

**BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
Project Summary  
University of North Florida  
Student Union Project**

- Project Description:** The student union will be a new facility of approximately 148,000 gross square feet containing offices for student organizations, a student lounge, a food court, conference and meeting rooms, a restaurant, retail space, a book store and other support facilities ("Project").
- Facility Site Location:** The proposed Project will be located on a site in the core section of the campus of the University of North Florida ("University") consistent with the Campus Master Plan.
- Projected Start and Opening Date:** Construction of the Project is expected to begin July of 2007 and be completed by September 2008.
- Demand/Need Analysis:** The University currently does not have a designated student union. The proposed Project will provide space for student activities and organizations, meetings rooms, expanded food venues, entertainment facilities and similar compatible functions. It is anticipated that the Project will also provide adequate space to consolidate student life offices into one building. The students have deemed this building as crucial to their campus life and have approved a portion of the activity and service fee to used to partially pay for the Project.
- Project Cost and Financing Structure:** The total proposed cost of the Project is estimated at \$50 million (construction costs of \$41 million with design, permit and other soft costs estimated at \$9 million). The \$50 million will be funded with approximately \$20.3 million from the sale of bonds (including anticipated interest earnings on the construction fund) and approximately \$29.7 from non-bond sources (including, among other things, activity and service fee revenues, related auxiliary funds on hand, approximately \$4.2 from Public Education Capital Outlay, and \$5.2 from the Capital Improvement Trust Fund). Of the non-bond sources of funds, approximately \$2 million is to be received during Fiscal Year 2007-08, primarily from the collection of the pledged portion of the activity and service fee during 2007-08 and not from current cash.

The proposed debt will be financed with fixed rate, tax-exempt bonds in an amount not to exceed \$22,000,000. The bonds will be issued by the University of North Florida Financing Corporation

("Corporation"), a direct support organization of the University. A debt service reserve will be created to secure the bonds by the purchase of a surety bond equal to maximum annual debt service on the bonds. The bond size includes estimated capitalized interest of approximately \$1.3 million to fund debt service through November 1, 2008, during construction of the project. The bonds will be structured with a 30-year final maturity and level annual debt service payments. The first principal payment is scheduled to occur on November 1, 2009 and final maturity on November 1, 2037.

(See Attachment 1 for an estimated sources and uses of funds.)

**Security/Lien Structure:** The debt will be secured by a first lien on a portion of the activity and service fee ("Pledged Revenues") pursuant to a lease between the University and the Corporation. The University has pledged \$4.24 per credit hour of the activity and service fee. There is currently no outstanding debt payable from the Pledged Revenues.

The \$4.24 per credit hour fee was approved by the Board of Regents on February 14, 2001. Supporting work papers specifying such use of the portion of the activity and service fee were submitted to the Legislature in conjunction with the legislative approval of the financing in the General Appropriations Acts for the 2004-05, 2005-06, and 2006-07 fiscal years. Section 1010.62 (3)(a), Florida Statutes, generally prohibits the pledging of activity and service fees in an amount in excess of 5% of the fees collected during the most recent 12 consecutive months. However, Section 1010.62 (10), Florida Statutes, permits any legal commitment entered into prior to the effective date of section 1010.62 to remain in effect. Based on discussions with legislative staff, in their opinion, the prior approval of the pledge of the activity and service fee by the Board of Regents and the Legislature constitutes a legal commitment relating to the financing of a capital outlay project and permits the pledging of more than 5% of the activity and service fee.

**Pledged Revenues and Debt Service Coverage:** During the five year period from fiscal year 2001-02 to 2005-06, Pledged Revenues grew from \$596,193 to \$1,673,493. Actual Pledged Revenues of \$1,673,493 received in 2005-06 are sufficient to cover the estimated annual debt service on the bonds of approximately \$1.38 million by 1.21x, without relying on growth. For Fiscal Year 2009-10, the first full year in which debt service will not be paid from capitalized interest, Pledged Revenues are estimated at \$1,754,304, which would produce a debt service coverage ratio of 1.28x.

Pledged Revenues are projected to grow approximately 3% per year over the projection period, which is less than the University's anticipated enrollment growth rate. The University does not plan to increase the pledged portion of the activity and service fee during the life of the Series 2007 Bonds for this Project or any other project. The projected debt service and coverage has been calculated using an assumed interest rate of 4.75% (approximately 25 basis points higher than current 30-year fixed rates) on the bonds.

(See Attachment 2 for a table of historical and projected Pledged Revenues and debt service coverages, which was prepared based upon information submitted by the University).

**Type of Sale:**

The University provided an analysis of the most appropriate method of selling the bonds (competitive versus negotiated) as required by the guidelines. Based on the analysis of the characteristics of the proposed financing, the University concluded that due to a lack of familiarity with the University and the credit by fixed rate investors, they would benefit from increased marketing and investor education through a negotiated sale.

The Corporation selected an underwriter and a financial advisor through a competitive RFP process.

**Analysis and  
Recommendations:**

Staff of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University of North Florida with respect to the request for Board of Governors approval for the subject financing. The University is pledging revenues which have been assessed since 2001 specifically for this purpose, and no growth is needed in these revenues to produce sufficient net revenues to pay debt service on the Bonds. The majority of the Project will be financed from non-debt sources already available to the University. It appears that the proposed financing is in compliance with 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.