

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida International University
Parking Garage VI**

Project Description: The proposed project Parking Garage 6 (“Project”) is a multi-level parking structure on Florida International University’s main campus and will provide approximately 2,000 structured parking spaces and 35,000 GSF of shell space, as well as associated site and road improvements. The Project will accommodate students, faculty, and staff.

The purpose of the Project is to alleviate congestion on the main campus. The Project is included in the current Campus Master Plan.

Facility Site Location: The proposed Project will be located on the north side of the Modesto A. Maidique campus (“MMC”) of FIU.

Projected Start and Opening Date: It is anticipated that construction of the Project will commence in Summer 2013 and will be open and available for occupancy in August 2014.

Quantitative Demand and Construction Analysis: The University community is presently comprised of over 50,000 students, over 5,100 full and part-time faculty and staff and a large number of daily visitors. Drivers of the 39,556 currently permitted student vehicles and 4,272 permitted employee vehicles compete for the 14,628 available parking spaces on the MMC.

Of the 14,628 spaces, 10,260 are available for students and 3,012 are available for faculty and staff. The remaining spaces consist of service vehicles spaces, visitor lot spaces, metered spaces and loading zones. The proposed Project will increase the total spaces on the MMC to approximately 17,000 and approximately 8,800 structured parking spaces.

As a part of the 2005-2015 Campus Master Plan, the University prepared an analysis of the university's Transportation Element which specifies a standard of service of one space for every 2.94 full-time equivalent (“FTE”) student and one space for every 2 FTE students living on campus. The university was close to meeting this

standard of service in Fall 2010 when Parking Garage 5 was placed into service but is now well above the ideal ratios due to the 9.6 percent enrollment increase since Fall 2010 and a 3.7 percent decrease in allotted spaces due to the loss of surface parking lots from construction of University facilities on those lots. Given a projected enrollment of 5 percent over time, service levels are expected to deteriorate further without construction of the Project.

Study of Private Sector Alternatives:

As a part of its ongoing strategy to review the efficacy of private alternatives, the university engaged the services of Timothy Haahs & Associates, Inc. to assess options to fund construction and operate a garage. The analysis concluded that the University's recommendation to build and operate the new garage provides the most cost-effective parking solution to student, faculty and staff. The Tim Haahs analysis examined the four most viable combinations of garage construction, parking operation and location scenarios:

1. FIU funded and operated, on-campus
2. Developer funded and operated, on-campus
- 2A. Developer funded and operated, on-campus with ground lease
3. Developer funded and operated, off-campus

The analysis concluded that option 2 was not viable because of "the additional costs incurred by FIU students and staff, as well as the strain of a potential to guarantee revenue for the developer." Option 2A would further exacerbate the problem with "the addition of ground lease costs" while option 3 would include "transportation costs from the off-campus lot [that] would result in significant cost increases and inconvenience to students and staff." Utilizing the aforementioned options, annual parking costs for students and faculty as projected by Haahs & Associates would increase from \$261 to \$1,680, \$1,800, and \$2,040, respectively.

In addition to analysis provided by Timothy Haahs & Associates, Walker Parking Consultants also evaluated the potential for a private company to build and operate a parking structure off campus. Due to the location of the MMC in Miami, no land in close proximity to the campus is available for purchase by a private company to build a parking garage. Further, Walker Parking Consultants estimate that due to a private developer's obligation to pay property taxes and turn a profit on the garage, a student's cost

for parking in a garage operated by a private developer would approximate \$300 per semester, versus the \$89 TAF currently paid per semester. The increased cost to students and inconvenience of off campus parking make this alternative undesirable.

**Project Cost and
Financing Structure:**

The total project cost, which includes construction and associated design costs, is estimated at \$42 million and will be funded through bond proceeds and an approximately \$9 million contribution from University Parking and Auxiliary fund balances. Of the \$9 million contributed by the University, \$4.2 million is allocated to construct the 35,000 square feet of shell space. The shell space will not be considered part of the Parking System once the garage is complete. Additionally, in order to meet the Additional Bonds Test, the University plans to redeem the Series 1995 Parking Facility Bonds with cash of approximately \$2.0 million (the fiscal 2014 through 2016 maturities). The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida State Board of Administration's Division of Bond Finance, on behalf of Florida International University, in an amount not to exceed \$33,500,000. The bond issue will be structured with a 30 year final maturity and approximately level debt service.

