

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

June 14, 2007

**SUBJECT:** A Resolution of the Board of Governors Authorizing the Issuance by the University of Central Florida Health Facilities Corporation of Revenue Bonds to Finance Construction of the Burnett Biomedical Sciences Building on the Lake Nona Campus of the University of Central Florida.

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**PROPOSED BOARD ACTION**

Adoption of a resolution approving the issuance of variable rate (swapped to fixed rate via interest rate swap agreements), tax-exempt, revenue bonds, by the University of Central Florida Health Facilities Corporation ("Corporation"), in an amount not to exceed \$60,000,000 for the purpose of financing a portion of the construction of a 198,000 square foot Burnett College of Biomedical Sciences Building on the University Health Sciences campus at Lake Nona.

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. Accordingly, adoption of the resolution authorizing the proposed financing is recommended.

**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 Central Florida has submitted a proposal for the financing and construction of the Burnett College of Biomedical Sciences Building on the University Health Sciences campus at Lake Nona. The Biomedical Sciences Building will be a multi-story structure containing research laboratories, specialty laboratories, and laboratory support and administration offices for the Burnett College of Biomedical Sciences. It will be the first building constructed on the Lake Nona Campus and will provide educational and research facilities for the UCF College of Medicine and College of Biomedical Sciences. The project is not required to be in the University Campus Master Plan because it will be constructed on land owned by the UCF Real Estate

Foundation and subject to the City of Orlando permitting process. The project construction cost is expected to be \$88 million and design & other costs are anticipated to be \$10 million.

The University of Central Florida Health Facilities Corporation, a direct support organization of the University of Central Florida, proposes to issue up to \$60,000,000 of variable rate (swapped to fixed rate via interest rate swap agreements), tax-exempt, bonds to finance a portion of the construction of the project as well as capitalized interest during the first twelve months of construction. Additional project funding will be provided by \$22 million of PECO moneys, \$10 million of donations and a corresponding \$10 million in Courtelis State matching funds. A \$7 million line of credit has been obtained to provide temporary financing in the event that donations and matching funds are not immediately available when needed to pay construction costs. The bonds will not mature more than thirty (30) years after issuance. There will not be a debt service reserve fund.

The bonds will be secured by a lien on the indirect overhead cost portion of University contract and grant revenues ("Pledged Revenues") and the payment of debt service will be prior to any other payments pursuant to a lease agreement between the University and the Corporation. The Pledged Revenues are derived from contracts and grants related to University research activities. The indirect cost component of a contract and grant award is based on the terms of the grant or contract and is a percentage of the total grant or contract (currently 10% for State grants and 43% for Federal grants). The fixed rate swap obligation will be on parity with the variable rate bonds.

Projections provided by the University indicate sufficient growth in indirect cost revenues, based on increased grant awards to pay debt service on the bonds and also to pay the actual indirect overhead costs (paid after debt service). While the University has a record of obtaining awards at levels sufficient to pay debt service, continued success is dependent on the many variable conditions of contract and grant awards. The Corporation is committed to ensuring that sufficient Pledged Revenues will be generated to fulfill the Corporation's obligations with respect to the bonds.

The University of Central Florida Health Facilities Corporation Board of Directors, at a meeting April 9, 2007, and the University of Central Florida Board of Trustees, at its April 9, 2007 meeting, approved the Burnett College of Biomedical Sciences Building construction and the financing thereof.

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**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