

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

June 19, 2008

SUBJECT: A Resolution of the Board of Governors Authorizing the Issuance by the University of Florida Foundation, Inc. of Tax-Exempt Debt to Finance the Construction of an Office Building on the East Campus of the University of Florida.

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of debt, by the University of Florida Foundation, Inc. ("Foundation"), in an amount not to exceed \$15,450,000 for the purpose of financing an office building on the East Campus of the University of Florida ("the Project").

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 substantially complies with the debt management guidelines adopted by the Board of Governors. Staff of the Board of Governors recommends adoption of the resolution and authorization of 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 Florida (the "University") has submitted a proposal for financing and construction of an office building on the East Campus of the University. The Project will be the first new facility constructed at the East Campus site of the University, which is located approximately 2.5 miles from the main campus. The Project will provide approximately 80,000 gross square feet of space to house various university administrative offices. The Project is consistent with the University's Campus Master Plan. The Project construction cost, including planning, design and a contingency fund, is expected to be \$14,955,000 , with an additional \$450,000 budgeted for capitalized interest and \$45,000 budgeted for issuance costs for a total Project cost of \$15,450,000.

The Foundation, a direct support organization of the University , proposes to obtain a tax-exempt variable rate loan for up to \$15,450,000 to finance the construction of the Project, fund capitalized interest during construction and pay costs of issuance. The

debt will mature thirty (30) years after issuance with approximately level annual debt service payments.

The debt service payments will be secured from unrestricted net assets of the Foundation, however the University plans to fund the debt service from net revenues generated from rental income from leasing the office space to various university administrative offices, after payments of operation and maintenance costs. The Foundation will maintain \$25 million in unrestricted Net Assets at the end of each fiscal year. The Foundation had over \$35 million in Unrestricted Net Assets at June 30, 2007 and has the ability to transfer investments from restricted to unrestricted categories as needed in order to maintain the liquidity required for the loan. This would allow the Foundation to retire the outstanding loan at anytime.

The Foundation's Executive Committee, at its meeting May 22, 2008, and the University of Florida Board of Trustees, at its meeting of June 13, 2008, approved the Project and the financing thereof.

Supporting Documentation Included: Requesting Resolution
Project Summary
Attachment 1 - Estimated Sources and
Uses of Funds

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