

Funding Projects, Managing Reserves, and Unlocking Flexibility

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About Today's Session

Auxiliary organizations are under growing pressure to modernize facilities, enhance student experiences, and maintain campus infrastructure—all without access to state funding and often without traditional debt financing. From student union renovations to tenant improvements and vendor partnerships, these projects require creative financial strategies and disciplined reserve management.

This session explores how auxiliaries can take a strategic approach to managing their investment reserves and governance frameworks to support both near-term capital needs and long-term sustainability.

We'll examine how tools like investment policy statements (IPS), reserve utilization guidelines, and committee structures can be tailored to fit the unique needs of auxiliary organizations.

We'll also highlight innovative funding approaches—including structured products, reserve segmentation, and liquidity planning—to help fund mission-critical projects without compromising financial flexibility.

About Your Presenters



Floyd Simpson III, CFA, CAIA, CFP

Director | Head of Public Markets Research Group
U.S. Bancorp Asset Management, Inc. (USBAM)

Floyd serves as the Director of Public Markets Research Group, which has daily oversight over all OCIO public market managers. In this role, he manages a team of analysts responsible for the manager selection and oversight of all public market strategies. He serves on the Investment Committee along with the Manager Selection and Portfolio Construction working groups. Floyd has been a consistent contributor towards our intellectual content for our Outsourced CIO Solution across various aspects: from Market Commentary to best practices for Boards at various Endowment Conferences, along with observations around Artificial Intelligence in regards to Investment Management.

Floyd currently serves on the Board of Trustees for A.T. Still University, Boys' Latin of Philadelphia, and is an Executive Board Member of the CFA Society of Philadelphia. These activities have provided an understanding of the problems that board members encounter, hence allowing Floyd to be one of our leaders within the Outsource CIO Solutions group.

Education & Credentials:

BA in Finance from Truman State University

MBA from DePaul University with a focus on Financial Analysis and Strategy, Execution, and Valuation
Financial Planning certificate from the Northwestern University School of Continuing Studies

Chartered Financial Analyst® (CFA)

Chartered Alternative Investment Analyst® (CAIA) recipient

Certified Financial Planner® (CFP)

About Your Presenters



Tony Lynch, MBA, ICCP

Associate Executive Director

CSU Fullerton Auxiliary Services Corporation

Tony Lynch is the Associate Executive Director and Contract Administrator at CSUF's Auxiliary Services Corporation. In this role, Tony is responsible for the following areas: Property Management, Human Resources, Information Technology, Sponsored Programs, and Contract Administration.

In the recent past, Tony completed his service as a Foundation Board member for the National Association of College Auxiliary Services (NACAS). At NACAS, he worked with a team of University Leaders and Business Partners from across the country, helping to provide expertise and support on current topics in Auxiliary Services. Before joining CSUF ASC, Tony was Marriott International's General Manager for the University and Community College System of Northern Nevada. There, his responsibilities included the University of Nevada, Reno; National Judicial College; Truckee Meadows Community College; Western Nevada Community College; Lawlor Events Center; and Mackay Stadium. In this capacity, Tony also worked within Higher Education and Corporate Services to help turn around financially challenged operations and set them up for a path to success.

Tony holds a Bachelor of Science degree in Business Management (BSM); an MBA from the University of La Verne; Certification in Senior Leadership from the University of Virginia (UVA), McIntire School of Commerce, and the Inclusion Champion Certificate Program for Diversity, Equity and Inclusion (DEIP) from CSUF.

Key Concepts

- How to align investment governance with auxiliary-specific goals and constraints
- Creative ways to fund capital projects without issuing debt
- Defining cash flow needs and time horizons to determine the investment vehicle that may work for you, along with the risk associated with the underline investments.
- How to structure policies and committees to support flexibility and oversight
- Defining “Investment Portfolio” versus "Endowments and Foundations"

Agenda

- The Challenge for Auxiliaries
- Strategic Reserve Management
- Governance Frameworks
- Funding Innovation Toolkit
- Examples/Case Studies
- Practical Steps for Auxiliaries
- Risks & Considerations
- Summary



The Challenge for Auxiliaries

Auxiliaries face growing pressure to:

- Modernize facilities
- Enhance student experiences
- Maintain campus infrastructure



But...

