AGENDA
Facilities Committee
Grand Ballroom, Student Union
Florida A&M University
Tallahassee, Florida
March 27, 2013
4:00 p.m. – 4:45 p.m.

Chair: Mr. Dick Beard; Vice-Chair: Mr. H. Wayne Huizenga, Jr.
Members: Carter, Chopra, Levine, Link, Morton

1.	**Call to Order**	**Governor Dick Beard**
2.	**Approval of Committee Meeting Minutes** a. Minutes, November 7, 2012 b. Minutes, January 16, 2013	**Governor Beard**
3.	**State University System Debt Guidelines Discussion**	**Governor Beard**
4.	**Debt Approvals**	**Mr. Chris Kinsley** *Director, Finance & Facilities* *Board of Governors*

a. Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration to issue revenue bonds on behalf of Florida State University to finance construction of a student residence facility

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b. Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration to issue revenue bonds on behalf of Florida International University to finance construction of a parking garage

5. **Legislative Budget Request Update** — **Mr. Kinsley**

6. **Concluding Remarks and Adjournment** — **Governor Beard**

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STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 27, 2013

SUBJECT: Minutes of Meetings held November 7, 2012 and January 16, 2013

PROPOSED COMMITTEE ACTION

Approval of minutes of the meetings held on November 7, 2012 at New College of Florida, and January 16, 2013 at the University of Florida.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

Board members will review and approve the minutes of the meetings held on November 7, 2012 at New College of Florida, and January 16, 2013 at the University of Florida.

Supporting Documentation Included: Minutes: November 7, 2012; January 16, 2013

Facilitators/Presenters: Governor Dick Beard

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MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FACILITIES COMMITTEE
NEW COLLEGE OF FLORIDA
SARASOTA, FLORIDA
November 7, 2012

Video or audio archives of the meetings of the Board of Governors and its Committees are accessible at http://www.flbog.edu/.

Chairman Dick Beard convened the Board of Governors Facilities Committee meeting at 1:04 p.m., November 7, 2012, at the New College of Florida. The following members were present: Matt Carter, Manoj Chopra and John Temple.

1. Call to Order

Governor Beard called the meeting of the Facilities Committee to order.

2. Approval of Minutes of the Meeting of the Facilities Committee held September 13, 2012

Governor Carter moved that the Committee approve the Minutes of the Meeting of the Facilities Committee held September 13, 2012. Mr. Temple seconded the motion, and members of the Committee concurred.

3. FAMU Housing Update.

Chris Kinsley provided an update to the Committee on the contractor issues that FAMU was having on their latest housing project. He also updated them on the status of an audit of those issues. Dr. Robinson from FAMU thanked the Board staff and the Division of Bond Finance staff for their assistance and support. He stated that FAMU's Board of Trustees had recently authorized him to enter into a contract with the low bid firm.

4. A Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration to Issue Revenue Bonds on behalf of Florida Atlantic University to Finance the Construction of a Parking Facility on the Main Campus of Florida Atlantic University.

Mr. Kinsley reviewed Florida Atlantic University's proposal to issue debt to construct a new parking facility. Mr. Temple moved that the Committee approve the request. Mr. Carter seconded the motion. The committee unanimously approved the resolution as presented.

5. Facility Task Force Update

President Judy Bense presented the final report and recommendations of the Facility Task Force.

6. Review and Approve the 2013-14 SUS Fixed Capital Outlay Legislative Budget Request

Mr. Beard asked the Committee to consider the four parts of the Legislative Budget Request (LBR), $200 Million for CITF, $50 Million for Maintenance, $100 Million for Courtelis and $32 Million for CITF Debt Service. Mr. Temple moved that the Committee approve the request. Mr. Carter seconded the motion. The committee unanimously approved the LBR as presented.

7. Concluding Remarks and Adjournment

There being no further business, the meeting adjourned at 1:32 p.m., November 7, 2012.

____
Dick Beard, Chair

____
Stephanie Stapleton,
Financial Analyst, Finance & Facilities

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FACILITIES COMMITTEE
UNIVERSITY OF FLORIDA
GAINESVILLE, FLORIDA
January 16, 2013

Video or audio archives of the meetings of the Board of Governors and its Committees are accessible at http://www.flbog.edu/.

Chairman Dick Beard convened the Board of Governors Facilities Committee meeting at 1:04 p.m., January 16, 2013, at the University of Florida. The following members were present: Matthew Carter, Manoj Chopra.

1. Call to Order

Governor Beard called the meeting of the Facilities Committee to order. It was noted during roll call that they did not have a quorum present and therefore would not be able to take an action.

2. Amend the 2013-14 Fixed Capital Outlay Legislative Budget Request

Governor Beard asked Chris Kinsley to review the Fixed Capital Outlay Budget Request (LBR). Mr. Kinsley provided additional detail on the Capital Improvement Fee projects and the process for proceeding with those projects. He also reviewed the deferred maintenance list created by the Universities in response to the Facilities Task Force, and the list of projects requiring approval because they require General Revenue funds to operate and maintain.

3. Annual Energy Report.

Mr. Kinsley presented the annual energy report that details what the universities are doing to cut utility costs.

4. Completed Projects Report

Mr. Kinsley presented the annual report on projects completed at the state universities.

5. Concluding Remarks and Adjournment

There being no further business, the meeting adjourned at 1:41 p.m., January 16, 2013.

Dick Beard, Chair

Stephanie Stapleton,
Financial Analyst, Finance & Facilities

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STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 27, 2013

SUBJECT: State University System Debt Guidelines Discussion

PROPOSED COMMITTEE ACTION

Information only

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The Committee will discuss the Governor's February 18, 2013 letter to Chair Colson as well as the Board's Debt Management Guidelines.

Supporting Documentation Included:	1. Governor's Letter 2. Colson Letter 3. Debt Management Guidelines
Facilitators/Presenters:	Chris Kinsley

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RICK SCOTT
GOVERNOR

February 18, 2013

Chairman Dean Colson
Colson Hicks Eidson
255 Alhambra Circle, Penthouse
Coral Gables, Florida 33134

Dear Chairman Colson:

As Governor, the Cabinet and I are often asked to vote on whether to approve bond issuances for university construction projects. When reviewing potential bond deals, my view is simple: borrowing must be thoroughly scrutinized because overreliance on debt will push the cost of a university education beyond the reach of many Florida families.

I know that universities share these concerns and are constantly evaluating ways to reduce costs and improve quality. This includes working together to determine the need for additional facilities and the best way to finance them. In particular, universities and the Board of Governors have a joint responsibility to critically evaluate and justify the use of debt as a financing tool. Quantitative metrics must be used to ensure that each dollar borrowed is essential to our universities' core mission of educating tomorrow's leaders.

Accordingly, projects financed through the issuance of bonds, certificates of participation, long-term leases, or similar contractual arrangements must clearly provide tangible benefits to students. Before advancing such projects, universities should:

- Review quantitative metrics justifying the need for construction;
- Calculate a return-on-investment for revenue-generating projects and other appropriate measures for non-revenue-generating projects; and
- Assess whether the private sector can offer a comparable alternative at a lower cost.

Further, in order to enhance accountability, those using debt to finance construction should compare the projections used during the evaluation and approval process with the actual results achieved. These policies should apply whether facilities are financed directly by universities or through direct support organizations.

