

BOARD OF GOVERNORS

April 21, 2005

SUBJECT: A Resolution Requesting the Division of Bond Finance of the State Board of Administration of Florida to Issue Revenue Bonds on Behalf of Florida State University to Finance the Construction of a Housing Facility (DeGraff Hall) on the Campus of Florida State University

UNIVERSITY AFFECTED: Florida State University

PROPOSED BOARD ACTION

Approve the financing plan and adopt a resolution authorizing the issuance of fixed rate, tax-exempt revenue bonds by the Division of Bond Finance of the State Board of Administration of Florida ("the Division") on behalf of Florida State University. The funds will be used to finance the demolition and new construction of DeGraff Hall (New Residence Hall), in an amount not to exceed \$31,700,000. 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

Chapter 2004-268, Section 11, Item 12, Laws of Florida; and Article IX, Section 7D, Florida Constitution.

BACKGROUND INFORMATION

Florida State University has submitted a proposal for the demolition of the existing facility and construction of a new facility on the site of the current DeGraff Hall located on the main campus of Florida State University. The new facility will consist of 140,110 gross square feet and have a designed capacity of 600 beds. The financing plan includes the issuance of fixed rate, tax-exempt bonds through the Division of Bond Finance of the State Board of Administration of Florida, in an amount not to exceed \$31,700,000. The total cost of the project is estimated to be \$36,909,436 and will be financed from net bond proceeds, interest earnings accrued from revenue bond proceeds, and available housing funds.

The Florida State University Board of Trustees, at its March 28, 2005 meeting, approved the proposed DeGraff Hall (New Residence Hall) project and the financing thereof. The construction and financing of the project were also approved by the Florida

Legislature in the 2004 General Appropriations Act, Chapter 2004-268, Section 11, Item 12, Laws of Florida.

Supporting Documentation Included: Requesting Resolution
Project Summary
Financial Plans

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

Facilitator/Presenter: Jeanine Blomberg

A RESOLUTION REQUESTING THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA TO ISSUE REVENUE BONDS ON BEHALF OF FLORIDA STATE UNIVERSITY TO FINANCE THE CONSTRUCTION OF A HOUSING FACILITY ON THE CAMPUS OF FLORIDA STATE UNIVERSITY AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by the Board of Governors:

Section 1. The Board of Governors (the "Board") hereby authorizes and requests the Division of Bond Finance of the State Board of Administration of Florida (the "Division") to issue bonds in an amount not exceeding \$31,700,000 (the "Bonds") for the purpose of financing the construction of a housing facility (including the demolition of an existing facility) on the campus of Florida State University (the "University"). Proceeds of the Bonds may also be used to pay the costs of issuance of such Bonds, to provide for capitalized interest, if any, to provide for a municipal bond insurance policy, and to fund a reserve account or provide debt service insurance, if necessary. The Bonds are to be secured by the revenues of the housing system at the University, and may additionally be secured by other revenues that are determined to be necessary and legally available. The Division shall determine the amount of the Bonds to be issued and the date, terms, maturities, and other features of a fiscal or technical nature necessary for the issuance of the Bonds. Proceeds of the Bonds and other legally available monies shall be used for the project, authorized by the 2004 Legislature in Section 11, item 12, of Chapter 2004-268, Laws of Florida.

Section 2. Authority is further granted for the issuance of bonds for the purpose of refunding all or a portion of any bonds secured by the revenues described in Section 1 hereof, if it is deemed by the Division to be in the best financial interest of the State. The limitation on the amount authorized for the Bonds in Section 1 above shall not apply to such refunding bonds. Other terms of this resolution shall apply to any such refunding bonds as appropriate.

Section 3. The Board will comply, and will require the University to comply, with all requirements of bond counsel and the Division as evidenced by a "Certificate as to Tax, Arbitrage and Other Matters" or similar certificate to be executed by the Board prior to the issuance of the Bonds and advice and directions in implementing such certificate.

Section 4. The Board will comply, and will require the University to comply, with all other requirements of the Division with respect to compliance with federal arbitrage law, pursuant to Section 215.64(11), Florida Statutes, including the payment of fees to the Division in connection therewith.

Section 5. The Board will comply, and will require the University to comply, with all requirements of federal law, state law or the Division, relating to continuing secondary market disclosure of information regarding the Bonds, the University, and the operation of the University's housing system, including the collection of the revenues therefrom. Such requirements currently provide for the continuing disclosure of information relating to the Bonds, the University, and the operation of the University's housing

system, including the collection of the revenues therefrom, on an annual basis and upon the occurrence of certain material events.

Section 6. As provided in Section 215.65, Florida Statutes, the fees charged by the Division and all expenses incurred by the Division in connection with the issuance of the Bonds (except for periodic arbitrage compliance fees, if any, which shall be paid from other legally available funds) shall be paid and reimbursed to the Division from the proceeds of the sale of such Bonds. If for any reason (other than a reason based on factors completely within the control of the Division) the Bonds herein requested to be authorized are not sold and issued, the Board agrees and consents that such fees, charges and expenses incurred by the Division shall, at the request of the Division, be reimbursed to the Division by the Board from any legally available funds of the Board.

