

BOARD OF GOVERNORS

January 26, 2006

SUBJECT: Approval by the Board of Governors Authorizing the Financing of an Athletics Stadium on the Main Campus of the University of Central Florida by the Golden Knights Corporation, on behalf of the University of Central Florida

UNIVERSITY AFFECTED: University of Central Florida

PROPOSED BOARD ACTION

Approve the financing plan and authorize the issuance of fixed rate, tax-exempt, and variable rate, taxable, certificates of participation, in one or more installments, by the Golden Knights Corporation ("Corporation"), on behalf of the University of Central Florida, in an amount not to exceed \$65,000,000 for the purpose of financing the construction of the Athletics Stadium project on the main campus of the University of Central Florida. Issuance of the Certificates of Participation shall be contingent upon adoption of the Campus Master Plan and execution of the Campus Development Agreement by the University of Central Florida Board of Trustees, to include the proposed athletics stadium project.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Chapter 2005-70, Section 20, Item 46, Laws of Florida; 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 Athletics Stadium project. The football stadium will be the exclusive stadium for all home games of the University of Central Florida football team. The proposed facility will be a 45,000 seat, bowl stadium, capable of expanding to 65,000 seats. The facility will be located in the intercollegiate athletics complex on the North end of campus, just off the North Orion Boulevard entrance to the university. The estimated construction cost is \$51,000,000, exclusive of capitalized interest and financing costs.

Golden Knights Corporation, a direct support organization of the University of Central Florida, proposes to issue approximately \$62.5 million of fixed rate, tax-exempt, and variable rate, taxable, certificates of participation to finance the construction of the Athletics Stadium.

The debt, as well as operations and maintenance costs, will be funded from gross revenues generated from the operations of the stadium. Revenues include, but are not limited to, ticket sales, club seats and suite sales, concessions, advertising, naming rights, and certain fees charged under a pouring rights agreement for the right to provide beverages at athletic program activities, and other project revenues. Additionally, the University will provide a support agreement that requires the University to reimburse, from legally available revenues, any draws from the Debt Service Reserve

Fund in an annual amount not to exceed the annual debt service on the Certificates of Participation.

The term of the financing agreement will be for 30 years and upon retirement of the debt, ownership of the stadium will be transferred to the University.

The University of Central Florida Board of Trustees, at its December 14, 2005 meeting, approved the Athletics Stadium and the financing thereof. The project was approved by the Florida Legislature in the 2005 General Appropriations Act, Chapter 2005-70, Section 20, Item 46, Laws of Florida.

University of Central Florida Board of Trustees approval of the Campus Master Plan and execution of the Campus Development Agreement reduces the risk that the project may be delayed or stopped by other entities. The delay or discontinuance of a project would have a detrimental effect on the project financing.

Supporting Documentation Included: Project Summary
Financial Plan
Summary of Ground Lease and Master
Lease Purchase Agreement

Facilitator/Presenter: Nancy McKee

BOARD OF GOVERNORS
Project Summary
University of Central Florida
Athletics Stadium

Project Type: The University of Central Florida Football Stadium will be the exclusive stadium for all home games of the University of Central Florida football team. The facility will consist of a 45,000 seat, bowl stadium, capable of expanding to 65,000 seats. The facility will include ticketing offices, security and first aid facilities, a production control room, media interviewing rooms, locker facilities for home and away teams, locker facilities for game officials, administration offices, club seats and suites, concession facilities, commissary and storage space, and other miscellaneous areas that normally accompany an athletic stadium of this type.

The project will be financed from fixed rate, tax-exempt, and variable rate, taxable, certificates of participation, in one or more installments, by the Golden Knights Corporation, on behalf of the University of Central Florida, in an amount not to exceed \$65,000,000. Construction of the project will be administered by the Golden Knights Corporation on behalf of the University of Central Florida.