THE CAPITOL
TALLAHASSEE, FLORIDA 32399 • (850) 488-2272 • FAX (850) 922-4292

Since taking office, I have consistently called on universities to lower costs and increase efficiencies. I believe that our goal of ensuring that college remains both affordable and high-quality is achievable if universities focus on their core mission and on creating operational efficiencies.

Sincerely,

Rick Scott
Governor

cc: Chancellor Frank Brogan, Florida Board of Governors

STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

325 West Gaines Street, Suite 1614
Tallahassee, FL 32399
Phone 850.245.0466
Fax 850.245.9685
www.flbog.edu

February 27, 2013

The Honorable Rick Scott
Governor of Florida
The Capitol
Tallahassee, Florida 32399

Dear Governor Scott:

Thank you for your letter of February 18, 2013 regarding university bond deals. Such construction projects are critical to the State University System's core mission and thus receive our utmost scrutiny. I share your dedication to vigilance in this matter, as I too must affix my signature to each bond offering. Likewise, the Board of Governors shares your commitment to keeping Florida's universities among the most affordable in the nation.

In the face of the precipitous decline in state support for the fixed capital outlay budget, the pressure on the universities to bond from internal sources has increased tremendously. These factors led to the creation of the State University System Facilities Task Force, with whose work you are familiar. The Board and all stakeholders interested in the welfare of our state universities are keenly aware of the challenge. While we must make the most of the opportunity provided by historically low interest rates and cost of construction—which provides lowest lifecycle costs—we understand that this must not be done at the expense of current students. Of equal weight is our objective to align all bond requests with our strategic plan goals.

The Board of Governors will discuss this matter at its March 27-28, 2013 meeting, with the expectation that the Facilities Committee will direct the Chancellor and his staff—along with representatives from the universities—to begin the process of incorporating the concepts outlined in your letter into the State University System's Debt Guidelines. We certainly will welcome participation from you and your staff, as well as that of the State Board of Administration's Division of Bond Finance in the amendment process.

In the interim, Chancellor Brogan and his staff will assist those schools that have deals that are mid-way through the approval process to incorporate the additional information you recommended, so that this data will be available to both you and the Board prior to authorization of any further debt issuance.

We appreciate your commitment to our shared goal of creating a more efficient and effective high-quality university system for the people of Florida.

Sincerely,

Dean L. Colson
Chair

DEBT MANAGEMENT GUIDELINES

Rev. 09/16/10

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DEBT MANAGEMENT GUIDELINES FOR CAPITAL OUTLAY PROJECTS

I. INTRODUCTION

The Need for and Purpose of Debt Management Guidelines

The state universities of Florida and their direct support organizations ("DSOs") have funded significant investments in infrastructure, such as buildings, equipment, land, and technology, to meet the needs of a growing student population and to upgrade and maintain existing capital assets. A significant amount of the funding for this investment in infrastructure has been provided through the issuance of debt by the State for the benefit of the state universities and by the state universities' direct support organizations ("DSOs").

The purpose of these guidelines is to confirm that the state universities and their DSOs must engage in sound debt management practices and, to that end, the Board of Governors ("Board") has formalized guiding principles for the issuance of debt by the state universities and their DSOs. Each state university shall adopt a debt management policy which is consistent with these guidelines and which shall be approved by the Board.

The following guidelines set forth guiding principles regarding state university and DSO debt-related decisions related to:

a) The amount of debt which may prudently be issued.
b) The purposes for which debt may be issued.
c) Structural features of debt being issued.
d) The types of debt permissible.
e) Compliance with securities laws and disclosure requirements.
f) Compliance with federal tax laws and arbitrage compliance.

These principles will facilitate the management, control and oversight of debt issuances, for the purpose of facilitating ongoing access to the capital markets which is critical to the financing of needed infrastructure.

In furtherance of this objective, the provisions of these guidelines shall be followed in connection with the authorization, issuance and sale of university and DSO debt. However, exceptions to the general principles set forth herein may be appropriate under certain circumstances. Also, additional guidelines and policies may be necessary as new financial products and debt structures evolve over time.

For purposes of these guidelines:

i) "debt" means bonds, loans, promissory notes, lease-purchase agreements, certificates of participation, installment sales, leases, or any other financing mechanism or financial arrangement, whether or not a debt for legal purposes, for financing or refinancing, for or on behalf of a state university or a direct support organization, the acquisition, construction, improvement or purchase of capital outlay projects;

ii) "capital outlay project" means (i) any project to acquire, construct, improve or change the functional use of land, buildings, and other facilities, including furniture and equipment necessary to operate a new or improved building or facility, and (ii) any other acquisition of equipment or software; and

iii) "financing documents" means those documents and other agreements entered into by the state university or the DSO establishing the terms, conditions and requirements of the debt issuance.

iv) "auxiliary enterprise" means any activity defined in section 1011.47(1), Florida Statutes, and performed by a university or a direct-support organization.

II. DEBT AFFORDABILITY AND CAPITAL PLANNING

Concept of Affordability

One of the most important components of an effective debt management policy is an analysis of what level of debt is affordable given a particular set of circumstances and assumptions. More comprehensive than simply an analysis of the amount of debt that may be legally issued or supported by a security pledge, the level of debt should be analyzed in relation to the financial resources available to the university and its DSOs, on a consolidated basis, to meet debt service obligations and provide for operating the university.

An analysis of debt affordability should address the impact of existing and proposed debt levels on an issuer's operating budget and offer guidelines or ranges to policymakers for their use in allocating limited resources within the guidelines.

Debts That May Be Issued Without Board of Governors' Approval

The following types of financings may be engaged in by the state universities and their DSOs, as applicable, without Board approval:

- Universities may finance the acquisition of equipment and software provided such financings are accomplished in accordance with the deferred-purchase provisions in Chapter 287, Florida Statutes.

- DSOs may finance the acquisition of equipment and software financings provided the overall term of the financing, including any extension, renewal or refinancings, hereof, does not exceed five years or the estimated useful life of the equipment or software, whichever is shorter.

- DSOs may issue promissory notes and grant conventional mortgages for the acquisition of real property. However, no mortgage or note shall exceed 30 years.

- University and DSO debt secured solely with gifts and donations and pledges of gifts so long as the maturity of the debt, including extensions, renewals and refundings, does not exceed five years and so long as the facilities being financed have been included in the university's five-year capital improvement plan that has been approved by the Board.

- Refundings for debt service savings where final maturities are not extended.

- Fully collateralized lines of credit intended to be used for temporary cash flow needs.

- Energy Performance-Based Contracts, in accordance with the provisions of section 1013.23, Florida Statutes, not to exceed $10,000,000.

- Universities may borrow up to $20,000,000 from a university DSO on a non-recourse basis to finance a capital project. The term of the borrowing may not exceed thirty (30) years, and the interest rate, if any, may not exceed current market interest rates. The university retains legal title to any capital project financed in whole or in part by such loan irrespective of whether the loan is repaid. The DSO is prohibited from transferring the note or any other instrument associated with the borrowing to any other entity.

