

GATES CAPITAL RESOURCES

DRIVING ECONOMIC DEVELOPMENT THROUGH PARKING



Presentation to:

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

Regarding

**Alternative Source of Capital
for University Funding**

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Pending ABC University Bond Financing

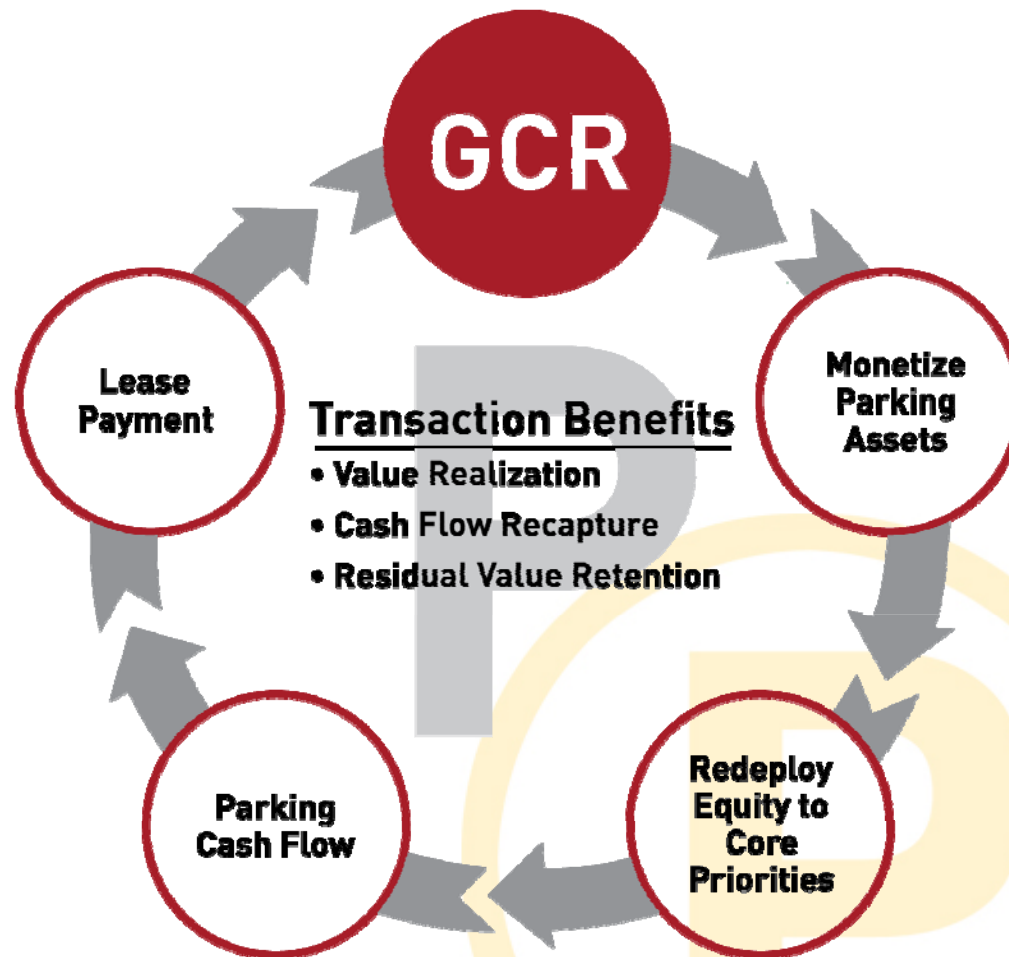
- ❖ ABC University (“ABC”) may issue parking revenue bonds to fund the construction of a \$30,000,000 Parking Garage:
 - Built on 300 space surface lot
 - Completed structure will add 1,750 spaces
 - Total on campus spaces will be 12,000 with 8,000 structured

- ❖ Preliminary Sources & Uses:
 - \$25.4 million in bond proceeds, \$1.8 million DSRF & \$0.89 million COI
 - **\$7,290,000 equity contribution**

- ❖ Upon closing of transaction, ABC will have \$52.8 million in parking revenue bonds outstanding secured by the net parking system revenues outlined in the System’s pro-forma.