Facility Site Location: The proposed facility will be located in the intercollegiate athletic complex on the North end of campus, just off the North Orion Boulevard entrance to the university. The intercollegiate athletic complex includes the men's baseball stadium and practice field, track and field, football and soccer practice fields, woman's softball stadium, convocation center (currently under construction), the Wayne Densch Training Facility, and the indoor field house.

Need for Facility: The University of Central Florida has new leadership for its athletic programs, football in particular. In the past year, the University joined Conference USA for all of its intercollegiate sports, and participated in one conference championship game and one bowl game.

Currently, the University of Central Florida uses the Citrus Bowl (15 miles from campus) for home football games. Transportation for students to the Citrus Bowl is often difficult and parking is poor. When the proposed stadium is complete in 2007, it is anticipated that there will be in excess of 6,000 students living on campus with an additional 10,000 students living within one and one half miles of campus. The University envisions that an on-campus football stadium will enhance the University's ability to attract and retain more top quality academic and athletic students. The inclusion of the Athletics Stadium on the main campus of the University will be a key aspect of the overall college experience and provide both entertainment and social opportunities. Additionally, charitable gifts are expected to increase with the addition of the Athletics Stadium.

Pledged Revenues: Revenues from net operations of the Athletics Stadium will be pledged for the payment of debt service obligations. These revenues are derived primarily from operations of the stadium, including, but not limited to ticket sales, club seats and suites (all of which are pre-leased), concessions, advertising, naming rights, and certain fees charged under a pouring rights agreement for the right to provide beverages at athletic program activities, and other project revenues. Seventy-five percent of season football ticket holders currently have reserved seats for the new football stadium.

Additionally, the University of Central Florida Athletics Association is willing to support the debt service with other available non-operational revenues. The University anticipates a minimum of \$1,400,000 from Conference USA guarantees for non-Conference games played away from home, and yearly revenues of \$2,000,000 from capital gifts.

Summary of Pro Forma: The Athletics Stadium project construction cost is \$51,000,000, exclusive of capitalized interest and financing costs. The total operating revenues for fiscal year 2007-2008, the first full year of operations, are expected to be approximately \$6,742,000, with operating expenses of \$1,269,000, and an annual net operating income of \$5,473,000. Deposits to several reserve accounts will be made from net operating income including, but not limited to, Repair & Replacement and Operations & Maintenance.

Debt Service Coverage: The stadium will be financed from variable rate, taxable, and fixed rate, tax exempt, certificates of participation. Based on projections of the University's investment banker, the project will include approximately \$10.8 million in taxable debt and \$50.6 million in tax exempt debt. In fiscal year 2007-2008, the first full year of operations, the projected interest only debt service payment is \$3,200,357 with a debt service coverage ratio of 1.58. Starting in fiscal year 2009-2010, the debt service payment includes principal and interest for a total of \$4,254,262. Assuming that operating revenues and operating expenses remain constant, the debt service ratio is calculated at 1.19.

Planned Opening Date: It is anticipated that the Athletics Stadium project will be completed in August 2007.

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Analysis of the Financial Plan for University of Central Florida Athletics Stadium Project
for Fiscal Year 2007-2008

Sources of Funds

Basis for Amounts

Certificates of Participation	\$ 62,539,227.00	
Tax-Exempt	\$50,645,000.00	Certificates of Participation for 30 years based on an All-In TIC tax exempt interest rate of 5.2% with \$17,190,000 in serial bonds, an \$33,455,000 in term bonds
Taxable	\$10,850,000.00	Certificates of Participation for 10 years based on an All-In TIC taxable, variable interest rate of 6.7% (long-term 3 month LIBOR average).
Original Issue Premium	\$ 1,044,227.00	
Less: Underwriter's Discoun	\$ (325,414.00)	\$5.29 per thousand
Bond Insurance	\$ (914,536.00)	
Cost of Issuance	\$ (300,000.00)	Estimated bond counsel and other costs associated with issuanc
Net Bond Proceeds	\$ 60,999,277.00	
Contribution of Funds	\$ 1,000,000.00	These funds are being added to fully fund the project and consi of Investment Earnings
Total Sources of Funds	<u>\$ 61,999,277.00</u>	

