

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
Project Summary
Florida Gulf Coast University
Parking Garage, Phase II**

- Project Description:** Florida Gulf Coast University currently has one parking garage (Parking Garage, Phase I) located near the center of the main campus of the University. The proposed Parking Garage, Phase II, will be a multi-level parking structure consisting of approximately 800 open parking spaces to accommodate students, faculty, and staff. The garage will be constructed on an existing surface parking lot (loss of 150 surface parking spaces), will increase campus structured parking to 1,471, and total campus parking to 5,487 spaces. The project is included in the 2000 Campus Master Plan Update, and also included in the 2005 Campus Master Plan Update.
- Facility Site Location:** The proposed Parking Garage Phase II project will be located on the southern core of the main campus of the University in an area which is currently a parking lot, but planned for parking garage expansion.
- Projected Start and Opening Date:** It is anticipated that construction of Parking Garage Phase II will commence in April 2007 and the garage will open in August 2008.
- Project Cost and Financing Structure:** The proposed Parking Garage Phase II project construction cost is \$8,583,048. The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida Gulf Coast University Financing Corporation (the "Corporation"), on behalf of Florida Gulf Coast University, in an amount not to exceed \$10,000,000. The bond size includes estimated capitalized interest of \$708,333 during the 17-month construction period through August 2008 and also provides funding for a debt service reserve fund equal to the maximum annual debt service on the bonds, which is estimated to be \$670,000. The bonds will be structured with a 30-year final maturity and level annual debt service payments with the first principal payment occurring April 1, 2010.
- Construction of the project will be administered by the Corporation under the supervision of Florida Gulf Coast University. (See Attachment 1 for an estimated sources and uses of funds.)
- Type of Sale:** The University provided an analysis of the most appropriate method of selling the bonds (competitive versus negotiated) as required by the Debt Management Guidelines. The University is requesting approval for a negotiated sale of the bonds. The analysis suggests that a negotiated sale of bonds would be most effective because the

projected debt service coverage levels require a significant rate of growth and fixed-rate investors are not familiar with the University or the parking system.

Demand Analysis:

Parking is provided for University students, faculty, staff, and visitors to the campus. Current enrollment at the University is 8,431 students and the University is projecting to sell more than 900 parking permits to faculty and staff members this year. The University has a current inventory of 4,837 parking spaces, of which 671 are provided in Parking Garage Phase I. The proposed Parking Garage Phase II facility will provide an additional 800 spaces (a loss of 150 surface parking spaces) for a total on-campus parking of 5,487. Enrollment is projected to increase to 10,878 students in 2008-09, when the project is scheduled to open. The campus is located in an area of Lee County experiencing rapid growth, none designed to accommodate off-campus parking.

Security/Lien Structure: Net parking system revenues will be pledged for the payment of debt service. These revenues are derived primarily from a per credit hour student transportation access fee, parking registration fees paid by faculty and staff, fines, and other miscellaneous revenues, after deducting operating and maintenance expenses. When the facility opens in fiscal year 2008-09, the projected transportation access fee will remain at the current level of \$7 per credit hour and the projected parking registration fee per car, per semester, will be \$100 for staff, and \$450 for staff for reserved spaces.

The Series 2007C Bonds will be issued on parity with the variable rate Florida Gulf Coast University Financing Corporation Capital Improvement Revenue Bonds, Series 2005B, currently outstanding in the total principal amount of \$6,000,000.

Pledged Revenues and Debt Service Coverage:

During the five year period from fiscal year 2001-02 to 2005-06, pledged revenues grew from a loss of (\$16,034) to a positive \$413,112. Pledged revenues are projected to increase by 142% to \$997,798 during the current fiscal year, 2006-07, primarily due to a 32% increase in the transportation access fees charged to students and a projected increase in student enrollment of 18%. Pledged revenues are then projected to increase over the next four years to \$1.88 million in 2010-11, for an average annual increase of 17.1%.

The debt service coverage ratios for 2006-07 and 2007-08 are projected to be 3.32x and 3.0x, respectively. For fiscal year 2008-09, the first year of operation of the proposed project, the projected pledged revenues of \$1.44 million will produce a debt service

coverage ratio of 1.82x. The projected debt service coverage ratio for 2009-10, the first year that a full year debt service obligation will be paid from pledged revenues without the use of capitalized interest on the 2007C Bonds, is 1.40x. Projected debt service has been calculated based on a 5% interest rate (approximately 50 basis points higher than current 30-year fixed rates) for the proposed 2007C Bonds and a 5.46% interest rate for the outstanding 2005B variable rate bonds (which is 200 basis points higher than current short-term rates).

The projected pledged revenues and financial feasibility analysis provided by the University is dependent upon aggressive FTE enrollment growth assumptions of 20% for next fiscal year and 11% to 12% thereafter (based on the official enrollment projections of the Board of Governors). For the period of fiscal year 2001-02 to 2005-06, the average annual FTE enrollment growth rate was 16%. These bonds are being issued as parity bonds and the Corporation has represented that the resolution contains a rate covenant that requires pledged revenues to be sufficient to cover 120% of debt service; therefore, if actual enrollment growth realized is not sufficient to produce a 120% coverage ratio at the current parking fee levels, the University would be required to increase the transportation access fee. No transportation access fee increases have been assumed in the projections and annual operating expenses are expected to increase by 4-5% per year.

(See Attachment 2 for a table of historical and projected pledged revenues and debt service coverages prepared by the Florida Gulf Coast University Financing Corporation).

**Analysis and
Recommendations:**

Staff of the Board of Governors and the Division of Bond Finance have reviewed the information provided by Florida Gulf Coast University Financing Corporation with respect to the request for Board of Governors approval for the subject financing. Projections provided by the University indicate that sufficient net revenues will be generated from transportation access fees, registration fees, and fines to pay debt service on the Series 2007C Bonds and the outstanding 2005B Bonds. However, the projected revenues are dependent on realizing aggressive student growth projections. If growth projections are not realized, then an increase in transportation access fees could be required beyond the \$7 per credit-hour currently imposed. Furthermore, 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, adoption of the resolution authorizing the proposed financing is recommended.