STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS

Project Summary
University of Florida
University Athletic Association, Inc.
Office of Student Life & Indoor Practice Facility

Project Description: The proposed project, (the “Project”), includes two components: (i) renovation and expansion of the existing Farrior Hall Building to provide an enhanced Office of Student Life for student athletes and (ii) the construction of a new indoor football practice facility (the “Indoor Practice Facility”).

Office of Student Life (“OSL”)

Description: Farrior Hall was constructed in 1995 with three floors and approximately 35,000 GSF. The building contains both the University Athletic Association’s (“UAA”) OSL and the College of Liberal Arts and Sciences’ (“CLAS”) Academic Advising Center (“AAC”). The OSL’s primary mission is to prepare University of Florida student-athletes for life after college by providing quality support programs and services that facilitate graduation. The focus of these programs is to promote the personal, educational, and career development of student-athletes. The AAC provides undergraduate advising services to pre-health and pre-law students as well as others interested in CLAS majors. Including student athletes there are 10,000+ CLAS students and 28 full-time staff in the AAC. The OSL currently occupies the entire third floor and portions of the first and second floors within Farrior Hall, as well as portions of other buildings on campus. The AAC occupies the portions of the first and second floors not occupied by the OSL.

The current configuration of the OSL within Farrior Hall and other buildings on campus is insufficient to adequately accommodate all student athletes and allow them to meet the minimum number of weekly “contact hours” that ensures their academic success necessary to compete in intercollegiate athletics as set forth by the University of Florida (the “University” or “UF”), the NCAA and the SEC. Additionally, such limited space restricts the OSL’s ability to achieve its fundamental mission as described previously.
The proposal includes renovation and reoccupation of the first and second floor of the existing building by the AAC and a renovation and reoccupation of the existing third floor by the OSL. In addition, 50,000 square feet of new construction will be added onto the existing building to provide the OSL with additional space. Upon completion, the OSL will be entirely consolidated into Farrior Hall, eliminating the need for space in other buildings on campus. The OSL expansion in Farrior Hall will provide additional space for more innovative educational programming, thereby fostering a culture of proactive behavior, intentional decision-making, and responsibility among the students it serves. Further, the proposal will allow CLAS and OSL to continue to serve an integrated mission to benefit student athletes and the general student body.

**Site Location:** The OSL will be located on the main campus of the University in Gainesville, Florida, at the existing Farrior Hall, as described above.

**Cost:** The estimated design and construction cost of the renovation and expansion of the OSL is $25,000,000 including approximately $3.6 million of capital improvements and furniture and equipment related to the expansion and renovation of space occupied by the AAC.

**Project Demand:** The University of Florida’s 500+ student athletes are required to maintain academic success in order to compete in intercollegiate athletics and are encouraged beyond the first semester of their freshmen year to have a minimum of 8 contact hours per week during season (varying based on sport) and 16 hours during off-season (a minimum at any given time of 4,000 contact hours per week). These contact hours are primarily spent with tutors. The current facility only provides 14 tutoring rooms, which have been operating at double and sometimes triple occupancy.

At-risk student athletes and those with diagnosed education-impacting disabilities (“EID”) represent approximately 30% of the current student athlete population. The “Strategy Program” within the OSL is specially designed to serve the needs of at-risk and EID student athletes and require additional, need-based and subject specific tutoring in a focused environment. The current space allocation for the Strategy Program allows for 15 tutoring sessions, and has been identified as insufficient by the UAA.
The renovations to Farrior Hall provide a direct benefit to the undergraduate students served by the CLAS AAC. The proposal expands the waiting area for students seeking walk-in advising. At peak times, the AAC serves more than 300 walk-in students per day; a lack of adequate waiting space discourages between 5% and 10% of walk-in students to remain until advisors are available. Recognizing that academic advising is a critical component of academic success, retention, and timely graduation, it is critical to make the advising experience a welcoming one.

The Project also provides the AAC with additional space for academic advising sessions. Currently, the AAC employs four graduate assistants as advisors in addition to its full-time professional advising staff, but only has available space for two graduate advisors at one time. Additional space would reduce waiting times and increase the number of students served by about 5%. In addition, the Project provides additional space in the AAC for peer advising. Currently the CLAS Ambassadors provide peer advising at peak times during the year, which to-date hasn’t been provided in the AAC due to limited space.

Finally, the Project provides the AAC with additional space for group advising sessions. The AAC has university-level advising responsibilities that include: pre-law advising, pre-health advising, exploratory (undecided) advising, freshman orientation, and first-year high-risk student advising. In each case, one-on-one advising is supplemented by group advising sessions and workshops. The AAC does not currently have adequate space to deliver workshops at each optimal time for students.

