AGENDA
Facilities Committee
University of Central Florida
Live Oak Center, Ferrell Commons
Orlando, Florida
February 21, 2012
10:00 a.m.

Chair: Dick Beard; Vice-Chair: John Temple
Members: Caruncho, Corr, Martin, Perez, Robinson, Stavros, Yost

1. Call to Order

   Governor Dick Beard

2. Bond Resolutions

   Mr. Chris Kinsley
   Director, Finance & Facilities

   A. Authorize the implementation by Florida A&M University of a Guaranteed
      Energy Performance Program on the Main Campus, FAMU

   B. Resolution of the Board of Governors Authorizing the Division of Bond
      Finance of the State Board of Administration of Florida to Issue Debt on
      behalf of Florida A&M University to Finance the Construction of a
      Student Residence on the Main Campus, FAMU

3. Review of the 2013-2014 Draft Legislative Budget Request
   (LBR) Guidelines

   Mr. Kinsley

4. Concluding Remarks and Adjournment

   Governor Beard
SUBJECT: Authorization of a Guaranteed Energy Performance Program at FAMU

PROPOSED COMMITTEE ACTION

Authorize the implementation by Florida A&M University (the “University”) of a Guaranteed Energy Performance Program (the “Program”) in an amount not to exceed $12,850,000.

COMMENTS FROM STAFF REVIEW

Staff of the Board of Governors, has reviewed the Energy Performance Program and all supporting documentation. Based upon this review, it appears that the proposed financing is in compliance with applicable Florida State Energy Performance Based Contracting Procedures and the applicable portion of the Debt Management Guidelines. Staff recommends authorization of the Guaranteed Energy Performance Program.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Florida Board of Governors Debt Management Guidelines; Section 1013.23, Florida Statutes; and Article IX, Section 7, Florida Constitution.

BACKGROUND INFORMATION

In 2007, the University openly solicited qualifications from firms qualified to implement a Guaranteed Energy Performance Program for the University. Siemens Building Technologies, Inc. (“Siemens”) was selected to perform the work. In February 2009, the Board of Governors (the “Board”) approved the first phase of this program. In the two years since the execution of the $2.4 million contract, the energy savings have exceeded the investment payment requirements by $277,316. The University is now seeking approval for the second phase of the program. The proposed program is for the University’s Tallahassee campus. The Program is consistent with the University’s mission, master plan and directives to reduce energy consumption.
The estimated program cost is $12,850,000. Section II of the Board’s Debt Management Guidelines requires the University to obtain approval by the Board for any energy performance-based contracts over $10 million. The debt service payments will be funded from revenues generated by savings guaranteed under the terms of the contract. Costs in excess of guaranteed savings are payable by the contractor to the University. Projections provided by the University indicate that sufficient net savings will be generated to pay debt service.

Supporting Documentation Included:
1. Project Summary
2. Attachment I – Estimated Savings Summary

Facilitators/Presenters: Chris Kinsley
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida A&M University
Guaranteed Energy Performance Program

Project Description: Florida A&M University (FAMU) seeks to reduce energy consumption and energy costs by using a Guaranteed Energy Performance Contract. The university solicited qualifications from interested firms and Siemens Building Technologies, Inc. (Siemens) was selected. FAMU desires to have Siemens implement energy savings measures in the areas of steam system partial decentralization, chilled water demand flow, energy management control system, solar thermal system and related soft costs (i.e. design, engineering and installation).

The program is consistent with the University’s Master Plan.

Facility Site Location: The proposed program is for the facilities at the FAMU Tallahassee campus.

Projected Start and Opening Date: It is anticipated that the implementation phase of the program can begin within a month of approval of the project by the Board of Governors. The installation phase is scheduled to be completed within eighteen months of the notice to proceed.

Demand Analysis: The required Technical Energy Audit has been reviewed, confirmed and sealed by a registered professional engineer as required by s. 1013.23(3)(d) F.S. The energy performance program developed based on the Energy Audit demonstrates that the University can realize significant reduction in its utility costs and can create improvements in aging facilities. Energy conservation measures included in the proposed contract are: steam system partial decentralization, chilled water demand flow, energy management control system and solar thermal system.