Gates Utilizes a Straight Forward Lease/Leaseback Structure to Monetize Parking Assets

Gates will invest in existing and proposed parking real estate assets with values of \$10 million to \$200 million in U.S. and Canadian markets



ABC's Parking System Pro-Forma

	<i>Projected</i>				
	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
OPERATING REVENUES					
Parking Decal and Fees	\$ 7,963,160	\$ 8,236,457	\$ 8,374,013	\$ 8,996,389	\$ 9,201,440
Visitor Parking	334,537	348,000	361,900	376,400	391,500
Traffic Fines and Towing / Other	948,207	1,011,000	1,179,720	1,180,531	1,181,409
TOTAL OPERATING REVENUES	\$ 9,245,903	\$ 9,595,457	\$ 9,915,633	\$ 10,553,320	\$ 10,774,349
OPERATING EXPENSES					
Salaries and Wages	2,646,507	2,700,000	2,951,063	3,160,000	3,223,000
Other Operating Expenses	755,000	770,000	785,000	801,000	817,000
Depreciation and Amortization Expense	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 3,401,507	\$ 3,470,000	\$ 3,736,063	\$ 3,961,000	\$ 4,040,000
OPERATING INCOME	\$ 5,844,396	\$ 6,125,457	\$ 6,179,571	\$ 6,592,320	\$ 6,734,349
add Depreciation and Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
add Interest Income	219,000	192,000	136,000	80,000	99,000
less Shuttle Revenue	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)
add Shuttle Expense	755,000	770,000	785,000	801,000	817,000
ADJUSTED OPERATING INCOME	\$ 6,528,396	\$ 6,797,457	\$ 6,810,571	\$ 7,183,320	\$ 7,360,349

Assumptions:

- Revenue growth based on additional access and decal sales and does not include a price increase after fiscal year 2008-9.
- Revenue increase of 6% in FY 2011-12
- Expenses are expected to grow at 2% annually.

Gates' Analysis Includes Operations From To-Be-Built Garage

	<u>Projected 2009-10</u>	<u>Adjustments</u>	<u>Pro-Forma With Operating Adjustments</u>
<u>OPERATING REVENUES</u>			
Parking Decal and Fees	\$ 8,236,457	\$ 1,035,843 (1)	\$ 9,272,300
Visitor Parking	348,000	10,549 (2)	358,549
Traffic Fines and Towing / Other	1,011,000	207,060 (3)	1,218,060
TOTAL OPERATING REVENUES	\$ 9,595,457	\$ 1,253,452	\$ 10,848,909
<u>OPERATING EXPENSES</u>			
Salaries and Wages	2,700,000	-	2,700,000
Other Operating Expenses	770,000	-	770,000
New Garage Expenses	-	376,777 (4)	376,777
Depreciation and Amortization Expense	-	-	-
TOTAL OPERATING EXPENSES	\$ 3,470,000	\$ 376,777	\$ 3,846,777
OPERATING INCOME	\$ 6,125,457	\$ 876,675	\$ 7,002,132
add Depreciation and Amortization	\$ -	\$ -	\$ -
add Interest Income	192,000	(192,000) (5)	-
less Shuttle Revenue	(290,000)	-	(290,000)
add Shuttle Expense	770,000	-	770,000
ADJUSTED OPERATING INCOME	\$ 6,797,457	\$ 684,675	\$ 7,482,132

(1) Current rate of \$717.84 of revenue per stall is applied to 1,443 of 1,750 stalls

(2) Current rate of \$34.36 of revenue per stall is applied to 307 of 1,750 stalls

(3) Current rate of \$118.32 of revenue per stall is applied to 1,750 stalls

(4) Current expense rate of 30.06%

(5) Interest Income is not included in monetization

Note: Current rate is determined by dividing 2007-2008 revenue by 10,000 spaces in operation.

Conservative Revenue & Expense Forecasts of the Selected Facilities Provide for Sufficient Monies for Lease Payments

	Revenue Growth 3.89%	Expense Growth 2.00%	Estimated NOI	Lease Payment*	Excess Cash Flow	Cumulative Cash Flow
2010	\$ 10,558,909	\$ 3,076,777	\$ 7,482,132	\$ 7,481,179	\$ 952	
2011	10,970,577	3,138,313	7,832,264	7,574,694	257,570	258,523
2012	11,398,295	3,201,079	8,197,216	7,669,378	527,838	786,361
2013	11,842,689	3,265,100	8,577,588	7,765,245	812,343	1,598,704
2014	12,304,408	3,330,402	8,974,006	7,862,310	1,111,696	2,710,400
2015	12,784,130	3,397,010	9,387,119	7,960,589	1,426,530	4,136,930
2016	13,282,554	3,464,951	9,817,603	8,060,097	1,757,507	5,894,437
2017	13,800,411	3,534,250	10,266,161	8,160,848	2,105,313	7,999,750
2018	14,338,458	3,604,935	10,733,523	8,262,858	2,470,665	10,470,415
2019	14,897,482	3,677,033	11,220,449	8,366,144	2,854,305	13,324,719
2020	15,478,301	3,750,574	11,727,727	8,470,721	3,257,006	16,581,726
2021	16,081,765	3,825,586	12,256,180	8,576,605	3,679,575	20,261,301
2022	16,708,757	3,902,097	12,806,660	8,683,812	4,122,847	24,384,148
2023	17,360,194	3,980,139	13,380,055	8,792,360	4,587,695	28,971,843
2024	18,037,029	4,059,742	13,977,287	8,902,265	5,075,022	34,046,865
2025	18,740,252	4,140,937	14,599,315	9,013,543	5,585,772	39,632,637
2026	19,470,892	4,223,756	15,247,137	9,126,212	6,120,925	45,753,562
2027	20,230,018	4,308,231	15,921,788	9,240,290	6,681,498	52,435,060
2028	21,018,741	4,394,395	16,624,346	9,355,793	7,268,553	59,703,613
2029	21,838,215	4,482,283	17,355,932	9,472,741	7,883,191	67,586,803
2030	22,689,638	4,571,929	18,117,709	9,591,150	8,526,559	76,113,362
2031	23,574,255	4,663,367	18,910,888	9,711,040	9,199,849	85,313,211
2032	24,493,363	4,756,635	19,736,728	9,832,428	9,904,300	95,217,511
2033	25,448,304	4,851,767	20,596,536	9,955,333	10,641,203	105,858,714
2034	26,440,476	4,948,803	21,491,673	10,079,775	11,411,898	117,270,613
Totals	\$433,788,111	\$98,550,090	\$335,238,021	\$217,967,408	\$117,270,613	