**Start and Completion Date:** Construction of the OSL commenced in March 2015 and will be completed by December 2016.

**Indoor Practice Facility**

**Description:** The proposed Indoor Practice Facility will house a full 120-yard, synthetic turf football field, additional space for drill work on the north end of the field, three camera platforms, satellite training room facilities, equipment storage and restrooms. In addition, the Indoor Practice Facility will have multiple overhead roll-up doors along the
east and west side for ventilation and easy access for the team during practices. It will be fully air conditioned to maintain consistent temperatures during use and available at times throughout the year for other sports, such as soccer and track. The Indoor Practice Facility will also feature a newly redesigned entrance to the baseball stadium and football practice facility.

**Site Location:**
The Indoor Practice Facility will be located on the main campus of the University in Gainesville, Florida, on its current football practice site located immediately north of McKethan Stadium (baseball). Construction of the Indoor Practice Facility will absorb an existing outdoor practice field, decreasing the existing outdoor fields from three to two.

**Cost:**
The estimated design and construction cost of the Indoor Practice Facility is $17,000,000.

**Project Demand:**
The University currently has three outdoor practice fields: two natural turf fields at 100 yards and 70 yards, and one synthetic turf field at 50 yards. In support of the practice fields, a 5,500 square foot maintenance building was constructed in 2006 to provide space for satellite athletic training, a hydration station, toilet facilities and field maintenance equipment storage. A number of functions served by the maintenance building will be moved to the Indoor Practice Facility, allowing for the existing building to be demolished and providing space for a full natural turf practice field.

Currently, in times of inclement weather, the football team is required to reschedule practice, move inside to the Stephen C. O’Connell Center or Florida Gym, or cancel practice altogether. In addition, both the University and the SEC have strict lightning policies, requiring practices be moved or canceled if lightning is viewed in the area. When lightning strikes are detected within an eight mile radius of the practice site, practice is halted and may resume only after 30 minutes of no detected lightning. This disrupts the flow and continuity of the team’s training session.

**Start and Completion Date:**
Construction of the Indoor Practice Facility commenced in March 2015 and will be completed by August 2015.
The Project

Study of Private Sector Alternatives: The Project consists of athletic facilities managed and operated by the UAA for the benefit of student athletes and the athletic program at the University. Private donations have been collected to pay for a significant portion of the construction with existing University facilities and land designated for each aspect of the Project. As a result, there are no private sector alternatives that can provide the same level of access and service.

Financing Structure: Financing of the Project will be through the issuance of tax-exempt, variable rate bonds, designated Series 2015, on behalf of the UAA Board, with a final maturity no later than 20 years, in an amount not to exceed $15,000,000. The existing Bond covenants allow for the issuance of additional bonds under the same indenture. A cash contribution of $27,150,000 from private capital gifts ($25.15 million) and UAA unrestricted cash and investments ($2.0 million) will also fund a portion of the Project.

(See Estimated Sources and Uses of Funds.)

Security/Lien Structure: The Debt will be issued on a parity basis with the outstanding UAA debt, which following the October 1, 2015 payment is projected to be $76,450,000 ($55.6 million outstanding in variable rate and short-term fixed rate mode and $20.8 million outstanding in fixed rate mode). The UAA is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes.

Management of Variable Rate Debt: The proposed Debt is expected to be issued on a variable rate basis. The UAA has estimated the amortization on the Debt over 20 years using a conservative 6% interest rate. Once the debt is issued and following the October 1, 2015 payment, the UAA will have $91,450,000 in outstanding debt, of which 77% will be in variable rate and short-term fixed rate mode.
The Debt Management Guidelines do not specify a limit on the amount of variable rate debt. However, in making a determination of the proper level of variable rate debt, the Guidelines do require an understanding of the associated risks, a plan for addressing and mitigating those risks and the expected benefit derived from issuing variable rate debt. The UAA has indicated an understanding of these risks and benefits as discussed below.

The UAA has nearly 25 years of experience managing its variable rate debt portfolio since its first variable rate debt issuance in 1990. Issuing the proposed Debt as variable rate saves approximately $2.0 million in interest costs on a net present value basis and $3.0 million in gross interest costs over the life of the 20-year term. The savings is derived from the difference between UAA’s 10 year average variable rate debt cost of 2.98% and the average fixed rate cost of 4.44%. The fixed rate cost of 4.44% is based on the AAA Municipal Market Data Index plus 125 basis point credit spread for an A-rated credit. The UAA also prepared a debt management plan related to the issuance of the proposed Debt as variable rate. The plan is intended to mitigate liquidity and interest rate risks over the repayment period.

