

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

May 10, 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 New Student Residence and Dining Hall on the Tampa Campus of the University of South Florida.

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of fixed or 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 \$80,000,000 (the "2007A Certificates") for the purpose of financing the construction of a new student residence hall containing approximately 1,056 beds and a dining facility on the Tampa 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, 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 South Florida has submitted a proposal for the financing and construction of a new student residence and dining hall on the Tampa campus. The University of South Florida currently has 4,407 student housing beds on the Tampa campus and generally has a waiting list of 100-200 students. The Phase IV Student Housing Project will increase the on-campus student housing by 1,056 additional beds on the Tampa campus. The project is Master Plan approved. The estimated project construction cost is \$68,200,000.

The University of South Florida Financing Corporation, a direct support organization of the University of South Florida, proposes to issue up to \$80,000,000 of fixed or 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. A debt service reserve fund equal to the maximum annual debt service on the 2007A Certificates will be funded with \$4.9 million of cash on hand.

The 2007A Certificates will be secured by a first lien on System Revenues pursuant to the terms of the master lease purchase agreement. The System Revenues include all gross income and revenues received by the Corporation from the ownership and/or operation of the System Facilities. The System Facilities include the housing facilities on the Tampa campus, a housing facility and parking structure on the St. Petersburg campus (collectively, the "Housing System") and the Marshall Center, which is a student union facility on the Tampa campus. Pledged System Revenues include the gross revenues of the Housing System (before payment of operating expenses) and the lease payments received from the Corporation from the University for the Marshall Center in the amount of 120% of the debt service on the outstanding 2005C Certificates issued to finance the Marshall Center project. The Marshall Center lease payments from the University are secured by the University's pledge of and lien on the Marshall Center Revenues, which include the Marshall Center Use Fees (per semester and per credit hour student fees), a portion of the University Student Activity and Service Fees ("A&S Fees"), and revenues generated from the operation of the Marshall Center. The 2007A Certificates will be issued on parity with the certificates of participation currently outstanding in the aggregate principal amount of \$180,100,000.

Projections provided by the University indicate that sufficient System Revenues will be generated to pay debt service on the 2007A Certificates and the outstanding certificates and also to pay operating expenses of the Housing System (paid after debt service). In addition, the Corporation is committed to ensuring that sufficient System 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, at a meeting prior to May 10, 2007, and the University of South Florida Board of Trustees, at its March 1, 2007 meeting, approved the Student Housing Phase IV 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