III. GENERAL DEBT ISSUANCE GUIDELINES

Process for Submitting Debt for Approval

Timing. The submission of proposed debt for approval by the Board shall be governed by the following process[1]:

a) The university shall formally transmit to the Board Office a request for debt approval no later than 60 days prior to the next regularly scheduled meeting of the Board. The university shall also provide a copy to the State Division of Bond Finance ("DBF"). The formal transmittal to the Board Office shall be in duplicate, hard copy, and bound in a three-ring binder, and include all the information required by these guidelines. Electronic copies of supporting documentation should be provided to the Board Office and the DBF, to the extent available. The formal letter of transmission must be signed by the official point of contact for the university, and any exceptions to these Debt Guidelines shall be noted and explained. If the university board of trustees has not yet formally approved the debt being requested, the proposed board of trustees meeting date shall be provided.

b) During the review period, the Board Office shall review the information submitted for compliance with these Guidelines and State law, analyze general credit issues associated with the proposed indebtedness, and review any analysis provided by DBF staff.

c) Board and DBF staff shall jointly discuss with the university or DSO any issues, concerns or suggestions resulting from the review during the review period. As a result of these discussions, the university may amend the information submitted or explain why the suggestions were not incorporated. The Board Office will advise the university if it believes that any amended information is so significant that re-authorization by the board of trustees and/or DSO is required. During this period, if the debt being requested for approval is to be issued by DBF on behalf of a state university, DBF shall submit to the Board Office a form of a resolution for adoption requesting that DBF issue the debt.

d) After the review period, the Board Office shall submit the agenda item with supporting documentation and all appropriate and required analyses to the Board for consideration at its next meeting. Supporting documentation for the agenda item shall also include the resolution to be adopted by the Board

[1] Although not required, universities are encouraged to consult with the Board Office and the State Division of Bond Finance 30 days prior to formal approval of debt by the university board of trustees or the DSO, particularly for any debt with unusual features.

requesting issuance of the debt by DBF or a resolution approving issuance of the debt by the DSO.

Information Required for Submission. The following information shall be submitted to the Board Office in support of a request for approval of the issuance of debt. Additionally, the university or DSO shall complete the “Checklist of Information Required for Submission to the Board Pursuant to Debt Management Guidelines,” and provide any additional information requested by the Board Office or DBF staff in connection with review of any proposed debt issuance.

a) A resolution of the DSO board of directors approving the debt issuances, if applicable, and a resolution of the university board of trustees approving the debt issuance and authorizing the university to request Board approval of the debt issuance. For debt to be issued by DBF, at the request of the university, DBF staff will work with the university to determine a not-to-exceed amount of debt to be included in the board of trustees requesting resolution to the Board and in preparing required debt service and source-and-use schedules.

b) The project program, feasibility studies or consultant reports (if available), and an explanation of how the project being proposed is consistent with the mission of the university.

c) Estimated project cost, with schedules drawn by month and including start and completion dates, estimated useful life, and the date bond proceeds are required.

d) The sources-and-uses of funds, clearly depicting all costs, funding sources expected to be used to complete the project and the estimated amount of the debt to be issued.

e) An estimated debt service schedule with the assumed interest rate on the debt clearly disclosed. If the proposed debt service is not structured on a level debt service basis, an explanation shall be provided which gives the reason why it is desirable to deviate from a level debt structure.

f) One consolidated debt service schedule separately showing all outstanding debt related to or impacting the debt being proposed, the proposed debt and the new estimated total debt service.

g) A description of the security supporting the repayment of the proposed debt and the lien position the debt will have on that security. If the lien is junior to any other debt, the senior debt must be described. Furthermore, a description of why the debt is proposed to be issued on a junior lien basis must be provided. A statement citing the legal authority for the source of revenues securing repayment must also be provided.

h) If debt is to be incurred on a parity basis with outstanding debt, a schedule showing estimated compliance with any additional bonds requirement set forth in the documents governing the outstanding debt. The applicable provisions of the documents for bonds of DSOs should be provided.

i) Financial statements for five years, if available, for the auxiliary, if auxiliary revenues are pledged.

j) A five-year history, if available, and five-year projection of the revenues securing payment and debt service coverage. To the extent applicable, the projections must be shown on the individual project as well as the entire system. All revenue items securing repayment must be clearly set forth as separate line items. An explanation must be provided with regard to growth assumptions, and to the amount and status of approval of any rate increases. The effect of the rate increases on the projections and expected revenues and expenses for the new facility should be clearly set forth as a separate line item. If rate increases are necessary, a commitment must be made to increase rates to the needed levels. Major categories of any operating expenses should be set forth as separate line items with an explanation of assumptions regarding increases or decreases.

k) Evidence that the project is consistent with the university's master plan or a statement that the project is not required to be in the master plan.

l) For variable rate debt proposals:

    i) the expected reduction in total borrowing costs based on a comparison of fixed versus variable interest rates;

    ii) a variable rate debt management plan that addresses liquidity and interest rate risks and provides, at a minimum: a description of budgetary controls, a description of liquidity arrangements, a discussion of why the amount of variable rate debt being proposed is appropriate, and a plan for hedging interest rate exposure. If interest rate risks are to be mitigated by the use of derivatives, then evidence that the counterparty has a long term rating of at least an A/A2 and a swap management plan as set forth in the Board's Debt Management Guidelines must be submitted;

    iii) a pro forma showing the fiscal feasibility of the project using current market interest rates plus 200 basis points;

    iv) the total amount of variable rate debt including the proposed debt as a percentage of the total amount of university and DSO debt outstanding; and

v) the individual or position that will be responsible for the reporting requirements for variable rate debt as set forth in these guidelines.

m) If all or any portion of the financing is contemplated to be done on a taxable basis, then evidence demonstrating that the issuance of taxable debt is in the best interest of the university must be submitted.

n) A statement explaining whether legislative approval is required, and if required, an explanation as to when legislative approval will be sought or evidence that legislative approval has already been obtained.

o) A statement that the debt issuance is in accordance with the university's debt management policy or, if not, an explanation of the specific variances as well as the reasons supporting the variances.

p) If a request is made to employ a negotiated method of sale, an analysis must be provided supporting the selection of this method that includes a discussion of the factors set forth in section IV of these Guidelines.

q) A description of the process used to select each professional engaged in the transaction, showing compliance with the competitive selection process required by these Guidelines. Specific contact information for each selected professional, must be included, and at a minimum, should disclose the professional's name, firm name, address, email address, phone number and facsimile number.

r) The most recent annual variable rate debt report.

Approval. The Board will consider the following factors in connection with its review and approval of university or DSO debt issuance.

a) The debt is to provide funding for needed infrastructure of the university for purposes consistent with the mission of the university.

b) The debt is being issued in compliance with the principles and guidelines set forth herein.

c) The project information submitted is reasonable and supportable.

d) The five-year projection of pledged revenues available to pay debt service should provide debt service coverage of at least 1.20x for both outstanding parity debt and for the proposed new debt for all years within the five-year projection period after giving credit for any capitalized interest and other revenues available for payment.

e) Any requirements for the issuance of additional parity debt can be reasonably expected to be met.

Purposes For Which Debt May Be Issued

Debt may be issued only to finance or refinance capital outlay projects as defined in these guidelines, including equipment and software; debt may not be approved to finance or refinance operating expenses of a university or a DSO.