Project Cost and Financing Structure: The proposed program’s project cost is approximately $12.85 million. The cost for these measures will be paid over a fifteen (15) year period from the money the University saves in energy and utilities consumption and in reduced maintenance of outdated infrastructure. This program will reduce annual energy costs by approximately $1.3 million in the first year of full implementation. The savings are expected to grow to $1.8 million in the fifteenth year. The average annual payments for the investment are anticipated
to be approximately $1.3 million; resulting in an estimated annual net savings to the University of $76,000 in the first year with an increase to approximately $474,000 in the fifteenth year. A 3% annual increase in costs has been assumed. The estimated useful life of the installed measures varies between 15 and 30 years.

**Security/Lien Structure:** Net energy savings will be pledged for the payment of debt service. The savings are guaranteed by Siemens. There will be an annual reconciliation of the total proven energy savings with the total guaranteed energy savings. If the total proven savings is less than the total guaranteed savings resulting in a savings deficit, then Siemens must pay the amount of the deficit to the University.

**Pledged Revenues and Debt Service Coverage:** Not applicable

**Variable Rate Debt:** Not applicable.

**Type of Sale:** Not applicable

**Analysis and Recommendation:** Staff of the Board of Governors has reviewed the information provided by Florida A&M University with respect to the request for Board of Governors approval for the subject financing. Based upon a review of the information provided by the University, it appears that the proposed financing is in compliance with the Florida Statutes. Accordingly, staff of the Board of Governors recommends authorization of the Guaranteed Energy Performance Program.
## FLORIDA A&M UNIVERSITY
### NET SAVINGS SCHEDULE
#### GUARANTEED ENERGY SAVINGS PROGRAM
##### TALLAHASSEE CAMPUS

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**Notes**
1. Estimated savings for Year 1 includes $75,000 in savings during the construction period.
2. Savings amounts for Year 1 and Year 4 do not include capital cost avoidance estimate of $1.3 Million in Year 1 and $175K in Year 4.
3. Other Payments include a Technical Support Program, Performance Assurance and the cost of third party review.
SUBJECT: A Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration of Florida (the “Division of Bond Finance”) to issue revenue bonds on behalf of Florida Agricultural and Mechanical University to finance construction of a Student Residence Facility on the main campus of Florida A&M University

PROPOSED COMMITTEE ACTION

Adoption of a resolution approving the issuance of fixed rate, student residence facility revenue bonds, by the Division of Bond Finance on behalf of Florida Agricultural and Mechanical University (the “University”), in an amount not to exceed $49,000,000 (the “Bonds”) for the purpose of financing a student residence facility on the main campus of the University (“the Project”).

Staffs of the Board of Governors, State University System of Florida, and the Division of Bond Finance have reviewed this resolution and all supporting documentation. Based upon this review, it appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt and complies with the debt management guidelines adopted by the Board of Governors. Accordingly, staff of the Board of Governors recommends adoption of the resolution and authorization of the proposed financing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Florida Board of Governors Debt Management Guidelines; Section 1010.62, Florida Statutes; and Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The University has submitted a proposal for financing and construction of an expansion of their student housing. The Project will be located in the northwestern corner of the Tallahassee campus of the University on the existing site of the Polkinghorne Village housing. The Project will include the design and construction of a new 6-story, approximately 800 bed residence hall as well as the demolition of the Polkinghorne Village buildings, which are currently vacant. The opening of the Project will coincide
with the closing of two existing residence halls, resulting in a net increase of 438 beds to the system in Fall 2013. The projected capacity of the system will be 3,176 beds at that time. The Project is consistent with the University’s Campus Master Plan. The total Project cost is expected to be $44 million. This is the second part of an overall plan to upgrade the housing facilities. The first part involved the issuance of $15 Million in bonds for the renovation of Sampson and Young Halls with a plan to ultimately replace 700 beds from 4 additional residence halls.