- Minimal to no access to state funding
- Limited ability to issue traditional debt
- Unpredictable revenue streams
- Demographic and Societal Headwinds



Audience Poll

What is your biggest challenge in funding facilities projects?

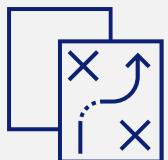
- A. Reserve management
- B. Governance/decision-making
- C. Liquidity
- D. Vendor Partnerships
- E. Other

Why Traditional Funding Falls Short



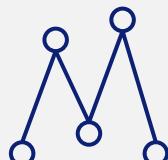
State Funding:

Most auxiliaries do not receive state funding and must self-fund projects.



Debt Constraints:

Many cannot or should not take on new debt.



Revenue Volatility:

Student fees, rents, and vendor income can fluctuate.

Strategic Reserve Management

Reserves are more than a rainy-day fund – they're a strategic asset.



Governance Frameworks

Three pillars for effective reserve management:

1) Investment Policy Statement (IPS):

- Sets objectives, risk tolerance, and guidelines for reserve investments.

2) Reserve utilization guidelines:

- Deciding where revenue is allocated, timing of cash flows.

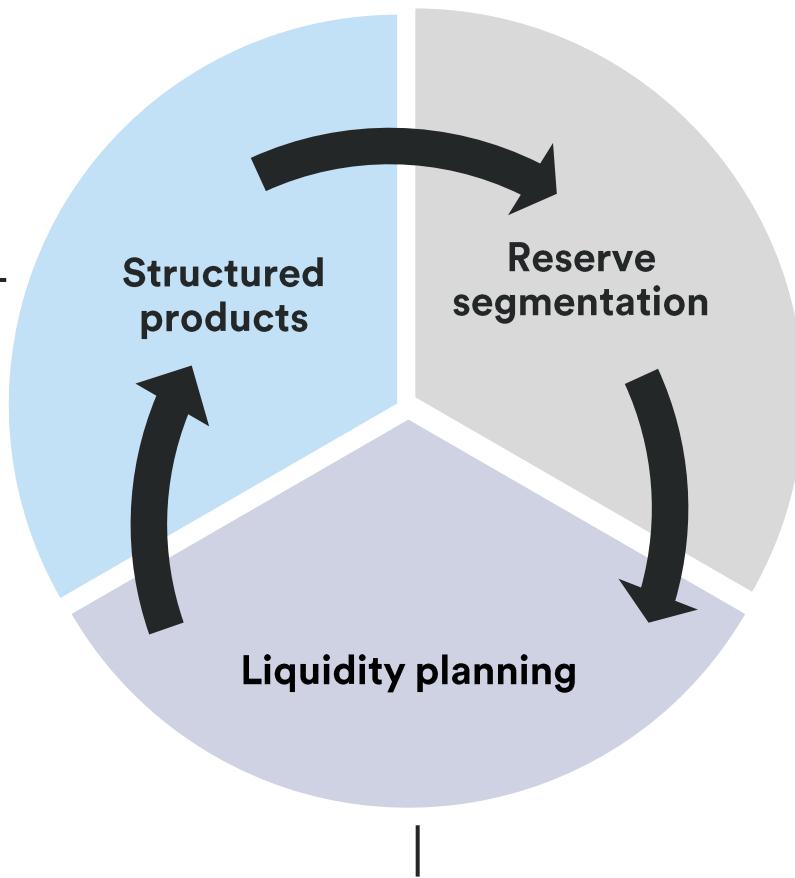
3) Committee structures:

- Ensures decisions are made transparently and collaboratively.



Funding Innovation Toolkit

Example: laddered CDs or short-term bond portfolios for predictable cash flow



Divide reserves by purpose (operating, capital, strategic).

Match investment maturities to project timelines.

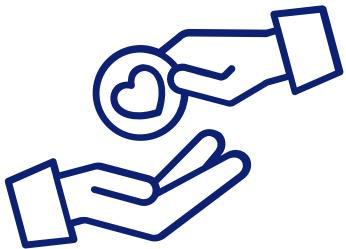
Traditional Funding Options



Common Methods

- Traditional Lending
 - Line of Credit
 - Equipment Finance

Other Funding Options



Leverage Endowment Assets

- Borrow against the endowment assets.
- Utilize the endowment to purchase a building/facility.