Refunding bonds may be issued to achieve debt service savings. Refunding bonds may also be issued to restructure outstanding debt service or to revise provisions of Financing Documents if it can be demonstrated that the refunding is in the best interest of the university.

Committing University Resources for Debt Issued by Direct Support Organizations

There may be occasions where the university considers committing its financial resources on a long-term basis in support of debt issued by a DSO or other component unit. While the nature of the commitment may not constitute a legal debt obligation of the university, it may affect the university's debt position and its available financial resources. Therefore, the university should evaluate the long-term fiscal impact upon the university's debt position and available resources before authorizing any such financial commitment. Additionally, the debt of any DSO may not be secured by an agreement or contract with the university unless the source of payments under such agreement or contract is limited to revenues that the university is authorized to use for the payment of debt service. Any such contract or agreement shall also be subject to the requirements set forth under "Security Features – Pledged Revenues" herein.

Credit Ratings

In order to access the credit markets at the lowest possible borrowing cost, it is recognized that credit ratings are critical. Therefore, for all publicly offered debt:

a) For existing bond programs, universities and DSOs shall strive to maintain or improve current credit ratings without adversely impacting the amount of debt which may be issued for any particular program.

b) For all new financings, the university or DSO shall seek to structure the transaction to achieve a minimum rating of "A" from at least two nationally recognized rating agencies. Credit enhancement may be used to achieve this goal.

Tax Status

The universities have traditionally issued tax exempt debt which results in significant interest cost savings compared with the interest cost on taxable debt. Accordingly, all university and DSO debt should be issued to take advantage of the exemption from federal income taxes unless the university demonstrates that the issuance of taxable debt is in the university's best interest. With respect to debt which has a management contract with a private entity as part of the security feature, the management contract should comply, to the greatest extent practical, with tax law requirements to obtain tax exemption for the debt.

Security Features

Pledged Revenues. The debt issued by universities and their DSOs may only be secured by revenues (including fund balances and budget surpluses) authorized for such purpose. The revenues which may secure debt include the following:

a) Activity and Service Fee, subject to the limitation that annual debt service payable from these fees does not exceed five percent of the revenues derived therefrom.

b) Athletic Fee, subject to the limitation that annual debt service payable from these fees does not exceed five percent of the revenues derived therefrom.

c) Health Fee.

d) Transportation Access Fee.

e) Hospital Revenue.

f) Licenses and Royalties for facilities that are functionally related to the university operation or DSO reporting such royalties and licensing fees.

g) Gifts and Donations for debt not longer than five years.

h) Overhead and indirect costs and other monies not required for the payment of direct costs of grants.

i) Assets of University Foundations and DSOs and earnings thereon.

j) Auxiliary Enterprise Revenues, e.g., housing, parking, food service, athletic, retail sales, research activities.

Revenues which are not enumerated above may not be pledged to secure debt unless authorized by law for such purpose. In the case of university-issued debt, the pledge of revenues which secures debt should specifically identify the sources pledged and not use general or vague terms such as "lawfully available revenues." Specifically identifying revenues used to secure debt will provide certainty and transparency as to the revenues that are encumbered and avoid ambiguity or uncertainty as to the issuer's legal liability and universities and their DSOs should take this into consideration when determining the nature of the security it will provide in connection with a debt issuance. The guidelines for pledging revenues and securing debt shall also apply to debt structures which involve an agreement, contract or lease with a university or its DSOs, i.e., the revenues being pledged to secure debt must be specifically identified and lawfully available for such purpose. It is preferable, whenever possible, to secure debt with system pledges comprised of multiple facilities within a system, e.g., housing and parking, rather than stand-alone project finances.

Functional Relationships. Revenues from one auxiliary enterprise (a "Supporting Auxiliary Enterprise") may not be used to secure debt of another auxiliary enterprise unless the Board, after review and analysis, determines that the facility being financed (the "Facility") is functionally related to the Supporting Auxiliary Enterprise's revenues being used to secure such debt. The Board must determine whether a functional relationship exists whenever revenues from a Supporting Auxiliary Enterprise will be used to pay or secure the debt of a Facility or when proceeds of bonds issued by a Supporting Auxiliary Enterprise will be used, directly or indirectly, to pay costs relating to a Facility. When a functional relationship is established between a Facility and a Supporting Auxiliary Enterprise, only that portion of the Supporting Auxiliary Enterprise's revenues that exceed its operating requirements and debt service, if any, may be pledged to secure such debt; provided that such pledge may be on parity with outstanding debt if permitted by the covenants and conditions of the outstanding debt.

A functional relationship exists when a nexus is established between the Facility and the Supporting Auxiliary Enterprise's revenues. Whether a Facility is functionally related to the Supporting Auxiliary Enterprise's revenues must be determined on a case by case basis, taking into consideration the unique facts and circumstances surrounding each individual situation.

Examples of functional relationships include, but are not limited to, a parking facility intended to provide parking to residents of a student housing facility and located within reasonably close proximity to a student housing facility; a food services facility intended to serve residents of a student housing facility and located within reasonably close proximity to a student housing facility; or shared infrastructure (e.g. water lines, sewer lines, utilities, plaza areas) located within reasonably close proximity to both the Facility and the Supporting Auxiliary Enterprise. While representations that a Facility will provide general benefits to or enhance the experience of the student body are desirable, this factor alone is not determinative in and of itself to establish a functional relationship between the Facility and the Supporting Auxiliary Enterprise's revenues.

Lien Status. All bonds of a particular program should be secured by a first lien on specified revenues. Additionally, bonds should generally be equally and ratably secured by the revenues pledged to the payment of any outstanding bonds of a particular bond program. However, the creation of a subordinate lien is permissible if a first lien is not available or circumstances require.

Reserve Fund. Debt service reserve requirements may be satisfied by a deposit of bond proceeds, purchase of a reserve fund credit facility, or funding from available resources over a specified period of time. In the submission of a request for debt issuance, it is preferred, though not required, that the bond size for the proposed debt include provisions for funding a reserve from bond proceeds. This will ensure that in the event the university is unable to obtain a reserve fund credit facility it will still have an authorized bond amount sufficient to fund its needs. Debt service reserve requirements may also be satisfied with cash balances.

Credit Enhancement. Credit enhancement is used primarily to achieve interest cost savings. Accordingly, the state universities and their DSOs should consider the cost effectiveness of bond insurance or other credit enhancements when evaluating a debt issuance and the overall cost thereof. Any bond insurance or credit enhancement should be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings to result from their use. The primary determinant in selecting insurance or other credit enhancement should be price and expected interest cost savings; however, consideration may also be given to the terms of any arrangement with the provider of insurance or other credit enhancement.

Capitalized Interest. Capitalized interest from bond proceeds is used to pay debt service until a revenue producing project is completed or to manage cash flows for debt service in special circumstances. Because the use of capitalized interest increases the cost of the financing, it should only be used when necessary for the financial feasibility of the project.

Structural Features

Length of Maturity. In addition to any restriction on the final maturity imposed by the constitution or laws of the State, as a general guideline, the final maturity on bonds should not exceed thirty years.