The University’s Board of Trustees has requested approval from the Board of Governors for the Division of Bond Finance to issue up to $49,000,000 of fixed rate tax-exempt revenue bonds to finance the construction of the Project, fund a debt service reserve fund, and pay costs of issuing the Bonds. The Bonds will have no more than 20 annual maturities and a level annual debt service payment structure.

The debt service payments will be funded from revenues generated from the operation of the University housing system, after payments of operation and maintenance costs. Operating revenues are generated primarily from rental revenues for housing services. The Bonds will be secured by a first lien on the Pledged Revenues on parity with the 2010 A&B Bonds, outstanding in the principal amount of $26,998,000.

Projections provided by the University indicate that sufficient net revenues will be generated to pay debt service on the Bonds and the outstanding parity bonds.

The University’s Board of Trustees approved the Project and the financing thereof at its December 19, 2011 meeting.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Attachment I – Estimated Sources and Uses of Funds
4. Attachment II – Historical and Projected Pledged Revenues and Debt Service Coverage

Facilitators/Presenters: Chris Kinsley
A RESOLUTION REQUESTING THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA TO ISSUE REVENUE BONDS ON BEHALF OF FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY TO FINANCE THE CONSTRUCTION OF STUDENT HOUSING FACILITIES AND RELATED IMPROVEMENTS ON THE CAMPUS OF FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY IN AN AMOUNT NOT TO EXCEED $49,000,000; AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed Board of Governors of the State of Florida at a meeting duly held pursuant to notice and a quorum being present do hereby make the following resolutions:

BE IT RESOLVED:

1. **Findings.** The Board of Governors hereby finds as follows:

   (A) Pursuant to Article IX, Section 7 of the Florida Constitution, the Board of Governors is vested with the power to operate, regulate, control and manage the State University System of Florida. The Board of Governors is further vested with the authority to approve the issuance of revenue bonds by a state university pursuant to Section 1010.62(2), Florida Statutes.

   (B) The Board of Trustees of Florida Agricultural and Mechanical University (the “University”) has requested approval from the Board of Governors for the Division of Bond Finance to issue revenue bonds in an amount not exceeding $49,000,000 (the “Bonds”), for the purpose of financing: (i) a student housing facility containing approximately 800 beds to be located on the main campus of the University and related improvements; (ii) a debt service reserve, if any; (iii) municipal bond insurance, if necessary, and (iv) certain costs relating to the Bonds (collectively, the “Project”). The foregoing plan to finance the Project is collectively referred to herein as the “Financing Plan”.

   (C) The Project will be part of the housing system at the University.

   (D) Upon consideration of the Financing Plan, the Board of Governors further finds that the issuance of the Bonds is for a purpose that is consistent with the mission of the University; is structured in a manner appropriate for the prudent
financial management of the University; is secured by revenues adequate to provide for all debt service payments; has been properly analyzed by the staffs of the Board of Governors and the Division of Bond Finance; and is consistent with the Board of Governors’ Debt Management Guidelines.

(E) The Board of Governors declares that the Project will serve a public purpose by providing housing facilities at the University.

(F) The Project is included in the master plan of the University.

2. Approval of the Project. The Project is approved by the Board of Governors as being consistent with the strategic plan of the University and the programs offered by the University.

3. Approval of the Bonds. The Board of Governors hereby approves and requests the Division of Bond Finance of the State Board of Administration of Florida (the “Division”) to issue the Bonds for the purpose of financing the construction of the Project. Proceeds of the Bonds may be used to pay the costs of issuance of such Bonds, to provide for capitalized interest, if any, to provide for a municipal bond insurance policy, if any, and to fund a reserve account or provide debt service reserve insurance, if necessary. The Bonds are to be secured by the net revenues of the housing system of the University, which may include but are not limited to, housing fees, rental revenues, fines, special rental fees or other charges for housing services, and may additionally be secured by other revenues that are determined to be necessary and legally available. The Division shall determine the amount of the Bonds to be issued and the date, terms, maturities, and other features of a fiscal or technical nature necessary for the issuance of the Bonds. Proceeds of the Bonds and other legally available monies shall be used for the Project, which is authorized by Section 1010.62, Florida Statutes, or such other housing facility project at the University which is authorized by Section 1010.62, Florida Statutes. The issuance of Bonds by the Division for the purpose of reimbursing the University for capital expenditures paid for the Project from legally available funds of the University is hereby authorized.