Security/Lien Structure:

Net parking system revenues will be pledged for the payment of debt service. These revenues are derived primarily from a student transportation access fee, faculty and staff parking decal sales, fines, and other miscellaneous revenues, after deducting operating and maintenance expenses ("Pledged Revenues"). The transportation access fee was increased in academic year 2012-13 to \$89.00 for the Fall/Spring semesters and \$83.00 for the Summer semester. The 2011-12 academic year rates were \$81.00 for each of the Fall/Spring semesters and \$75.00 for the Summer semester. The university retains the ability to increase student fees, decal rates, fines, meter rates and other sources of revenue as permitted by law.

The debt will be payable solely from and secured as to the payment of principal and interest, on a parity with the Florida International University Parking Facility Revenue Bonds outstanding in an aggregate principal amount of \$47.8 million following redemption of the Series 1995 bonds.

**Pledged Revenues ,
Debt Service Coverage, and
Return on Investment:**

During the five year period from fiscal year 2007-08 to 2011-12, Pledged Revenues grew from \$6.1 million to \$7.5 million. The Parking System revenues produced debt service coverage ratios ranging from a high of 2.04X for Fiscal Year 2007-08 to a low of 1.38X for Fiscal Year 2008-09. Following the addition of the Series 2009A&B bonds, coverage changed to 1.45X in fiscal year 2009-10 and improved to 1.57X in fiscal year 2010-11. Increased salary and fuel related costs, due to parking overflow initiatives in fiscal year 2011-12 reduced debt service coverage to 1.52X. Historical coverage calculations include the receipt of the federal subsidy on the Series 2009B Build America Bonds. Calculations of Pledged Revenues and debt service coverage exclude revenue and expenses from the shuttle system and vehicle services, as they are not part of the Pledged Revenues. Excess Pledged Revenues remaining after payment of debt service were sufficient in each year to pay expenses of the shuttle system and vehicle services.

Pledged Revenues are projected to be \$7.9 million in fiscal year 2012-13, growing to \$11.7 million in fiscal year 2016-2017 and produce debt service coverage of 1.41X in 2012-13, 1.29X in 2013-14, 1.37X in 2014-15, 1.42X in 2015-16 and 1.67X in 2016-17. Due to the uncertainty of the ongoing receipt of the federal subsidy associated with the Series 2009B Build America Bonds, projected coverage calculations exclude the subsidy payment. For Fiscal Year 2014-15, the first year of operation of the Project, the system is expected to generate Pledged Revenues of \$9.6 million and produce an annual debt service coverage ratio of 1.37X. Excess pledged revenues remaining after payment of debt service are expected to be sufficient in each year to pay expenses of operating the shuttle system and vehicle services.

The projected debt service coverage ratio has been calculated using an interest rate of 5.75 percent on the bonds and a transportation access fee of \$89.00 for the Fall/Spring semesters and \$83.00 for the Summer semester for fiscal years 2012-13 with increases of 10 percent in fiscal year 2013-14; 7.5 percent in fiscal year 2014-15 and 10 percent in fiscal year 2016-17. Operating costs, excluding shuttle system expenses and vehicle services, are projected to increase approximately 2 percent per year.

The project is also expected to provide a positive internal rate of return estimated at 6.51%, based upon assumptions provided by the University.

(See Attachment II for a detailed summary of historical and projected debt service coverage)

Type of Sale:

The Division of Bond Finance will sell the Bonds through a competitive sale.

Analysis and Recommendation:

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by the Florida International University with respect to the request for Board of Governors approval for the subject financing. Projections provided by the University indicate that sufficient net revenues will be generated from mandatory student fees, decal sales, fines and meters to pay debt service on the Bonds and the outstanding Parking Bonds. It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and is in compliance with the Board of Governors' Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.