Debt secured by gifts and donations shall not be considered long-term financing but may be used as a temporary or construction loan to accelerate construction of facilities. Accordingly, the maturity of debt secured by gifts and donations shall not exceed five years, including roll-overs or refinancings except refinancings to implement permanent financing. Debt issued to finance equipment and software may not be longer than five years or the useful life of the asset being financed, whichever is shorter.

Lastly, the final maturity of the debt should not exceed the estimated useful life of the assets being financed.

Debt Service Structure. Generally, debt should be structured on a level debt basis, i.e., so that the annual debt service repayments will, as nearly as practicable, be the same in each year. A deviation from these preferences is permissible if it can be demonstrated to be in the university's best interest, such as restructuring debt to avoid a default and not to demonstrate feasibility of a particular project.

Redemption Prior to Maturity. A significant tool in structuring governmental bonds is the ability to make the bonds callable after a certain period of time has elapsed after issuance. This provides the advantage of enabling the issuer to achieve savings through the issuance of refunding bonds in the event interest rates decline. Although the ability to refund bonds for a savings is advantageous, there may be situations where a greater benefit of lower interest rates may be realized by issuing the bonds as non-callable. Accordingly, there is a strong preference that bonds issued by a university or DSO be structured with the least onerous call features as may be practical under then prevailing market conditions. Bonds of a particular issue may be sold as non-callable if it is shown to be in the best interest of the university or DSO.

Debt Issued With a Forward Delivery Date. Debt issued by a university or DSO may be issued with a delivery date significantly later than that which is usual and customary. This debt typically carries an interest rate penalty associated with the delay in delivery. There are also additional risks that delivery will not occur. Debt with a forward delivery date may be issued if the advantages outweigh the interest rate penalty which will be incurred and the university and DSO are protected from adverse consequences of a failure to deliver the debt.

Interest Accrual Features

Fixed Rate, Current Interest Debt. Fixed rate debt will continue to be the primary means of financing infrastructure and other capital needs. However, there may be circumstances where variable rate debt is more appropriate, in which case, the state university or DSO shall provide documentation as noted in these guidelines for such debt.

Derivatives. Alternative financing arrangements, generally referred to as derivatives, are available in the market as an alternative to traditional bonds. Under certain market conditions, the use of alternative financing arrangements may be more cost effective than the traditional fixed income markets. However, these alternative financing instruments, such as floating to fixed swap agreements, have characteristics and carry risks peculiar to the nature of the instrument which are different from those inherent in the typical fixed rate financing. Although the universities and their DSOs should normally continue issuing conventional fixed rate bonds, alternative financing instruments may be used when the inherent risks and additional costs are identified and proper provision is made to protect the Board, the university, and the DSO from such risks. In determining when to utilize alternative financing arrangements, the availability of the requisite technical expertise to properly execute the transaction and manage the associated risks should be evaluated along with any additional ongoing administrative costs of monitoring the transaction. Also, a comprehensive derivatives policy should be established by the university or their DSOs and approved by the Board prior to approving transactions using derivatives products.

Capital Appreciation Bonds. Normally capital appreciation bonds, which do not require current debt service payments, should not be used. However, when a compelling university interest is demonstrated, capital appreciation bonds may be issued.

*Variable Rate Bonds. V*ariable rate debt may be issued where, considering the totality of the circumstances, such bonds can reasonably be expected to reduce the total borrowing cost to the university or the DSO over the term of the financing. The availability of the requisite technical expertise to properly manage the risks and execution of the variable rate transaction should be evaluated along with any additional ongoing administrative costs of monitoring the transaction. There should be a solid understanding of the liquidity risk and interest rate risks associated with variable rate debt. Further, there should be a debt management plan that mitigates, to the extent possible, these risks over the life of the debt. The following guidelines should apply to the issuance of variable rate debt:

a) *Expected reduction in total borrowing cost*. In determining reasonably expected savings, a comparison should be made between a fixed rate financing at then current interest rates and a variable rate transaction, based on an appropriate floating rate index. The cost of the variable rate transaction should take into account all fees associated with the borrowing which would not typically be incurred in connection with fixed rate bonds, such as tender agent, remarketing agent, or liquidity provider fees.

b) *Limitation on variable rate debt*. The amount of variable rate debt and interest derivative exposure is dependent on several factors associated with these types of debts. Included in the factors associated with these instruments are the university's/DSO's operating flexibility and tightness of budget, access to short and long term capital, the likelihood of a collateral call or termination payment, and the university's/DSO's financial expertise. The level to which universities may utilize variable rate debt obligations ("VRDO") and interest derivatives (like swaps, collars, and caps) is subject to an understanding of the risks associated and a debt policy that adequately addresses the additional risks.

c) *Budgetary controls*. To avoid a situation in which debt service on variable rate bonds exceeds the annual amount budgeted, the following guidelines should be followed in establishing a variable rate debt service budget:

i) A principal amortization schedule should be established, with provisions made for payment of amortization installments in each respective annual budget;

ii) Provide for payment of interest for each budget year using an assumed budgetary interest rate which allows for fluctuations in interest rates on the bonds without exceeding the amount budgeted. The budgetary interest rate may be established by: (1) using an artificially high interest rate given current market conditions; or (2) setting the rate based on the last 12 months actual rates of an appropriate index plus a 200 basis point cushion or spread to anticipate interest rate fluctuations during the budget year. The spread should be determined by considering the historical volatility of short-term interest rates, the dollar impact on the budget and current economic conditions and forecasts; or, (3) any other reasonable method determined by the university or DSO and approved by the Board;

iii) The amount of debt service actually incurred in each budget year should be monitored monthly by the university or DSO to detect any significant deviations from the annual budgeted debt service. Any deviations in interest rates which might lead to a budgetary problem should be addressed immediately; and

iv) As part of the effort to monitor actual variable rate debt service in relation to the budgeted amounts and external benchmarks, the university or DSO should establish a system to monitor the performance of any service provider whose role it is to periodically reset the interest rates on the debt, i.e., the remarketing agent or auction agent.

d) *Establish a hedge with short-term investments*. In determining the appropriate amount of variable rate debt which may be issued by the universities or their DSOs, consideration should be given to mitigating the variable interest rate risk by creating a hedge with short-term investments. This "hedge" mitigates the financial impact of debt service increases due to higher interest rates because, as debt service increases, the university's or DSO's earnings on short-term investments also increases. Appropriate personnel should monitor the hedge monthly. Short-term investment as a hedge is one of several methods of mitigating interest rate risk. The ratio of such short-term investments to variable debt needs to be examined in conjunction with other interest rate risk hedging, striking an overall balance to minimize interest rate risk.

e) *Variable interest rate ceiling.* The bond documents should include an interest rate ceiling of no greater than 12%.

f) *Mitigating interest rate risks with derivatives*. Universities and DSOs are allowed to use various derivatives to mitigate the risk of rising interest rates on variable rate debt. However, the introduction of these derivatives also presents other risks for which the university must mitigate. These risks include rollover risk, basis risk, tax event risk, termination risk, counterparty credit risk and collateral posting risk. At a minimum, a university/DSO engaging in this type of interest rate risk mitigation must provide:

i) Evidence that the counterparty has a long term rating of at least an A/A2; and

ii) A swap management plan that details the following:

   a) Why the university is engaging in the swap and what the objectives of the swap are.

   b) The swap counterparty's rating.