4. Refunding Authority. Authority is further granted for the issuance of bonds for the purpose of refunding all or a portion of any bonds secured by the revenues described, if it is deemed by the Division to be in the best financial interest of the State. The limitation on the amount authorized for the Bonds in Section 1 above shall not apply to such refunding bonds. Other terms of this resolution shall apply to any such refunding bonds as appropriate.

5. Compliance. The Board of Governors will comply, and will require the University to comply, with the following:
(A) All federal tax law requirements upon advice of bond counsel or the Division as evidenced by a “Certificate as to Tax, Arbitrage and Other Matters” or similar certificate to be executed by the Board prior to the issuance of the Bonds.

(B) All other requirements of the Division with respect to compliance with federal arbitrage law, pursuant to Section 215.64 (11), Florida Statutes.

(C) All requirements of federal securities law, state law, or the Division, relating to continuing secondary market disclosure of information regarding the Bonds, the University, and the University’s housing system, including the collection of the revenues pledged to the Bonds. Such requirements currently provide for the disclosure of information relating to the Bonds, the University, and the University’s housing system, including the collection of the revenues pledged to the Bonds, on an annual basis and upon the occurrence of certain material events.

(D) All covenants and other legal requirements relating to the Bonds.

6. Fees. As provided in Section 215.65, Florida Statutes, the fees charged by the Division and all expenses incurred by the Division in connection with the issuance of the Bonds (except for periodic arbitrage compliance fees, if any, which shall be paid from other legally available funds) shall be paid and reimbursed to the Division from the proceeds of the sale of such Bonds. If for any reason (other than a reason based on factors completely within the control of the Division) the Bonds herein requested to be authorized are not sold and issued, the Board agrees and consents that such fees, charges and expenses incurred by the Division shall, at the request of the Division, be reimbursed to the Division by the University from any legally available funds of the University.

7. Authorization. The Division is hereby requested to take all actions required to issue the Bonds.

8. Reserve and Insurance. If determined by the Division to be in the best interest of the State, the Board of Governors may cause to be purchased a debt service reserve credit facility and/or municipal bond insurance, issued by a nationally recognized bond insurer.

9. Repealing Clause. All resolutions of the Board of Governors or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.
10. **Authorization of Further Actions Consistent Herewith.** The members of the Board of Governors, attorneys, or other agents or employees of the Board of Governors are hereby authorized and directed to do all acts and things required of them by this resolution or desirable or consistent with the requirements hereof, to assure the full, punctual and complete performance of all the terms, covenants and agreements contained in the Bonds and this resolution; including execution of such documents, certificates, contracts and legal opinions and other material delivered in connection with the construction or financing of the Project for use by the University, the issuance of the Bonds or as necessary to preserve the exemption from the taxation of interest on any of the Bonds which are tax-exempt, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

11. **Effective Date.** This resolution shall become effective immediately upon its adoption.

Adopted this 22nd day of March, 2012
CERTIFICATE OF THE CORPORATE SECRETARY

The undersigned, Corporate Secretary of the Board of Governors, does hereby certify that the attached resolution relating to the issuance of Bonds by the Division of Bond Finance of the State Board of Administration of Florida is a true and accurate copy as adopted by the Board of Governors on March 22, 2012, and said resolution has not been modified or rescinded and is in full force and effect on the date hereof.

BOARD OF GOVERNORS OF THE
STATE UNIVERSITY SYSTEM OF FLORIDA

Dated: _________________, 2012
By: _______________________

Corporate Secretary

00538599.1
STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
Project Summary  
Florida Agricultural and Mechanical University  
Student Housing Project

**Project Description:**
Florida Agricultural and Mechanical University (the “University”) currently has over 2,600 available beds in student residences on the main campus. The proposed project will demolish the existing Polkinghorne Village residences, currently vacant, and construct a new 6-story, 800 bed residence hall. The rooms in the new residence hall will include 2-bed/1 bath and 4-bed/2-bath suites. The opening of the new facility will coincide with the closing of two existing residence halls, resulting in a net addition of approximately 438 beds on the main campus.

