

**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 North Florida Financing Corporation of Revenue Bonds to finance or refinance certain student housing facilities on the main campus of the University of North Florida

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of fixed rate, tax-exempt, revenue bonds, by the University of North Florida Financing Corporation ("Corporation") in an amount not to exceed \$116,000,000 to refinance certain outstanding housing bonds of the University of North Florida Foundation, Incorporated and to finance a portion of the construction of a student housing facility on the campus of the University of North Florida.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, 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. Additionally, except for deferring principal repayment in Fiscal Year 2010-11, using an ascending debt service structure for five years and projecting a debt service coverage ratio of less than 1.20x in Fiscal Year 2010-11, it appears the proposed financing is in compliance with the debt management guidelines adopted by the Board of Governors ("BOG"). Staff of the Board of Governors recommends that the Board of Governors provide an exception to UNF to deviate from the BOG Debt Management Guidelines as indicated and adopt the resolution and authorize 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 North Florida has submitted a proposal for the refinancing and financing of certain student housing facilities. The University has requested authorization pursuant to the Debt Guidelines of the Board of Governors.

The existing University housing system has a design capacity of 2,000 beds with a current occupancy of 2,425 students accomplished by tripling occupancy in some rooms designed as double occupancy rooms. A portion of the bonds will be issued for the purpose of financing the construction, installation and equipping of an approximately 366,000 square foot facility, containing approximately 1,000 beds, including multi-purpose rooms, an exercise room, game room and a convenience store with snack bar and grill. Site amenities will include a recreational swimming pool and deck, lighted tennis and basketball courts, sand volleyball courts, a running track, picnic areas and large playing/recreation fields. The Project also includes the construction of 1,000 parking spaces and all necessary infrastructure and \$9 million of site development to support the residential facility and associated amenities and also to support the future expansion of the housing system. The Project is reflected on the approved master plan for the University and is consistent with the mission of the University.

The Project is estimated to cost approximately \$86 million. Of this, \$74 million will be funded from the issuance of the 2007A Bonds (including an estimated \$4 million of investment earnings on bond proceeds in the construction fund) and \$12 million will be funded with a cash contribution from funds currently on deposit within the housing and parking auxiliary accounts.

A portion of the 2007A Bonds will be issued for the purpose of refunding the outstanding variable rate bonds of the North Florida Foundation, Incorporated, outstanding in the aggregate principal amount of \$34.2 million (collectively, the "Prior Bonds"). The purpose of the refunding is to create one consolidated housing system with the University of North Florida Financing Corporation (the "Corporation") and will have the added benefit of eliminating future exposure to interest rate risk by fixing the interest rate on the refunding. The refunding will not extend the maturity of the Prior Bonds.

The total financing will be accomplished with the issuance of fixed rate, tax-exempt bonds in an amount not to exceed \$116,000,000 and a cash contribution of \$12 million. The bonds will be issued by the Corporation. The bond size also includes estimated capitalized interest of approximately \$8.6 million on the new money portion through November 2009, during construction of the Project.

The refunding portion will be structured in three pieces, each with a level debt service structure to match the maturity dates of the three series of Prior Bonds refunded. The new money portion will be structured with a 30 year final maturity and with a first principal payment date of November 1, 2011. The new money portion will be structured with an ascending debt service structure through Fiscal Year 2015-16, with level debt service thereafter.

The University is not planning to raise rental rates to a level sufficient to pay for the proposed financing with a typical level debt service structure. Instead, they are deferring principal repayment and using an ascending debt structure to defer the full debt service costs until revenues have grown to a level to provide sufficient coverage. This deferral of principal and ascending debt structure adds an estimated \$3.8 million to the cost of the financing.

The bonds will be secured by net revenues of the housing system ("Pledged Revenues") pursuant to a lease between the University and the Corporation.

The University of North Florida Board of Trustees, at its May 17, 2007, meeting, and the Corporation at its May 16, 2007, approved the proposed financing.

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