   c) An understanding by the issuer of the cash flow projections that detail costs and benefits for the swap.

   d) The plan of action addressing the aforementioned risks associated with swaps.

   e) The events that trigger an early termination (both voluntary and involuntary) under the swap documents, the cost of this event and how such would be paid.

   f) The method for rehedging variable rate exposure should early termination be exercised.

   g) A list of key personnel involved in monitoring the terms of the swap and counterparty credit worthiness.

g) *Liquidity*. One of the features typical of variable rate debt instruments is the bondholder's right to require the issuer to repurchase the debt at various times and under certain conditions. This, in theory, could force the issuer to repurchase large amounts of its variable rate debt on short notice, requiring access to large amounts of liquid assets. There are generally two methods for addressing this issue. With the first method, issuers that do not have large amounts of liquid assets may establish a liquidity facility with a financial institution which will provide the money needed to satisfy the repurchase. The liquidity provider should have a rating of A1/P1 or higher. The liquidity agreement does not typically run for the life of long-term debt. Accordingly, there is a risk that the provider will not renew the agreement or that it could be renewed only at substantially higher cost. Similar issues may arise if the liquidity provider encounters credit problems or an event occurs which results in early termination of the liquidity arrangement; in either case the issuer must arrange for a replacement liquidity facility. With the second method, issuers with significant resources may choose to provide their own liquidity. This approach eliminates the costs that would be charged by a third party liquidity provider and could mitigate the renewal/replacement risk. If a university/DSO chose to provide its own liquidity, the institution must maintain liquid assets or facilities equal to 100% of the outstanding VRDOs.

h) *Submission of periodic reports*. The university will prepare and submit to the board of trustees and the Board an annual variable rate debt report showing the position during the previous period of the university or DSO variable rate debt with respect to the following measures:

   i) the total principal amount of variable rate debt to principal amount of total debt;

   ii) the amount of debt service accrued during the reporting period in relation to the pro-rata amount of annual budgeted debt service for the reporting period. If the amount of debt service which accrued during the reporting period exceeded the pro-rata amount of annual budgeted debt service for the period, the university shall explain what actions were taken to assure that there would be sufficient revenues and budget authority to make timely payments of debt service during the subsequent years; and

   iii) the amount of variable rate debt in relation to the amount of the university's and/or DSO's short-term investments, and any other strategies used to hedge interest rate risk.

Other Types of Financings

Refunding Bonds. Generally, refunding bonds are issued to achieve debt service savings by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no similar limitation for tax-exempt current refunding bonds. The following guidelines should apply to the issuance of refunding bonds, unless circumstances warrant a deviation therefrom:

a) Refunding bonds should be structured to achieve level annual debt service savings.

b) The life of the refunding bonds should not exceed the remaining life of the bonds being refunded.

c) Advance refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 5% of the par amount of the bonds being advance refunded. The 5% minimum target savings level for advance refundings should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-1986 bond issues. However, because of the numerous considerations involved in the sale of advance refunding bonds, the 5% target should not prohibit advance refundings when the circumstances justify a deviation from the guideline.

d) Refunding bonds which do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling university interest.

Certificates of Participation and Lease-Type Financing. The universities or their DSOs may utilize these financing structures for all purposes, but it shall be considered as debt for the purposes of these guidelines and the universities shall always budget and make available monies necessary to pay debt service, notwithstanding the right to cancel the lease. Additionally, for lease purchase financings of equipment, universities and DSOs should consider using the State's consolidated equipment financing program if it will reduce costs and ensure a market interest rate on the financing.

Conversions of existing variable rate debt. A conversion between interest rate modes pursuant to the provisions of variable rate financing documents does not require Board approval. However, ten days prior to the conversion, the universities or their DSOs must notify the Board Office of a conversion and provide a summary of the terms of (i.e. interest rate, debt service schedule, etc.) and reasons for the conversion. The universities and DSOs should answer all questions and provide any additional information that the Board deems necessary to fully understand the conversion.

IV. METHOD OF SALE AND USE OF PROFESSIONALS

Analysis of Method of Sale

It is in the best interests of the universities and their DSOs to use the method of sale for their debt that is expected to achieve the best sale results. Based upon the facts and circumstances with regard to each individual financing, it may be more appropriate to sell debt through either a competitive sale or through negotiation. Accordingly, the universities and their DSOs may utilize either a competitive or negotiated sale. If, however, a request is made for a DSO to sell debt using a negotiated sale, the university must provide the Board with an analysis showing that a negotiated sale is desirable. The analysis should include, but not necessarily be limited to, a consideration of the following factors:

a) Debt Structure

i) pledged revenues – strong revenue stream vs. limited revenue base;

ii) security structure – conventional resolution, cash flow, rate and coverage covenants vs. unusual or weak covenants;

iii) debt instrument – traditional serial and term bonds vs. innovative, complex issues requiring special marketing; and

iv) size – a smaller transaction of a size which can be comfortably managed by the market vs. a large size which the market cannot readily handle.

b) Credit Quality

i) ratings – "A" or better vs. below single "A"; and

ii) outlook – stable vs. uncertain.

c) Issuer

i) type of organization – well-known, general purpose vs. special purpose, independent authority;

ii) frequency of issuance – regular borrower vs. new or infrequent borrower; and

iii) market awareness – active secondary market vs. little or no institutional awareness.

d) Market

i) interest rates – stable; predicable vs. volatile;

ii) supply and demand – strong investor demand, good liquidity vs. oversold, heavy supply; and

iii) changes in law – none vs. recent or anticipated

Bonds may also be sold through a private or limited placement, but only if it is determined that a public offering through either a competitive or negotiated sale is not in the best interests of the university or DSO.

Allocation of Bonds

In the event a negotiated sale by a DSO is determined by the university to be in the university's best interest, syndicate rules shall be established which foster competition among the syndicate members and ensure that all members of the syndicate have an opportunity to receive a fair and proper allocation of bonds based upon their ability to sell the bonds.

Report on Sale of Bonds

The university or DSO shall prepare a report on the sale of bonds or anytime it incurs debt. The report shall be prepared and provided to the Board as soon as practicable but in no event later than one month after closing the transaction, in the format and manner provided by the Board, which at a minimum shall include the following:

a) The amount of the debt.

b) The interest rate on the debt.

c) A final debt service schedule or estimated debt service schedule if a variable rate debt or the interest rate is subject to adjustment.

d) Any aspect of the transaction that was different from the transaction submitted for approval.

e) Itemized list of all fees and expenses incurred on the transaction, including legal fees.

f) For negotiated sale of bonds:

   i) the underwriters' spread detailing the management fee;

   ii) takedown by maturity and aggregate takedown;

   iii) any risk component and an itemized list of the expense component;

   iv) orders placed by each underwriter and final bond allocation;

   v) total compensation received by each underwriter; and

   vi) any report or opinion of the financial advisor.

g) Final official statement for publicly offered bonds.

h) Bond insurance or any other form of credit enhancement and the terms thereof.

i) Credit rating reports.

Selection of Financing Professionals

The use of underwriters for negotiated financings and the use of financial advisors for negotiated and competitive offerings is necessary to assist in the proper structuring and sale of debt. To assure fairness and objectivity in the selection of professionals and to help select the most qualified professional, the selection of underwriters and financial advisors should be accomplished through a competitive selection process. A competitive selection process allows the universities and their DSOs to compare more professionals and obtain the best price and level of service.