The project is included in the current Campus Master Plan.

**Facility Site Location:**
The new residence hall will be located in the northwestern corner of the Tallahassee campus on the existing site of Polkinghorne Village.

**Projected Start and Opening Date:**
It is anticipated that construction will commence in February 2012 and will be available for occupancy in July 2013.

**Demand Analysis:**
The capacity of the University’s Housing System is currently 2,611 beds in nine traditional residence halls and three apartment facilities, which can accommodate approximately 19% of the University’s fall 2011 enrollment of 13,204, or 23% of full-time undergraduate enrollment of 11,027. After a period of declining enrollment from 13,070 in fall 2004 to 11,567 in fall 2007, enrollment increased approximately 15% over the past three years to 13,277 in fall 2010 before sustaining a slight decline of approximately 0.5% in fall 2011 to 13,204. The official projections of future enrollment growth are 1.4% annually over the next five years.

The primary targeted market for the project will be traditional single, undergraduate students. The University’s full-time undergraduate student population grew by 2,463 students, or 28.7%, from 8,564 in fall 2006 to 11,027 in fall 2011. Freshmen enrollments grew 50%, over the same period from 2,565 to 3,852.
For the fall 2011 semester, the housing system was 100% occupied prior to opening with 2,548 beds filled and 250 students on the waiting list. However, no-shows and cancellations has created vacancies with occupancy falling to about 97.6%. Occupancy rates have averaged more than 97% over the past six years and the annual waiting list has averaged 357.

Additionally, the University has a policy requiring unmarried freshmen and first time in college (FTIC) students who do not live at home and are under 21-years old to live on campus; however, the University has been unable to enforce this requirement due to a lack of available beds. In fall 2011, there were 2,026 FTIC students who fell within the residency requirements, approximately 370 of which were in violation of the requirement to live on campus.

Enrollment growth, coupled with extensive deferred maintenance needs, undesirable living conditions at many of the system housing facilities, and a goal to improve student retention rates, has lead to a need for increased student housing through a combination of renovation, replacement and new construction projects. The first phase of the University’s plan for meeting their housing needs was the renovation of two residence halls, Sampson and Young, which reopened for the fall 2011 semester at 98% and 99% occupancy rate, respectively. With the opening of the proposed new 800-bed facility, the University plans to simultaneously close two existing residence halls, Cropper and Wheatley, due to extensive renovation and maintenance needs. Those two halls have a combined design capacity of 362 beds, resulting in a net addition of 438 beds to the system in fall 2013.

The University Board of Trustees has established a committee to develop a long-range plan for their housing and athletics systems. Future plans may include the replacement of Cropper and Wheatley Halls with construction of a new 400-bed facility expected to open in fall 2015. The committee may also recommend subsequent replacement of two additional halls, Diamond and McGuinn, with construction of a new 300-bed facility to be open in fall 2017. The timing and costs of future projects is still to be determined; however, for planning purposes, the University is currently using a cost estimate of $20 million per facility for a total of $40 million additional funding needs.

The University’s comprehensive plan to replace aged housing facilities with new construction is a substantial investment. The plan, if fully executed, will require a 330% increase in the amount of
debt outstanding from $27 million at June 30, 2011 to more than $116 million over the next five years. Additionally, the annual debt service payment will increase 176% following the issuance of debt for the proposed project from approximately $2.5 million to $6.9 million annually.

The University engaged a consultant, MGT of America, Inc. (MGT), to provide a study of their housing system. MGT concluded that, based on enrollment growth assumptions and assuming the simultaneous closures of Cropper and Wheatley halls, the University would have approximately 260 surplus beds for the first year the new facility is open and approximately 70 surplus beds for the second year. MGT concluded that the system would reach 100% occupancy by the third year the new facility is open with an overall deficit of approximately 125 beds for the system in that year. The University believes MGTs results are conservative and believes that, given the lack of available housing for FTIC students coupled with the average annual waiting list, the surplus beds will likely be occupied. The University has assumed a 97% occupancy rate for the housing system, including the project, for their feasibility analysis.

