

BOARD OF GOVERNORS

July 22, 2004

SUBJECT: A Resolution of the Board of Governors Authorizing the Financing of the University of South Florida Research Foundation, Inc. Buildings (Interdisciplinary Research Building and Multi-Tenant Office Building) in an amount not to exceed \$40,000,000.

UNIVERSITY AFFECTED: University of South Florida

PROPOSED BOARD ACTION

Approve the Resolution for the University of South Florida Research Foundation, Inc. to enter into a financing arrangement on or after July 1, 2004 for the construction of the Interdisciplinary Research Building and the Multi-Tenant Office Building in a principal amount not to exceed \$40,000,000. Authorize the Chair, the Vice Chair, the Chief Education Financial Officer 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 23-24, Laws of Florida; and Article IX, Section 7D, Florida Constitution.

BACKGROUND INFORMATION

The University of South Florida Research Foundation, Inc. (the "Research Foundation") is proposing to issue tax-exempt and taxable revenue bonds in an aggregate amount not to exceed \$40,000,000. It is anticipated that the bonds will be issued in three series. Receipts from the revenue bonds will replace two outstanding bridge loans and provide long-term financing for the acquisition and construction cost of the Interdisciplinary Research Building (Series 2004A and Series 2004B Bonds) and the Multi-Tenant Office Building (Series 2004C Bonds), to be located at the University of South Florida Research Park of Tampa Bay adjacent to the Tampa campus of the University of South Florida.

The entire project will be financed from variable rate tax-exempt and taxable bonds issued by the Research Foundation and payable from the revenues derived from: a master lease of the Interdisciplinary Research Building to the University of South Florida; subleases to tenants of the Multi-Tenant Office Building; and, other legally available funds of the Research Foundation. The project construction cost for the Interdisciplinary Research Building is estimated to be \$33.8 million, with approximately

\$11.3 million provided from federal grant funds. The project construction cost for the Multi-Tenant Office Building is estimated to be \$11.1 million.

The proposed bond issuances are variable interest rate financings involving the assumption of risk associated with an increase in interest rates. Accordingly, the Research Foundation has agreed to take appropriate actions to reduce such risk, including the following: closely monitoring the variable interest rate market to enable rapid response to changes in interest rates; utilizing interest rate caps or swap transactions, if deemed appropriate; and maintaining a sufficient fund balance within the Research Foundation accounts to provide for payment of extraordinary operating expenses, and, if necessary, the payment of debt service.

The resolution and related agreements, and documents pertaining to the proposed bond issues, were approved by the Executive Committee of the University of South Florida at its May 17, 2004 meeting and were also approved by the University of South Florida Board of Trustees at its May 20, 2004 meeting. The construction and financing of the two buildings was approved effective July 1, 2004, by the Florida Legislature in the 2004 General Appropriations Act, Chapter 2004-268, Section 11, Item 23-24, Laws of Florida.

Supporting Documentation Included: Requesting Resolution
Project Summary
Financial Plans
Summary of Master Operating Lease and
Master Ground Lease

Other Support Documents Available: Chapter 2004-268, Section 11, Item 23-24,
Laws of Florida

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