	\$ -	\$ 6,500	\$ 0.31	\$ -	\$ 6,500	\$ -	\$ 0.31
	Electricity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Natural Gas/Propane Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Water/ sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Utility Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Insurance and Bonding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Contract	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Operating Expense (Specify)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL OPERATING & MAINTENANCE EXPENSE		\$ -	\$ -	\$ 6,500	\$ 0.31	\$ -	\$ 6,500	\$ -	\$ 0.31
NET OPERATING INCOME BEFORE LEASE PAYMENT		\$ 188,500	\$ 18.50	\$ 182,000	\$ 18.50	\$ -	\$ -	\$ -	\$ -
LEASE PAYMENT:									
	Base Rent Payment	\$ 188,500	\$ 18.50	\$ 188,500	\$ 18.50	\$ -	\$ -	\$ -	\$ -
	Repair & Replacement Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LEASE PAYMENT		\$ 188,500	\$ 18.50	\$ 188,500	\$ 18.50	\$ -	\$ -	\$ -	\$ -
NET CASH FLOW AFTER LEASE PAYMENT		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SELF-AMORTING BOND									
NON-MANDATORY TRANSFERS (Amount necessary to cover project deficit/shortfall)									
CAMPUS RESERVE FUND (Amount used to support all debt/shortfall)									
NET CAMPUS RESERVE BALANCE AS OF END OF FISCAL YEAR									
CAPITAL EXPENDITURE:									
	Structure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Systems (MEP/HA/TELECOMM)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Hardware (not includes books)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Site Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CAPITAL EXPENDITURE		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TIMELATIVE REPAIR & REPLACEMENT RESERVE FUND BALANCE									
TIMELATIVE PROJECT CASH RESERVES									
	Amount held by Institution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



