

BOARD OF GOVERNORS

April 21, 2005

SUBJECT: A Resolution of the Board of Governors Approving the Issuance of Revenue Bonds by the University of Florida Athletic Association, Inc. to Finance Construction of the Baseball/Football Locker Room Facilities and Lemerand Center Renovations

UNIVERSITY AFFECTED: University of Florida

PROPOSED BOARD ACTION

Approve the financing plan and adopt a resolution authorizing the issuance of the University of Florida Athletic Association, Inc. revenue bonds in an amount not to exceed \$10,000,000 to finance the construction of the baseball/football locker room facilities and renovations to the Lemerand Athletic Center on the main campus of the University of Florida in Gainesville, Florida. Authorize the Chair, the Vice Chair, the Deputy Commissioner of Finance and Operations, and other authorized representatives of the Board of Governors to execute the necessary contractual documents related to the financing of the project.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7D, Florida Constitution. Board of Governors approval is subject to legislative approval as evidenced in the 2005-2006 General Appropriations Act. The effective date of the General Appropriations Act will be July 1, 2005.

BACKGROUND INFORMATION

The University of Florida has submitted a proposal for construction of the Baseball/Football Locker Room Facilities and Renovations of Lemerand Athletic Center through the issuance of variable rate, tax-exempt bonds in an amount not to exceed \$10,000,000. The proposal will provide financing for construction of improvements to and the expansion of McKethan Baseball Stadium, the construction of a new football equipment storage/restroom/training room and renovations of the Lemerand Athletic Center. All of the proposed new facilities, renovations, and enhancements are located within the University Athletic Association sports complex on the University's main campus.

The University of Florida Board of Trustees, at its March 22, 2005 meeting, approved the proposed Baseball/Football Locker Room Facilities and Renovations to the Lemerand Athletic Center project and the financing thereof. The University of

Florida Athletic Association, Inc. approved the proposed financing at its meeting held February 9, 2005.

Supporting Documentation Included: Requesting Resolution
Project Summary
Financial Plan

Other Support Documents Available: Pro Forma Financial Statements
Estimated Debt Service Schedules

Facilitator/Presenter: Jeanine Blomberg

A RESOLUTION APPROVING THE ISSUANCE BY THE UNIVERSITY ATHLETIC ASSOCIATION, INC., A UNIVERSITY DIRECT SUPPORT ORGANIZATION, OF ITS ATHLETIC PROGRAM REVENUE BONDS, SERIES 2005, IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$10,000,000; APPROVING THE PURPOSES AND EXISTENCE OF THE ATHLETIC ASSOCIATION; AUTHORIZING THE CHAIR, VICE CHAIR AND STAFF TO TAKE FURTHER ACTIONS CONSISTENT WITH THE RESOLUTION; AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed Board of Governors (the “Board of Governors”) of the State of Florida (the “State”) at a meeting duly held pursuant to notice and a quorum being present, do hereby make the following resolutions:

BE IT RESOLVED:

1. Findings. The Board of Governors hereby finds as follows:

(A) The Board of Governors was created by Amendment 11, Article IX, Section 7 of the Florida Constitution on January 7, 2003 and vested with the power to operate, regulate, control and manage the eleven public colleges and universities of the State education system.

(B) The University Athletic Association, Inc. (the “Athletic Association”), provides direct support to the University of Florida (the “University”), and has been designated as a “University Direct Support Organization” by The University of Florida Board of Trustees (the “University Board”) pursuant to §1004.28, Florida Statutes (2004).

(C) The University Board has requested that the Athletic Association issue its Athletic Program Revenue Bonds, Series 2005, in the principal amount not to exceed \$10,000,000 (the “Bonds”) to finance (i) the construction of improvements and the expansion of McKethan Stadium at Perry Field; (ii) the construction of a new football equipment storage/restroom/training room, (iii) the renovation of and improvements to the Lemerand Athletic Center (collectively, the “Project”) and (iv) certain costs relating to the Bonds. The foregoing plan to finance the Project and costs relating to the Bonds, is collectively referred to herein as the “Financing Plan”.

(D) The Board of Governors declares that the Project will serve a public purpose by providing athletic programs and facilities at the University.