Uncommon Methods

- Non-traditional lending facilities
 - Structured Note
- Leveraging assets (properties, income producing assets)
 - Property-tapping equity
 - Pledging future income

CASE STUDY

University Perspective

Partnering to Create the Best Outcome:
Truman State University-Greenwood Autism Center

Key Focal Points

- Identify the general need and leverage your current network
- Obtain support from key constituents in your area



Outcome of Partnerships

- Source of revenue
- Support staffing needs
- Leveraging network/facilities

Reserve Segmentation Example

- An entity would like to better manage its strategic reserves to increase returns
- This was a two-step process which first involves identifying the amount, then establishing a strategy to match liabilities with assets. The table below provides the returns for the usual options.

	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
Bloomberg 3-Month T-Bill	3.87	4.29	4.90	3.16	2.70	2.18
Bloomberg U.S. Aggregate Government – Treasury (3-5 year)	6.80	6.20	4.42	0.58	2.24	1.76
Bloomberg U.S. Aggregate	7.46	5.70	4.56	-0.31	2.27	1.99

Reserve Segmentation Example, cont.

Adding in a sleeve for a multi-asset portfolio provides diversification along with protecting long-term purchasing power.

	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
Bloomberg 3-Month T-Bill	3.87%	4.29%	4.90%	3.16%	2.70%	2.18%
Bloomberg U.S. Aggregate Government – Treasury (3-5 year)	6.80%	6.20%	4.42%	0.58%	2.24%	1.76%
Bloomberg U.S. Aggregate	7.46%	5.70%	4.56%	-0.31%	2.27%	1.99%
Hypothetical 60/40 Portfolio*	15.56%	12.92%	12.93%	7.22%	8.71%	7.99%

Reserve Segmentation Example, cont.

Constructing a custom allocation over the past 10 years would have been more than \$6,000 or a 6% difference in comparison to holding all the reserves within cash.

Growth of	10-Year	Growth of \$100,000
Bloomberg 3-Month T-Bill	2.18%	\$124,079.91
Bloomberg U.S. Aggregate Government – Treasury (3-5 year)	1.76%	\$119,084.80
Hypothetical 60/40 Portfolio*	7.99%	\$215,772.50
Custom Allocation	2.80%	\$131,750.65

For illustrative purposes only.

*Hypothetical 60/40 Portfolio is based on 40% in the Russell 3000 index, 20% within the MSCI ACWI x US index, and 40% within the Bloomberg US Aggregate index.

Growth of \$100,000 is based upon a start date of 12/1/2015.

Custom Allocation based upon 60% invested within the Bloomberg 3-Month T-Bill, 30% invested within the Bloomberg US Aggregate Government-Treasury index, and 10% within the Hypothetical 60/40 Portfolio.

- ✓ Review your IPS – does it fit your current needs?
- ✓ Segment your reserves by purpose and timeline.
- ✓ Establish or update reserve utilization guidelines.
- ✓ Form or refresh your reserve oversight committee.
- ✓ Talk to other entities to find out how they have financed their initiatives.
- ✓ Ask your investment advisor: “How can we improve liquidity without sacrificing returns?”

Practical Steps for Auxiliaries: Checklist for Improving Reserve Management

Risks & Considerations

Risks of poor reserve management

Missed opportunities for facility upgrades

Liquidity crunch during emergencies

Governance gaps leading to slow or poor decisions

Mismanagement of risk tolerance if the entity is leveraging other assets

Summary

- Treat reserves as mission enablers, not just safety nets.
- Strong governance and expanded knowledge unlocks strategic flexibility.
- Innovative funding tools can bridge the gap for facilities projects.

Call to Action:

Start with governance – consider reviewing your IPS and committee structure. Then explore funding tools that fit your needs.



Q&A

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Case Study Disclaimer:

This material is based on factual information from an actual project the adviser completed for the Truman State University-Greenwood Autism Center. It is for general information purposes only and is not intended to provide specific advice or a specific recommendation. The results of individual projects will vary significantly depending on permitted investments and other events or circumstances beyond your control or the control of the adviser. Past performance does not necessarily reflect and is not a guarantee of future results.