Section 7. The Division is hereby requested to take all actions required to issue the Bonds.

Section 8. If determined by the Division to be in the best interest of the State, the Board or the University may cause to be purchased a debt service reserve credit facility and/or municipal bond insurance issued by a reputable and recognized provider.

Section 9. The Chair; the Vice Chair; the Deputy Commissioner, Finance and Operations of the Department of Education (or his/her successor by whatever title); and other authorized representatives of the Board are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds and to

obtain a debt service reserve credit facility and a municipal bond insurance policy. The Senior Vice President for Finance and Administration and the Director of Business/Auxiliary Services for the University are authorized to execute an official intent with respect to any original expenditures that will be reimbursed by proceeds of the Bonds. Any action taken pursuant to this Section 9 shall be valid if such action is taken by at least one person authorized to take such action.

Section 10. This Resolution shall take effect immediately upon its adoption.

Adopted this 21st day of April, 2005.

BOARD OF GOVERNORS
Project Summary
Florida State University
DeGraff Hall (New Residence Hall)

- Project Type:** The proposed project consists of the demolition of DeGraff Hall and construction of a larger new residence hall on the existing site, construction of the DeGraff Hall (New Residence Hall), a housing complex with a design capacity of 600 beds, will result in a net gain of 450 beds to the housing system. Demolition and construction will be financed from tax-exempt revenue bonds issued by the Division of Bond Finance, State Board of Administration, interest earnings accrued from revenue bond proceeds, and contributions from available housing system revenues. The project will be administered by Florida State University.
- Facility Site Location:** The proposed facilities will be located on the Florida State University main campus in Tallahassee, Florida. The site borders Tennessee and Dewey Streets. This location is consistent with the campus master plan.
- Student Market:** The new residence hall facilities will house undergraduate students.
- Demand Analysis:** Over the past three years, occupancy rates for the undergraduate halls have exceeded 101% each fall term. Waiting lists are developed and students are placed in temporary housing until permanent assignments can be identified through attrition. The waiting list for Fall 2004 exceeded 2,000 students at the beginning of June. The addition of new beds into the housing system will enable the university to meet the housing needs of more entering students, with enrollment exceeding the availability of space.
- Physical Description:** The proposed DeGraff Hall (New Residence Hall) project will consist of a new residence hall built with a total of 140,110 gross square feet. The building will be a suite-style residence hall facility with one bathroom shared between two double occupancy rooms. Administrative offices, a lobby, study spaces and kitchens, laundry facilities, recreation room, Living Learning programs, and a classroom will be available for residents of this facility.
- Pledged Revenues:** Pledged revenues for the payment of debt service will include housing system revenues derived primarily from rental income after deducting operating expenses. The bond series for construction of the new residence hall will be issued on a parity with the outstanding \$3,500,000 Florida State University Housing Revenue Bonds, Series 1993, of which \$2,550,000 is currently outstanding; the \$13,120,000 Florida State University Housing Revenue Bonds; Series 1996, of which \$11,910,000 is currently outstanding; Series 2001, of which \$8,660,000 is currently outstanding; Series 2001A, of which \$25,000,000 is currently outstanding; and Series 2004A which is fully outstanding at \$23,145,000.

- Debt Service Coverage:** The projected debt service coverage ratio in fiscal year 2007-2008 based on the reconstructed DeGraff Hall (New Residence Hall) facility rental income is 1.05 for an amount not to exceed \$31,700,000. The debt service coverage ratio in fiscal year 2007-2008 for the housing system is projected to be 1.50.
- Summary of Pro Forma:** The reconstruction of DeGraff Hall (New Residence Hall) is expected to significantly increase revenue. The projected rental rate for the 600 bed facility is \$2,420 per bed, per semester. The rate projection is based on the current double occupancy renovated rate with annual 5% increases until the year of completion. The project is based on a 98% occupancy rate with 80% summer usage. It is estimated that first year revenue for the new facility will be \$3,303,901.
- Current Capacity:** Currently, the undergraduate housing capacity at Florida State University is 4,237 beds. Landis Hall is closed for renovations and is projected to reopen in 2006-2007, adding 402 beds to the housing system. In 2005-2006, McCollum Hall will become part of the housing system with 199 beds, and DeGraff Hall will close thereby removing 140 beds. Completion of the DeGraff Hall (New Residence Hall) and Wildwood Hall projects will increase the housing system by 600 and 690 beds respectively, for a total of 5,988 beds in the housing system for 2007-2008.
- Student Life Programs:** These new facilities will address the need for more total housing space on campus. The resident assistant ratio will be approximately 1:47. This is compatible with staffing in the other halls. A Residence Coordinator, and an Administrative and Professional position, will provide the live-in staffing and oversight for the complex. The Coordinator will respond to emergencies on a 24 hour basis; coordinate educational and social programs; distribute pertinent information to residents; and provide referral services.
- Planned Opening Date:** It is anticipated that the DeGraff Hall (New Residence Hall) will be open for occupancy in August, 2007.