As shown in the table below, the UAA has maintained appropriate amounts of short-term and long-term investments as a hedge against interest rate risk. The financing documents require maintenance of unrestricted cash and marketable securities of at least 25% of its outstanding indebtedness. The short-term investments are invested with the State’s Treasury Investment Pool and earn interest at a monthly rate. These investments should perform as a direct hedge against approximately one-fourth of the outstanding and proposed variable rate debt because the assets are immediately available for liquidation should the variable rate debt service increase unexpectedly. The long-term investments are invested in a diversified portfolio according to the UAA’s investment strategy. The investment strategy for these funds is primarily driven by the equity market, which is not as stable or predictable as the State’s Treasury Investment Pool. However, given the history below, the combined total of cash, short-term and long-term investments provides significant protection in the event of rising interest rates.

<table>
<thead>
<tr>
<th>Amounts in $000's</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 2,660</td>
<td>$ 4,562</td>
<td>$ 3,334</td>
<td>$ 4,774</td>
<td>$10,766</td>
<td>$ 7,981</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>44,888</td>
<td>41,224</td>
<td>45,106</td>
<td>46,715</td>
<td>45,734</td>
<td>46,188</td>
</tr>
<tr>
<td>Noncurrent - Long Term Investments</td>
<td>33,803</td>
<td>36,348</td>
<td>46,997</td>
<td>45,284</td>
<td>51,627</td>
<td>56,900</td>
</tr>
<tr>
<td>Total</td>
<td>$ 81,352</td>
<td>$ 84,133</td>
<td>$ 95,736</td>
<td>$ 96,783</td>
<td>$106,126</td>
<td>$111,069</td>
</tr>
</tbody>
</table>
The UAA budgets for variable rate debt service annually considering the volatility of short-term interest rates and expectations for interest rate moves during the upcoming year. Budgeted debt service is based upon the highest monthly interest rate for the preceding twelve months. The Director of Athletics, the UAA Finance Committee and the chair of the UAA Audit Committee monitor monthly debt service expenditures in order to rectify budgetary problems quickly.

The UAA has asserted that it is fully aware of the risks associated with variable rate financing and carefully considers these risks in addition to the benefits of lower interest cost, asset-liability management and flexibility.

**Pledged Revenues, Debt Service Coverage:**

The Bonds are general unsecured obligations of the UAA payable from available revenues of the UAA excluding Athletic Fees described in Section 1009.24(12), Florida Statutes and any capital gifts and donations. Operating revenues include ticket sales and conference revenues (primarily football and basketball), auxiliary sales, sponsorships and other miscellaneous sources. Non-operating revenues are derived primarily from investment earnings and athletic fees. The UAA is allowed to retain the sales tax on ticket sales which is included as non-operating revenue. Although athletic fees are not available to pay debt service, they are available to pay other expenses of the UAA (primarily Scholarships).

On a gross basis, historical coverage from pledged revenues ranged from 3.45x in 2009-10 to 2.02x in 2013-14 (excluding capital contributions). Upon issuance of the Debt, coverage is projected to range from 2.16x in 2014-15 to 1.79x in 2018-19.

Projections are based on an increase of 3.5% for most operating revenues and expenses. Additionally, football revenues are scheduled to increase between $9 million and $16 million over the projection period due to a new contract executed with the SEC for television and bowl royalties. The UAA has conservatively projected no increase in certain operating revenues and expenses related to camps, depreciation and amortization and contributions to UF, which are discretionary.

*(See Historical and Projected Debt Service Coverage)*
Quantitative Metrics: No revenue will be generated from the Project, so no standard ROI or IRR can be calculated. Information below describes the quantitative metrics justifying the Project.

During the 2013-14 academic year a total of 1,090 of 19,500 tutoring sessions were required to be moved outside of the OSL due to the limited space available while those conducted in the OSL operated with double and triple occupancy. The renovated and expanded OSL will accommodate all 19,500 tutoring sessions as single occupancy sessions due to the number of tutoring rooms increasing to 36 from 14. Single occupancy sessions will improve the quality of the tutoring services for student athletes. Upon renovation and expansion of the OSL, the entire third floor will be dedicated to the Strategy Program and increase the number of simultaneous tutoring sessions for this program from 15 to 43. Additionally the renovated OSL will contain four test taking rooms and a group project room.

During the 2014 football season, an estimated 30 out of 75 practices were affected by inclement weather or lightning, which were required to be canceled, modified or rescheduled. Upon completion of the Indoor Practice Facility it is expected all practices should occur normally.

Type of Sale: Negotiated. Based on the structure of the University Athletics Association, Inc., analysis shows that all factors indicate a negotiated sale is appropriate and in the UAA’s best interest.

Analysis and Recommendation: Staff of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University of Florida with respect to the request for Board of Governors approval for the subject financing. Projections provided by the University indicate that sufficient revenues will be generated to pay debt service on the Bonds and other outstanding long-term obligations. It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and is in compliance with the Board of Governors’ Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.