Staffs of the Board of Governors and the Division of Bond Finance have conducted a sensitivity analysis based on the revenue and expense projections of the University which illustrates the University could have as low as approximately 45% occupancy (approximately 340 beds) in the new facility when it opens in fall 2013 and maintain a 1.2x debt service coverage level. The closures of Cropper and Wheatley halls will generate more demand than would be necessary to fill 340 beds.

The addition of new beds into the housing system will enable the university to better achieve its objective of housing 30% of fall headcount and improving student retention rates.

**Project Cost and Financing Structure:**

The total project cost, which includes demolition of existing facilities and design and construction of the new facility, is approximately $44 million. The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida State Board of Administration’s Division of Bond Finance, on behalf of Florida A&M University, in an amount not to exceed $49,000,000. Included in the proposed bond amount is approximately $5 million to fund a debt service reserve fund and pay costs of issuance.
The debt is expected to have a 20-year annual maturity, level debt payment structure with the first principal payment occurring in July 2014.

**Security/Lien Structure:** Net housing system revenues will be pledged for the payment of debt service on parity with the system’s outstanding debt. These revenues are derived primarily from rental income after deducting operating and maintenance expenses. When the facility opens in Fiscal Year 2013-2014, the projected rental rate for fall and spring semesters will be $3,325 per bed, per semester. The projected rate for the summer is $2,625. These rates are slightly higher than other residence halls on campus but are consistent with market prices for suite style rooms.

The debt will be secured by a first lien on the pledged revenues on parity with the 2010A and 2010B Bonds, outstanding in the aggregate principal amount of $26,998,000.

**Pledged Revenues and Debt Service Coverage:** During the past five year period from fiscal year 2006-2007 to 2010-2011, pledged revenues for the housing system grew from $1,606,720 to $5,115,213 resulting in debt service coverage which ranged from 1.19x to 2.57x. For fiscal years 2011-2012 to 2015-2016, pledged revenues for the system are projected to grow from $6,272,347 to $12,065,669. Expected coverage is 1.73x in 2011-2012 and declines to 1.25x in 2012-2013 as a result of an interest payment on the new bond debt service. In fiscal year 2013-2014, the first year the facility is expected to be operated, the debt service coverage ratio for the housing system is projected to be 1.59x which includes a full 12 months of principal and interest and also reflects the University’s plan to take Cropper and Wheatley residence halls offline.

With the exception of two renovated dorms brought on-line in 2011, the entire existing housing system at FAMU is in need of significant renovations. While the university plans to set aside at least 3% of operating revenues for a maintenance reserve, Board staff recommends that the University set aside 5% of annual Housing Revenues in a maintenance reserve to be used for repairs and maintenance of the Housing System only. As of June 30, 2011, there was approximately $2.66 million in the maintenance reserve. In addition, Board staff recommends that no funds be transferred out of the Housing System for administration discretionary expenditures.
until such time as the university has made all necessary improvements and renovations to bring the Housing System up to a satisfactory condition level, as determined by the Board of Governors.

The projected revenues are based, in part, upon a 4% annual rental rate increase and a 3% increase in operating expenses. Projected revenues for the Project assume an occupancy rate of approximately 97% per year (including summer semester).

See Attachment 2 for 5-years historical and 5-years projected pledged revenues and debt service coverage prepared by the University.

**Type of Sale:** The Division of Bond Finance will make a determination to sell the bonds through either a competitive or negotiated sale based on market conditions and financing options available at the time of sale. It is currently expected that the bonds will be sold through a competitive sale.

