

BOARD OF GOVERNORS

May 27, 2004

SUBJECT: A Resolution of the Board of Governors Authorizing the Issuance of Not to Exceed \$7,400,000 Florida State University International Program Association, Inc. Tax Exempt Debt to Refund Certain Outstanding Obligations.

UNIVERSITY AFFECTED: Florida State University

PROPOSED BOARD ACTION

Adopt a resolution authorizing a tax exempt loan in an amount not to exceed \$7,400,000 to refund the outstanding balance of the \$7,400,000 Florida State University International Programs Association, Inc. Bond, Series 1994.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Section 1010.60(2), Florida Statutes, and Article IX, Section 7(D), Florida Constitution.

BACKGROUND INFORMATION

Florida State University International Programs Association, Inc. has submitted a proposal to enter into a tax exempt loan from Bank of America for an amount not to exceed \$7,400,000 to refund the outstanding balance of \$7,400,000 of Florida State University International Programs Association, Inc. Bond, Series 1994. The original fixed rate bonds were issued to finance the cost of the London, England Study Center and were guaranteed by the Florida State University Foundation, Inc. Upon the accomplishment of the proposed refunding of the remaining Series 1994 Bonds, the guarantee of the outstanding obligation by the Florida State University Foundation will no longer be necessary and the previous guarantee will be terminated. The revenue necessary to amortize the loan will be generated from participant fees. The refinancing is being undertaken for debt service savings, therefore, revenues pledged for the original outstanding bonds will be sufficient to satisfy the payment obligations associated with the proposed loan.

The proposed loan is a variable rate financing, as such, there is an assumption of risk associated with an increase in interest rates. Accordingly, the University has agreed to take appropriate actions to reduce such risk including: closely monitoring the variable interest rate market to enable rapid response to interest rate changes, using interest rate caps or swap transactions if deemed appropriate, and maintaining a sufficient fund balance to provide for payment of extraordinary operating expenses and, if necessary, payment of debt service through increased participant fees.

Florida State University International Programs Association, Inc. approved the proposed tax exempt loan, and the Florida State University Board of Trustees approved the item at the March 26, 2004 meeting.

Supporting Documentation Included: Requesting Resolution

Facilitators/Presenters: Raymond Monteleone