2. Approval of the Project and Athletic Association. The Board of Governors hereby approves the Project contingent upon approval of the Project by the Legislature.

3. Approval of the Bonds. The Board of Governors hereby approves issuance of the Bonds by the Athletic Association for the purposes described herein, in an amount not to exceed \$10,000,000, said Bonds to have a final maturity not to exceed thirty (30) years from the date thereof and at an interest rate or rates acceptable to the Athletic Association. This approval is subject to the understanding that (i) the Bonds shall be secured by a trust estate under a trust indenture, and (ii) the proceeds of the Bonds shall be used exclusively to fund the Financing Plan.

4. Repealing Clause. All resolutions of the Board of Governors, or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

5. Authorization of Further Actions Consistent Herewith. The members of the Board of Governors, attorneys, or other agents or employees of the Board of Governors are hereby authorized and directed to do all acts and things required of them by this resolution or desirable or consistent with the requirements hereof, to assure the full, punctual and complete performance of all the terms, covenants and agreements contained in the Bonds and this resolution including execution of such documents, certificates, contracts and legal opinions and other material delivered in connection with the Project, the issuance and sale of the Bonds or as necessary to preserve the tax-exemption thereon, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

6. Effective Date. This resolution shall become effective immediately upon passage.

CERTIFICATE OF THE CORPORATE SECRETARY

The undersigned, Corporate Secretary of the Board of Governors, does hereby certify that the attached resolution relating to the issuance of Bonds by the Athletic Association is a true and accurate copy as adopted by the Board of Governors on _____, 2005 and said resolution has not been modified or rescinded and is in full force and effect on the date hereof.

**BOARD OF GOVERNORS
OF THE STATE OF FLORIDA**

Dated: _____, 2005

By: _____
Corporate Secretary

00489208.DOC.1

BOARD OF GOVERNORS
Project Summary
University of Florida
Baseball/Football Locker Room Facilities and Lemerand Center Renovations

- Project Type:** The University of Florida Athletic Association, Inc. intends to issue variable rate, tax-exempt revenue bonds in an amount not to exceed \$10,000,000 for the purpose of financing the construction of the Baseball/Football Locker Room Facilities and Lemerand Center Renovations project. The project will be financed from bond proceeds, interest earnings accrued from bond proceeds, and University of Florida Athletic Association, Inc. cash contributions of \$1,282,025.
- Facility Site Location:** The proposed new facilities, renovations, and enhancements are located within the University Athletic Association sports complex on the University of Florida main campus. This location is consistent with the current Campus Master Plan.
- Physical Description:** The new locker room facility will provide the following space for the baseball program: locker rooms, audio-visual rooms, showers, restrooms, storage, batting cage, and concessions. The Lemerand Center will be renovated to divide the existing space and provide locker rooms for the other four teams including men's and women's track, volleyball, and soccer. Additionally, the existing maintenance building and the existing team locker room will be renovated. The scope also includes a football practice building, a storage building for maintenance equipment, enhancements to the Lemerand Center entrance, and enhancements to the existing baseball ticket booth and plaza.
- Demand Analysis:** The need for a baseball locker room facility has become essential due to space constraints in the Lemerand Center, which was first occupied in the Fall of 1995. The Lemerand Center originally housed locker room space for soccer, baseball, softball, men's track, women's track and volleyball. In 2001, the softball locker room was relocated to a new facility adjacent to the softball playing field to provide easy access, and also to provide for expansion of the volleyball locker room area. The remaining five teams each occupy space that is currently too small for the number of student athletes participating on each team. Since the baseball team has a combined number of over 50 student athletes, it was decided that the baseball team would move from the Lemerand Center to a new facility. This would provide adequate space for volleyball, soccer, and for the men's and women's track teams that will remain at the renovated Lemerand Center.
- Pledged Revenues:** The pledged revenue is defined as the net portion of Association revenues which is comprised of all athletic program revenues including private gifts to the Association. For the years ended June 30, 2003 and June 30, 2004, revenues exceeded expenses by approximately \$3.9 million, and \$8.6

million respectively. The expenses do not include contributions to the University.