**Analysis and Recommendation:** Staff of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University with respect to the request for Board of Governors approval for the subject financing. Based upon the information provided, it appears there will be adequate demand to support the additional beds. Additionally, the last five years of operations have shown the pledged revenues are generating positive debt service coverage and are projected to continue to provide adequate debt service coverage in the future based on what appear to be reasonable assumptions as to revenue and expenditure growth. The University is developing a long-range plan to address the extensive level of physical plant deficiencies detailed in the University’s submission. The University’s comprehensive plan, if fully executed, will require a 330% increase in the amount of debt outstanding from $27 million at June 30, 2011 to more than $116 million over the next five years. Following the issuance of debt for the proposed project, the annual debt service payment will increase 176% from $2.5 million to $6.9 million. Compounding the fiscal impact of the additional debt is the possible construction risk, which provides little cushion for delays in the project, which must be open by fall 2013 in order to meet debt service obligations from system revenues. Despite these challenges, Board staff recommends that approval be contingent upon the
establishment of an annual funding level for the maintenance reserve of 5% of annual revenues, and the restriction on the transfer of Housing System revenues, until such time as the University’s plan for renovation of the Housing System has been completed. It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.
## Sources of Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Basis for Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Par Amount</td>
<td>$49,000,000</td>
<td>Series 2012A Bonds par amount based on a fixed, tax-exempt interest rate of 5.75% for 20 years.</td>
</tr>
<tr>
<td>Plus: Bond Premium</td>
<td>$910,346</td>
<td></td>
</tr>
<tr>
<td>Plus: Interest Earnings</td>
<td>$345,431</td>
<td>Estimated earnings on construction fund at 1%.</td>
</tr>
<tr>
<td>Less: Costs of Issuance</td>
<td>$(145,400)</td>
<td>Estimated bond counsel ($20,000); arbitrage compliance ($9,800); DBF Fees ($80,000); Ratings ($30,000); Misc. ($5,600).</td>
</tr>
<tr>
<td>Less: Underwriter’s Discount</td>
<td>$(980,000)</td>
<td>Estimated at 2% of par.</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$49,130,377</td>
<td></td>
</tr>
</tbody>
</table>

## Uses of Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Basis for Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Cost</td>
<td>$44,000,000</td>
<td>Cost of design and construction of new 800-bed facility and demolition of existing facilities.</td>
</tr>
<tr>
<td>Debt Service Reserve Account</td>
<td>$4,443,363</td>
<td>Fully funded at maximum annual debt service on the bonds.</td>
</tr>
<tr>
<td>Bond Sizing Contingency</td>
<td>$687,015</td>
<td></td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$49,130,378</td>
<td></td>
</tr>
</tbody>
</table>
### 5-Year Historical and Projected Revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXISTING HOUSING SYSTEM</td>
<td>$8,607,672</td>
<td>$9,227,660</td>
<td>$10,467,076</td>
<td>$10,624,248</td>
<td>$11,169,697</td>
<td>$11,616,485</td>
<td>$12,188,144</td>
<td>$12,564,390</td>
<td>$13,066,956</td>
</tr>
<tr>
<td>SAMPSON &amp; YOUNG REMODELED</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,453,000</td>
<td>1,511,120</td>
<td>1,571,565</td>
<td>1,634,427</td>
</tr>
<tr>
<td>PROPOSED NEW 800-BED FACILITY</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,188,125</td>
<td>7,475,650</td>
</tr>
<tr>
<td>CLOSURE OF CROPPER AND WHEATLEY</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,495,867)</td>
<td>(1,535,869)</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$8,607,672</td>
<td>$9,227,660</td>
<td>$10,467,076</td>
<td>$10,624,248</td>
<td>$11,169,697</td>
<td>$13,069,485</td>
<td>$13,592,264</td>
<td>$19,829,013</td>
<td>$20,622,174</td>
</tr>
</tbody>
</table>

| LESS CURRENT EXPENSES | | | | | | | | | |
| EXISTING HOUSING SYSTEM | $7,000,952 | $7,052,549 | $7,202,039 | $7,077,390 | $6,054,484 | $6,236,118 | $6,423,202 | $6,615,898 | $6,814,375 | $7,018,806 |
| SAMPSON & YOUNG REMODELED | - | - | - | - | - | 561,020 | 577,851 | 595,186 | 613,042 | 631,423 |
| PROPOSED NEW 800-BED FACILITY | - | - | - | - | - | - | - | 2,418,340 | 2,490,890 | 2,565,617 |
| CLOSURE OF CROPPER AND WHEATLEY | - | - | - | - | - | - | - | (786,563) | (810,160) | (834,464) |
| **TOTAL CURRENT EXPENSES** | $7,000,952 | $7,052,549 | $7,202,039 | $7,077,390 | $6,054,484 | $6,797,138 | $7,001,052 | $8,842,861 | $9,108,147 | $9,381,391 |