V. DISCLOSURE

Primary Disclosure

Universities and DSOs shall use best practices in preparing disclosure documents in connection with the public offer and sale of debt so that accurate and complete financial and operating information needed by the markets to assess the credit quality and risks of each particular debt issue is provided.

The disclosure recommendations of the Government Finance Officers Association's "Disclosure for State and Local Governments Securities," and the National Federation of Municipal Analysts' "Recommended Best Practices in Disclosure for Private Colleges and Universities" should be followed to the extent practicable, specifically including the recommendation that financial statements be prepared and presented according to generally accepted accounting principles.

Continuing Disclosure

DSOs shall fulfill all continuing disclosure requirements set forth in the transaction documents and as required under Rule 15c2-12 of the Securities and Exchange Commission.

VI. POST-ISSUANCE CONSIDERATIONS

Investment of Proceeds of Debt Issued by DSOs

Construction Funds. Funds held for payment of debt service and all other funds held as required by the documents of any financing shall be invested consistent with the terms of the Financing Documents.

Arbitrage Compliance

The university will comply with federal arbitrage regulations. Any arbitrage rebate liabilities should be calculated and funded annually.

VII. EFFECT

The foregoing guidelines shall be effective immediately and may be modified from time to time by the Board as circumstances warrant. The guidelines are intended to apply prospectively to all university and DSO debt, and not to adversely affect any university or DSO debt currently outstanding or projects approved by the Board or board of trustees prior to, or existing, as of January 26, 2006.

Authority: Section 7(d), Art. IX, Fla. Const., History: New 4-27-06, Amended 9-16-10.

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STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 27, 2013

SUBJECT: Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance") to issue revenue bonds on behalf of Florida State University (the "University") to finance construction of a student residence facility on the main campus of the University

PROPOSED COMMITTEE ACTION

Adoption of a resolution approving the issuance of fixed rate, tax-exempt revenue bonds, by the Division of Bond Finance on behalf of the University, in an amount not to exceed $51,400,000 (the "Bonds") for the purpose of financing the construction of the New Dorman Complex on the main campus of the University ("the Project").

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, have reviewed this resolution and all supporting documentation. Based upon this review, it appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt and the debt management guidelines adopted by the Board of Governors. Accordingly, staff of the Board of Governors recommends adoption of the resolution and authorization of the proposed financing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; and Florida Board of Governors Debt Management Guidelines

BACKGROUND INFORMATION

Florida State University has submitted a proposal for financing and construction of a new Student Residence Facility on the main campus of the University, at the southeast corner of Woodward Avenue and Traditions Way. This site is located in close proximity to academic and student services buildings and completes the chain of residence halls on the east side of campus. The proposed project will consist of two buildings of approximately 193,116 square feet each with approximately 431 beds per building, for a total of approximately 862 beds, arranged in suite-style double rooms with a connecting bathroom. The Project is consistent with the University's Campus Master Plan. The construction of the proposed residence halls is estimated at a total cost of $55,500,000. Constructions costs are estimated at $51,198,442 with planning estimated at $2,971,558 and equipment estimated at $1,330,000.

The project will be financed with a $10 million cash contribution from excess funds within the housing system Building Maintenance and Equipment Reserve Fund and a fixed rate, tax-exempt revenue bond issue in an amount not exceeding $51,400,000 issued by the Division of Bond Finance. The bonds will finance a portion of the cost of the project, fund a debt service reserve account (if necessary) and pay costs of issuance. The bonds will mature twenty (20) years after issuance with level annual debt service payments.

Net housing system revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, after deducting operating expenses. The bond series for construction of the new halls will be issued on parity with the outstanding Florida State University Housing Facility and Dormitory Revenue Bonds currently outstanding in the aggregate principal amount of $128,355,000.

Projections provided by the University indicate that sufficient net revenues will be generated to pay debt service on the Series 2013A Bonds and the outstanding parity bonds.

The Florida State University Board of Trustees, at its January 11, 2013 meeting, approved the Project and the financing thereof.

Supporting Documentation Included:	1. Requesting Resolution 2. University Cover Letter 3. Project Summary 4. Attachment I – Estimated Sources and Uses of Funds 5. Attachment II – Historical and Projected Pledged Revenues and Debt Service Coverage 6. Attachment III - Feasibility Study
Facilitators/Presenters:	Chris Kinsley

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 STUDENT RESIDENCE FACILITY ON THE MAIN CAMPUS OF FLORIDA STATE UNIVERSITY IN AN AMOUNT NOT TO EXCEED $51,400,000; AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed Board of Governors (the "Board of Governors") of the State of Florida 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) Pursuant to Article IX, Section 7 of the Florida Constitution, the Board of Governors is vested with the power to operate, regulate, control and manage the State University System of Florida. The Board of Governors is further vested with the authority to approve the issuance of revenue bonds by a state university pursuant to Section 1010.62(2), Florida Statutes.

(B) The Board of Trustees of Florida State University (the "University") has requested approval from the Board of Governors for the Division of Bond Finance to issue revenue bonds in an amount not exceeding $51,400,000 (the "Bonds") for the purpose of financing (i) the construction of the New Dorman Complex (the "Project") on the main campus of the University; (ii) a debt service reserve fund, if necessary, and (iii) certain costs associated with issuing the Bonds. The foregoing plan to finance the Project is collectively referred to herein as the "Financing Plan".

(C) The project will be part of the housing system at the University.

(D) Upon consideration of the Financing Plan, the Board of Governors further finds that the issuance of the Bonds is for a purpose that is consistent with the mission of the University; is structured in a manner appropriate for the prudent financial management of the University; is secured by revenues adequate to provide for all debt service payments; has been properly analyzed by the staffs of the Board of Governors and the Division of Bond Finance; and is consistent with the Board of Governors' Debt Management Guidelines.

(E) The Board of Governors declares that the Project will serve a public purpose by providing housing and other necessary facilities at the University.

(F) The Project is included in the master plan of the University.

2. Approval of the Project. The Project is approved by the Board of Governors as being consistent with the strategic plan of the University and the programs offered by the University.

3. Approval of the Bonds. The Board of Governors hereby approves and requests the Division of Bond Finance of the State Board of Administration of Florida (the "Division") to issue the Bonds for the purpose of financing the construction of the Project. Proceeds of the Bonds may 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, if any, and to fund a reserve account or provide debt service reserve insurance, if necessary. The Bonds are to be secured by the net revenues of the housing system of the University. 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, which is authorized by Section 1010.62, Florida Statutes. The issuance of Bonds by the Division for the purpose of reimbursing the University for capital expenditures paid for the Project from legally available funds of the University is hereby authorized.

4. Refunding Authority. 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, 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.

5. Compliance. The Board of Governors will comply, and will require the University to comply, with the following:

(A) All federal tax law requirements upon advice of bond counsel or 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.

(B) All other requirements of the Division with respect to compliance with federal arbitrage law, pursuant to Section 215.64 (11), Florida Statutes.