BOARD OF GOVERNORS
Analysis of the Financial Plan for Florida State University DeGraff (New Residence Hall)
for Fiscal Year 2007-2008

DeGraff Hall (New Residence Hall)

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Bond Sale Amount	\$ 31,700,000	Series 2005A Bond amount is based on a fixed rate, tax-exempt interest rate of 5.5% for 28 years.
Less: Underwriter's Discount	\$ (634,000)	Based on estimated costs by the Division of Bond Finance. Estimated by the Division of Bond Finance based upon comparable bond issues. Estimated by the Division of Bond Finance based upon comparable bond issues.
Bond Insurance	\$ (463,354)	
Cost of Issuance	\$ (152,192)	
Net Bond Proceeds	\$ 30,450,454	
Plus: Interest Earnings (Construction Trust Fund)	\$ 784,603	Estimate is based on net bond proceeds on deposit with trustee, invested for 25 months at an interest rate of 2.0%.
Plus: Contribution of Housing Renovation and Replacement Funds	\$ 7,340,000	
Total Sources of Funds	<u>\$ 38,575,057</u>	

<u>Uses of Funds</u>		
Planning, Construction & Equipment (including Contingency for construction)	\$ 36,909,436	The construction cost is \$61,515 per bed or \$263.43 per gross square foot. The per bed costs are impacted by the supporting spaces that do not include beds.
Debt Service Reserve Account	\$ 67,413	Based on the purchase of a debt service reserve account surety bond.
Estimated Interest to be Paid During Construction (Capitalized Interest)	\$ 1,598,208	
Total Uses of Funds	<u>\$ 38,575,057</u>	

Debt Service Coverage - Fiscal Year 2007-2008

DeGraff Hall (New Residence Hall)

Total Operating Revenue	\$ 3,303,901	Projected rental rate of \$2,420 per bed, per semester, an occupancy rate of 98% with 80% summer usage.
Less: Operating Costs	<u>\$ (949,843)</u>	Projected operating expenditures for the project during fiscal year 2007-2008.
Revenue Available for Debt Service	<u>\$ 2,354,058</u>	Net revenue available for debt service from operations, fiscal year 2007-2008.
Total Debt Service	\$ 2,243,500	Debt service payment for the Series 2005A bonds for fiscal year 2007-2008.
Debt Service Coverage Ratio	1.05	

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

BOARD OF GOVERNORS
Analysis of the Financial Plan for Florida State University DeGraff Hall (New Residence Hall)
for Fiscal Year 2007-2008

(Housing System)

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Bond Sale Amount	\$ 31,700,000	Series 2005A Bond amount is based on a fixed rate, tax-exempt interest rate of 5.5% for 28 years.
Less: Underwriter's Discount	\$ (634,000)	Based on estimated costs by the Division of Bond Finance. Estimated by the Division of Bond Finance based upon comparable bond issues. Estimated by the Division of Bond Finance based upon comparable bond issues.
Bond Insurance	\$ (463,354)	
Cost of Issuance	\$ (152,192)	
Net Bond Proceeds	\$ 30,450,454	
Plus: Interest Earnings (Construction Trust Fund)	\$ 784,603	Estimate is based on net bond proceeds on deposit with trustee, invested for 25 months at an interest rate of 2.0%.
Plus: Contribution of Housing Renovation and Replacement Funds	\$ 7,340,000	
Total Sources of Funds	<u>\$ 38,575,057</u>	
 <u>Uses of Funds</u>		
Planning, Construction & Equipment (including Contingency for construction)	\$ 36,909,436	The construction cost is \$61,515 per bed or \$263.43 per gross square foot. The per bed costs are impacted by the supporting spaces that do not include beds.
Debt Service Reserve Account	\$ 67,413	Based on the purchase of a debt service reserve account surety bond.
Estimated Interest to be Paid During Construction (Capitalized Interest)	\$ 1,598,208	
Total Uses of Funds	<u>\$ 38,575,057</u>	
 <u>Debt Service Coverage - Fiscal Year 2007-2008</u>		
<u>Housing System</u>		
Total Operating Revenue	\$ 30,072,487	Projected rental rate of \$2,420 per bed, per semester, an occupancy rate of 98% with 80% summer usage.
Less: Operating Costs	<u>\$ (15,548,553)</u>	Projected operating expenditures for the housing system during fiscal year 2007-2008.
Revenue Available for Debt Service	<u>\$ 14,523,934</u>	Net revenue available for debt service from operations, fiscal year 2007-2008.
Total Debt Service - Fiscal Year 2007-2008	\$ 9,661,044	Debt service payment for the outstanding Housing System Revenue Bonds, including the new debt for the Wildwood Halls project and the DeGraff project (2005A Series).
Series 1993 Bonds:	\$ 191,000	
Series 1996 Bonds:	\$ 925,125	
Series 2001 Bonds:	\$ 594,980	
Series 2001A Bonds:	\$1,697,313	
Series 2004A Bonds:	\$1,474,126	
Series 2005A Bonds:	\$2,535,000	
Series 2005A Bonds:	<u>\$2,243,500</u>	
Total	<u>\$9,661,044</u>	
Debt Service Coverage Ratio	1.50	

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