

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA**

August 9, 2007

SUBJECT: A Resolution of the Board of Governors Authorizing the Issuance by the University of South Florida Financing Corporation of Certificates of Participation to Finance a Medical Faculty Office Building on the Main Campus of the University of South Florida.

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of variable rate (swapped to fixed rate via interest rate swap agreements), tax-exempt, Certificates of Participation, by the University of South Florida Financing Corporation ("Corporation"), in an amount not to exceed \$26,000,000 (the "Certificates") for the purpose of financing the construction of a new medical faculty office building on the main campus of the University of South Florida.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, has 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 the debt management guidelines adopted by the Board of Governors ("BOG"). 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 dated April 27, 2006; Section 1010.62, Florida Statutes; and Article IX, Section 7(d), Florida Constitution.

BACKGROUND INFORMATION

The University of South Florida has submitted a proposal for the financing and construction of a new medical faculty office building on the Tampa campus (the "Project"). The new building will provide offices and support functions for the USF Physicians Group, which operates two entities, the University Medical Service Association, Inc ("UMSA") and the University of South Florida Medical Services Support Corporation ("MSSC"), which together comprise the College of Medicine System. The Project will accommodate the planned growth of the College of Medicine and physicians, faculty and staff working in the Center for Advanced Health Care, (the "CAHC"). It will be located in close proximity to the CAHC to provide efficient access.

The project is Master Plan approved. The estimated project construction cost is \$21,400,000.

The University of South Florida Financing Corporation, a direct support organization of the University of South Florida, proposes to issue up to \$26,000,000 of variable rate (swapped to fixed rate via interest rate swap agreements), tax-exempt, Certificates of Participation to finance the construction of the project, fund capitalized interest during construction, and pay costs of issuing the 2007A Certificates. The 2007A Certificates will not mature more than thirty (30) years after issuance. There will not be a debt service reserve fund.

The 2007A Certificates will be secured by a senior lien on both the gross revenues of the MSSC, as lessee, and revenue from the operations of College of Medicine Facilities serving patients. The Certificates will also be secured by a letter of credit. The Corporation will lease the Project to MSSC, who will be required to make rental payments equal to 120% of the annual debt service due on the Certificates. The rent payments will be secured by and paid from MSSC gross revenues. In addition, UMSA will guaranty MSSC's obligations under the lease agreement. The lease guaranty is secured by UMSA gross revenue derived primarily from net patient service fees and other operating revenues, (revenue from grants, contracts and awards is excluded). The 2007A Certificates will be issued on parity with the Certificates of Participation Series 2006A, outstanding in the amount of \$47,315,000.

Projections provided by the University and the Corporation indicate that sufficient revenues will be generated to pay debt service on the 2007A Certificates and the outstanding certificates and also to pay operating expenses of the College of Medicine Facilities. In addition, the Corporation is committed to ensuring that sufficient revenues will be generated to fulfill the Corporation's obligations with respect to the 2007A Certificates and the outstanding certificates.

The USF Financing Corporation Board of Directors, on June 4, 2007, and the University of South Florida Board of Trustees, at its May 31, 2007 meeting, approved the Medical Faculty Office Building construction and the financing thereof.

Supporting Documentation Included: Requesting Resolution
Project Summary
Attachment 1 - Estimated Sources and
Uses of Funds
Attachment 2 - Historical and Projected
Pledged Revenues and Debt Service
Coverage

Facilitators/Presenters: Mr. Chris Kinsley, Director of Finance and
Facilities