Uses of Funds

Planning, Construction & Equipmen	\$ 51,000,000.00	The stadium project will cost approximately \$1,133 per seat
Debt Service Reserve	\$ 5,419,750.00	
Estimated Interest to be Paid During Construction (Capitalized Interest)	\$ 5,577,497.00	Capitalized through March, 2008
Rounding/Contingency Amoun	\$ 2,030.00	
Total Uses of Funds	<u>\$ 61,999,277.00</u>	

Debt Service Coverage - Athletics Stadium
Fiscal Year 2007-2008

Total Operating Revenues:	\$ 6,742,000.00	Gross revenues generated from the operations of the stadium Revenues include, but are not limited to, ticket sales, club seat and suite sales, concessions, advertising, naming rights, ar certain fees charged under a pouring rights agreemer for the right to provide beverages at athletic program activitie
Less: Operating Expenses:	<u>\$ (1,269,000.00)</u>	Projected operating expenses
Net Operating Income	<u>\$ 5,473,000.00</u>	
Less: Deposit to Maintenance Reserve Account	\$ (405,000.00)	
Revenue Available for Debt Service:	<u>\$ 5,068,000.00</u>	Net revenue available for debt service from operation for fiscal year 2007-2008, the first full year of operations
Annual Debt Service	\$ 3,200,357.00	In fiscal year 2007-2008, the projected debt service payment of \$3,200,357 is for interest only. Starting in fiscal year 2009-2010, the debt service payment includes principle and interest for a total of \$4,254,262.

Debt Service Coverage Ratio **1.58** * Based on a debt service payment of \$4,254,262, and assuming that operating revenues and expenses remain constant, the debt service ratio is calculated at 1.1!

*The University of Central Florida anticipates yearly revenues of \$2,000,000 from capital gifts with a goal of \$10 million over the first 5 years, of which \$4 million has currently been received or committed. These amounts are expected to be used to retire the tax-exempt bonds prior to maturity. Additionally, the University anticipates a minimum of \$1,400,000 from Conference USA guarantees on non-Conference games played away from home. Based on calculations including these additional revenues, the debt service coverage ratio is 2.65 for fiscal year 2007-2008

SUMMARY OF GROUND LEASE AND MASTER LEASE PURCHASE AGREEMENT

Lease of Real Property to Golden Knights Property Corporation. The university will sublease to the Golden Knights Property Corporation (Property Corporation), the real property located on the University of Central Florida campus where the University of Central Florida football stadium will be constructed. The Real Property is located on an area of the University of Central Florida campus known as the Athletics Node, adjacent to the current athletics field house. Property Corporation is a shell corporation whose sole member is Golden Knights Corporation and which is created solely to facilitate the financing of the stadium. During the term of the ground lease, Property Corporation will pay the University of Central Florida lease rent of ten dollars (\$10.00) per year to lease the real property.

Lease of Stadium to Golden Knights Corporation. Property Corporation will hold title to the stadium upon completion of the construction. The stadium will then be leased to Golden Knights Corporation, a University of Central Florida direct support organization and issuer of the stadium debt, pursuant to the terms of the Master Lease Purchase Agreement. Golden Knights Corporation will operate the stadium, collect all revenues from those operations, and use those funds to make the lease payment to Property Corporation for rental of the stadium.

Assignment of Leasehold Interest and Payment of Certificate Holders. Golden Knights Corporation will assign its right to receive the stadium lease payments from Golden Knights Corporation to the Trustee, who will use such payments to pay certificate holders as required by the terms of the certificates of participation.

Termination/Transfer of Title. The Ground Lease and Master Lease Purchase Agreement will terminate in 30 years upon retirement of the debt, at which time title to the stadium will be transferred to the University of Central Florida.