Debt Service Coverage: It is currently anticipated that the University Athletic Association will issue variable rate revenue bonds, although no final decisions have been made. Annual debt service on \$10,000,000 is estimated to be \$866,527, assuming a 5.5% interest rate and a term of 30 years. Based on these assumptions, the projected debt service coverage for Fiscal Year 2006-2007 is 1.46.

Summary of Pro Forma: For Fiscal Year 2006-2007, the amount available for debt service is projected to be approximately \$6.9 million while the assumed debt service is approximately \$866,527 for the proposed bonds and \$3,907,114 for the current outstanding bonds, for a total debt service of \$4,773,641. The coverage of debt service for Fiscal Year 2006-2007 is 1.46. The financial feasibility analysis assumes an interest rate of 5.5%. The actual interest rate may vary as the Athletic Association plans to issue variable rate debt.

The key revenue assumptions are: continuation of complete stadium sell-outs for football games, football game ticket price increases from \$25 to \$28, and student football game ticket prices to remain constant at \$7 per ticket. No post-season game revenue is projected and Gator Booster contributions to the University Athletic Association are based on actual approved contributions for Fiscal Year 2004-2005, plus a scheduled increase for the existing football stadium suites and dens, and also an increase of sales in the new luxury seating areas. Television revenues are projected to increase 5% per year based on existing contracts. Conference bowls and tournament revenues are projected to increase based on amounts received in Fiscal Year 2003-2004, and expenses are projected to increase 5% for the first year and 3.5% increases per year for the following years.

Planned Opening Date: It is anticipated that the proposed facilities will be ready for occupancy June 2006.

BOARD OF GOVERNORS

**Analysis of the Financial Plan for the University of Florida Baseball/Football Locker Room Facilities and Lemerand Center Renovations
for Fiscal Year 2006-2007**

(Based on Assumed 5.5% Interest Rate for Variable-Rate Bonds)

| <u>Sources of Funds</u> | | <u>Basis for Amounts</u> |
|---|----------------------|--|
| Bond Sale Amount | \$ 10,000,000 | Series 2005 Revenue Bond amount based on an assumed variable interest rate of 5.5% for 30 years. |
| Less: Cost of Issuance | \$ (150,000) | Estimated bond issuance costs for bond counsel, and other costs associated with the issuance. |
| Net Bond Proceeds | \$ 9,850,000 | |
| Plus: Interest Earnings (Construction Trust Fund) | \$ - | |
| Plus: Cash Contributions | \$ 1,282,025 | |
| Total Sources of Funds | \$ 11,132,025 | |
| | | |
| <u>Uses of Funds</u> | | |
| Planning, Construction & Equipment | \$ 11,132,025 | The budgeted costs per approved building program. |
| Debt Service Reserve Account | N/A | Variable rate financing does not require a debt service reserve fund. |
| Estimated Interest to be Paid During Construction (Capitalized Interest) | \$ - | No interest cost is projected. Interest earnings will be applied to interest costs during the construction period and any shortfall will be covered with athletic funds. |
| Total Uses of Funds | \$ 11,132,025 | |
| | | |
| <u>Debt Service Coverage - Fiscal Year 2006-2007</u> | | |
| Operating Revenues | \$ 62,396,163 | Includes operating revenues from football, men's basketball, other sports, auxiliaries, and other revenues. |
| Less: Operating Expenses | \$ (59,746,855) | Includes operating expenses for the football team, men's basketball team, other sports teams, scholarships, support services, general & administrative, and auxiliaries. |
| Net Operating Income | \$ 2,649,308 | |
| Non-Operating Revenues | \$ 6,052,365 | Non-operating revenues include student fees, net investment income, sales tax retained, and other non-operating revenues. |
| Yearly Non-Optional Contributions to UF | \$ (1,718,381) | |
| Total Pledged Revenue Available for Debt Service | \$ 6,983,292 | |
| | | |
| Debt Service: | | |
| Current Outstanding Bonds | \$ 3,907,114 | |
| Proposed Bonds | \$ 866,527 | |
| Total Debt Service | \$ 4,773,641 | Debt service payment assuming 5.5% bonds for 30 years. |
| | | |
| Debt Service Coverage Ratio | 1.46 | |

* The financial analysis is based upon information provided by the University of Florida.