Based on this analysis Gates is able to deliver \$92,000,000 to ABC.

Revenue and expense numbers are grown at 3.89%⁽¹⁾ and 2.00%⁽¹⁾ through the term of the lease on an annual basis.

ABC would also have access to the excess cash flow over time which has a present value of **\$34,553,377.**

(1) 3.89% revenue growth is 2008/2009 to 2012/13 compound annual growth rate of projections provided by ABC. 2.00% expense growth is from projections provided by ABC.

Weighted Cost of Capital*	7.45%
Present Value of Excess Cash flow	\$34,553,377

*Preliminary and subject to change.

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Sources and Uses Comparison

BOND FINANCING

Sources of Funds

Bond Proceeds:	
Par Amount	\$ 25,400,000
Original Issue Discount	(237,938)
Premium	262,562
Total Bond Proceeds	25,424,624
Other Sources of Funds:	
<i>ABC Cash Contribution*</i>	<i>7,290,000</i>
Total Sources:	\$ 32,714,624

Uses of Funds

Project Fund Deposits:	
Project Fund	\$ 30,000,000
Other Fund Deposits:	
Debt Service Reserve Fund	1,800,000
Delivery Date Expenses:	
Cost of Issuance	405,000
Underwriter's Discount	139,352
Bond Insurance @ 60 bps	321,736
Divison of Bond Finance Fee	24,300
Total Delivery Date Expenses	890,388
Other Uses of Funds:	
Additional Proceeds	24,235
Total Uses:	\$ 32,714,624

All-In True Interest Cost	6.032%
*Opportunity Cost of \$7.3M cash contribution by ABC is not included.	

GATES FINANCING

Sources of Funds

Monetization Proceeds:	
Proceeds Delivered	\$ 92,000,000
Total Monetization Proceeds	92,000,000
Other Sources of Funds:	
<i>ABC Cash Contribution</i>	<i>-</i>
Total Sources:	\$ 92,000,000

Uses of Funds

Retire Existing Bonds	
Existing Bonds Retired	\$ 27,465,000
Project Fund Deposits:	
Project Fund	30,000,000
Other Uses of Funds:	
Student Housing	34,535,000
Total Uses:	\$ 92,000,000

Gates' Weighted Average Cost of Capital is 7.45%

Preliminary Florida Statute Interpretation

- ❖ Section 1001.706(6)(h), Florida Statutes specifies that the State Board of Governors, or the Board's designee, may authorize the rent or lease of parking facilities provided that such facilities are funded through parking fees or parking fines imposed by a university.
- ❖ Section 1006.66(7), Florida Statutes states that monies collected from parking assessments shall be used to defray the administrative and operating costs of the traffic and parking program, to provide for additional parking facilities on campus, or for student loan purposes.
- ❖ The argument can be made that the "proceeds" of the lease-leaseback arrangement are not the parking assessments themselves (such would be used to make the lease payments) and as such would not be restricted as per 1006.66(7).
- ❖ Given that the lease would be subject to Board of Governors approval, an institution would have the opportunity to use the proceeds on an unrestricted basis for both Auxiliary Fund & Education and General Fund uses.

Why Gates' Lease/Leaseback Structure

- ❖ Delivers maximum proceeds to ABC of \$92M (which is \$66.6M more than the bond proceeds); Gates' structure does not have any bond transaction haircuts via rating agency & credit enhancer criteria, etc.
- ❖ ***No \$7.3 million equity contribution required.***
- ❖ ABC does not pay for DSRF, bond insurance and other COI over 25 years.
- ❖ Proceeds can be allocated at ABC's discretion to support its core mission (parking assets, dormitories, student centers, medical schools, etc.).
- ❖ Preserves future bonding capacity.
- ❖ ABC maintains operational control of its parking assets.