| PLEDGED REVENUES | $1,606,720 | $2,175,111 | $3,265,037 | $3,546,858 | $5,115,213 | $6,236,118 | $6,423,202 | $6,615,898 | $6,814,375 | $7,018,806 |

| ANNUAL DEBT SERVICE | | | | | | | | | |
| OUTSTANDING PARITY BONDS | $1,346,941 | $1,350,804 | $1,357,604 | $1,352,094 | $1,989,844 | $2,459,038 | $2,456,729 | $2,460,658 | $2,464,549 | $2,463,366 |
| PROPOSED 2012 BONDS (ESTIMATED) | - | - | - | - | - | 1,173,942 | 2,817,500 | 4,439,063 | 4,440,450 | 4,440,450 |
| **TOTAL ESTIMATED ANNUAL DEBT SERVICE** | $1,346,941 | $1,350,804 | $1,357,604 | $1,352,094 | $1,989,844 | $3,632,980 | $5,274,229 | $6,903,158 | $6,903,612 | $6,903,816 |

| REVENUES AVAILABLE AFTER DEBT SERVICE | $259,779 | $824,307 | $1,907,433 | $2,194,765 | $3,125,369 | $2,459,038 | $2,456,729 | $2,460,658 | $2,464,549 | $2,463,366 |

| MAXIMUM ANNUAL DEBT SERVICE | $1,383,763 | $1,383,763 | $1,383,763 | $1,383,763 | $2,481,868 | $6,923,808 | $6,923,808 | $6,923,808 | $6,923,808 | $6,923,808 |

| DEBT SERVICE COVERAGE RATIOS | | | | | | | | | |
| Annual Debt Service | 1.19 x | 1.61 x | 2.40 x | 2.62 x | 2.57 x | 1.73 x | 1.25 x | 1.59 x | 1.67 x | 1.75 x |
| Maximum Annual Debt Service | 1.16 x | 1.57 x | 2.36 x | 2.56 x | 2.06 x | 0.91 x | 0.95 x | 1.59 x | 1.66 x | 1.74 x |

Footnotes:

1. The financial information related to revenues and expenses was provided by the University.
2. Includes operating income.
3. Projected revenues are the existing housing rental rates increased by 4% per year and operating expenses by 3% per year.
4. Calculated based on revenue generating beds of 230 at a rate of $2,800 per semester with only Young Hall (75 beds) opened in summer at a rate of $2200. Operating expenses were calculated at $10 per square foot for the first year and are projected to increase by 3% per year thereafter.
5. Projected revenues assume a 9-month lease for fall and spring at a rate of $3,325 per semester for 2013-14. The summer rate is assumed at $2,625 for 2013-14. Assumes 775 beds occupied year-round. Rental rates are assumed to increase by 4% per year. Operating expenses calculated at $10 per square foot for the first year and are projected to increase by 3% per year thereafter.
6. Revenues factored by 1.04 per year from 2011 base year; expenses factored by 1.03 per year from 2011 base year.

PROPOSED COMMITTEE ACTION

Review the 2013-2014 LBR guidelines for the operating and fixed capital outlay budget requests. Following the review by Committee, changes will be incorporated and the final LBR guidelines will be placed on the March full Board agenda for approval.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

In order to maintain the schedule for developing the LBR in a timely manner, the Board of Governors should approve a set of policy guidelines for the development of the operating and fixed capital outlay budget request.

The attached guidelines have been changed to prioritize critical deferred maintenance and remodeling/renovation above, but not to the exclusion of physical plant.

The Board of Governors will review and approve a 2013-2014 operating and fixed capital outlay LBR at the September 2012 meeting. The final LBR will then be forwarded to the Governor and Legislature on October 15.

Supporting Documentation Included: Located Behind Budget Committee Tab

Facilitators/Presenters: Chris Kinsley