

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

January 25, 2007

**SUBJECT:** A Resolution of the Board of Governors Approving the Issuance of Revenue Bonds by the FIU Athletics Finance Corporation to Finance the Athletics Stadium Expansion Project and Related Infrastructure on the Main Campus of Florida International University

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**PROPOSED BOARD ACTION**

Adoption of a resolution approving the issuance of variable rate, tax-exempt, and variable rate, taxable revenue bonds by the FIU Athletics Finance Corporation ("Corporation"), on behalf of Florida International University, in an amount not to exceed \$35,000,000 for the purpose of financing the Athletics Stadium Expansion, Phase I, and related infrastructure on the main campus of Florida International University. Issuance of the revenue bonds shall be contingent upon the execution of the Campus Development Agreement by the Florida International University Board of Trustees, to include the proposed athletics stadium project.

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 and the debt management guidelines adopted by the Board of Governors (BOG). Therefore, adoption of the resolution and authorization of 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**

Florida International University has submitted a proposal for the financing and construction of Phase I of the Athletics Stadium Expansion and related infrastructure to be located on the main campus of Florida International University. The estimated project construction cost for Phase I will be approximately \$31,000,000. Phase I will

include the expansion of the existing football stadium from its current capacity of 7,800 permanent seats to over 18,000 permanent seats, which includes 14 luxury suites, 1400 club seats and associated stadium infrastructure.

The project is consistent with the approved Campus Master Plan. The current Campus Development Agreement of the Florida International University has expired, and is undergoing review and public hearings prior to approval by the Miami-Dade County Board of Commissioners (planned for March 6, 2007).

The Corporation, a direct support organization of Florida International University, proposes to issue not to exceed \$35,000,000 in the aggregate of variable rate tax-exempt and variable rate taxable revenue bonds. Net bond proceeds plus \$4,000,000 of 2005-2006 Capital Improvement Fee funds will be used to finance the construction of Phase I.

It is currently estimated that approximately 84% and 16% of the bonds will be issued as tax-exempt and taxable, respectively. An interest rate swap is currently planned for one-half of the tax-exempt bonds, pending development and approval of a derivatives policy for the University. Taxable bonds are being issued because a portion of the expansion will be for private use, which, under federal tax law, precludes the use of tax-exempt debt. The relative amount of tax-exempt and taxable debt will vary depending on the ultimate extent of private use.

Upon retirement of the debt, ownership of the facilities will be transferred to the University.

The projections provided by the University indicate that pledged revenues will be sufficient to pay the required debt service and operating expenses. However, a large portion of the projected pledged revenues are new and have no collection history. The University's financial projections are based on information provided by C. H. Johnson Consulting, Inc., a feasibility consultant employed by the University. If the revenue projections are not realized, then a revenue short-fall could occur causing fiscal stress and requiring a change in the operating plan for the stadium. The University has included an operating reserve in its finance plan to cover unexpected revenue short-falls or expense increases.

The Florida International University Athletics Finance Corporation Board of Directors, at its December 19, 2006, meeting, and the Florida International University Board of Trustees, at its September 29, 2006, meeting, approved the expansion of the Athletic Stadium Expansion and related infrastructure construction and the financing thereof.

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**Supporting Documentation Included:** Requesting Resolution  
Project Summary  
Attachment 1 - Schedule of Estimated Sources  
and Uses of Funds  
Attachment 2 - Projected Pledged Revenues  
and Debt Service Coverage

**Facilitators/Presenters:** Mr. Chris Kinsley, Director of Finance  
and Facilities