(C) All requirements of federal securities law, state law, or the Division, relating to continuing secondary market disclosure of information regarding the Bonds, the University, and the University's housing system, including the collection of the revenues pledged to the Bonds. Such requirements currently provide for the disclosure of information relating to the Bonds, the University, and the University's housing system, including the collection of the revenues pledged to the Bonds, on an annual basis and upon the occurrence of certain material events.

(D) All covenants and other legal requirements relating to the Bonds.

6. Fees. 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 University from any legally available funds of the University.

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

8. Reserve and Insurance. If determined by the Division to be in the best interest of the State, the Board of Governors may cause to be purchased a debt service reserve credit facility and/or municipal bond insurance, issued by a nationally recognized bond insurer.

9. 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.

10. 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 construction or financing of the Project for use by the University, the issuance of the Bonds or as necessary to preserve the exemption from the taxation of interest on any of the Bonds which are tax-exempt, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

11. Effective Date. This resolution shall become effective immediately upon its adoption.

Adopted this 28th day of March, 2013.

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 Division of Bond Finance of the State Board of Administration of Florida is a true and accurate copy as adopted by the Board of Governors on March 28, 2013, 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 UNIVERSITY
SYSTEM OF FLORIDA

Dated: ____________________, 2013

By: ______________________________
Corporate Secretary

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THE FLORIDA STATE UNIVERSITY
DIVISION OF STUDENT AFFAIRS
University Housing

February 22, 2013

Mr. Chris Kinsley
Director, Finance and Facilities
Board of Governors
325 W. Gaines Street
Tallahassee, FL 32399

Dear Mr. Kinsley:

University Housing at Florida State University (FSU) respectfully submits the following reports in support of our bond financing request for the Dorman/Deviney Replacement Project. FSU commissioned a full facility audit of the existing Dorman and Deviney facilities by the ISES Corporation and a financial and market analysis study by Brailsford and Dunlavey to provide supplemental material demonstrating the need and feasibility of the proposed project. The findings of both reports are contained in the attached documents.

The ISES Corporation, the leading provider of Facility Condition Assessment (FCA) services for Facilities Capital Planning purposes, conducted a comprehensive review of the condition of the current Dorman and Deviney facilities: ISES placed the Facility Condition Number Index (FCNI) for Deviney and Dorman at 0.56 and 0.52 respectively. These numbers indicate that the facilities are in "poor condition - total renovation required" and are at the risk of moving into the "complete facility replacement indicated" category if major renovation does not occur within the next few years. ISES estimates the projected costs to address the needs of the current facilities to be in excess of $22,000,000.

University Housing commissioned a study by Brailsford & Dunlavey (B&D), a nationally recognized leader in the field of campus housing market analysis with a diverse experiential portfolio including approximately 250 student housing clients and more than 350 student housing projects. Through their thorough review of the operation of University Housing and the plans for the Dorman/Deviney Replacement Project, B&D found the following:

- "...on campus housing remains the preferred option for students, and B&D believes that an increase in student housing on campus will be absorbed by students who want to live on campus that have been pushed to the off campus market due to space constraints."

942 Learning Way, P.O. Box 3064174, Tallahassee, FL 32306-4174
850.644.2860 • Fax 850.644.7997 • www.housing.fsu.edu

- "…privately owned [off campus] facilities are not in direct competition with the residences and the experiences that FSU and University Housing aspire to provide for its on-campus residents."
- "Even with conservative assumptions for a full replacement scenario, B&D believes that the FSU housing system should be able to support the replacement of [aging facilities] while still maintaining a system wide debt coverage ratio of more than 1.50x in any given year."
- "…it is beneficial for the University to develop, own, and operate the Project. While public-private partnerships can help reduce the burden of balance sheet utilization, the credit rating agencies (such as Moody's) have all placed strict rules and regulations to insure that most student housing will remain on the University's credit."

Focusing predominantly on housing first-time-in-college (FTIC) students, University Housing provides exceptional living opportunities for students to succeed academically. The Dorman/Deviney Replacement project will construct 862 new, state of the art, suite-style beds in the core of the campus proper, insuring the intentional connection of FTIC residents to the academic and co-curricular resources of FSU. Through 100-year quality building construction, professional staffing, innovative programming, and academic partnerships through Living Learning Communities, the Dorman/Deviney Replacement Project represents the completion of the Eastside residential campus community and a center of student growth, development, academic persistence, and success for years to come.

Please feel free to contact me if we can provide any additional information or clarification of these materials.

Sincerely,

Adrienne Otto Frame, Ed.D.

Director, University Housing

Florida State University

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida State University
Student Residences
New Dorman Complex

Project Description: The proposed project will consist of two buildings of approximately 193,116 square feet each and approximately 431 beds per building, for a total of approximately 862 beds, arranged in suite-style double rooms with a connecting bathroom (the "Project"). The purpose of the Project is to replace existing aging housing facilities with more desirable accommodations to meet the needs of today's students. The design of the facility is comparable to the other suite-style facilities on campus including Broward, Bryan, Cawthon, DeGraff, Gilchrist, Jennie Murphree, Landis, Reynolds and Wildwood Halls. The normal support spaces associated with this kind of facility such as common student lounge, recreation room, TV lounge, furniture storage and administrative offices are also included. Laundry and vending service areas are also expected to be added.

In addition to the amenities typically associated with residence halls, FSU offers student life programming that includes one Resident Assistant per 45 students and two classrooms for academically generated living-learning communities. This ratio of 45:1 is comparable to staffing in the other FSU halls. A residence coordinator, an administrator and a professional position will provide live-in staffing of the Project. The coordinator, assisted by a grad student, is available 24 hours a day to respond to emergencies, coordinate programs, distribute information to students, and provide referral services. The Project will be administered by Florida State University.

Facility Site Location: The Project will be located on the main campus of the Florida State University (FSU) at the southeast corner of Woodward Avenue and Traditions Way. This site is located in close proximity to academic and student services buildings and completes the chain of residence halls on the east side of campus. This location is consistent with the campus master plan.

Projected Start and Opening Date: It is anticipated that construction will begin in August 2013. The Project is scheduled to open for the fall term in August 2015.

Quantitative Demand and Construction Analysis: The Project will house undergraduate students, focusing primarily on first-time-in-college (FTIC) students. The current capacity of the housing system is 6,408. Total enrollment for Fall 2012 was 41,110, including 31,943 undergraduates, of which 5,736 were FTIC students. Approximately 90% of undergraduates attend full-time, and although 89% of students are from Florida, a majority of in-state students are from central and south Florida rather than the Tallahassee area. The FSU Master Plan includes a goal to house 20% of both undergraduate and graduate students. University housing also has an informal goal to house all FTIC students who desire to live on-campus. The 6,408 beds for undergraduate students plus an additional 972 beds in two University apartment facilities that are not part of the system and house graduate and non-FTIC students, provide a combined 7,380 beds. This is enough to accommodate all FTIC students and approximately 18% of all University students; however, existing demand for on-campus housing by students exceeds the number of beds available.

FSU does not have a policy requiring any students to live on campus, so students are free to choose living accommodations. Even though FSU does not mandate that students live on campus, there has been strong demand for participation in its first-year housing experience. Over the past ten years, occupancy rates for the undergraduate halls have exceeded 100% to begin 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 2012 exceeded 600 at the end of May. Due to the length of the waiting list, housing applications were not accepted after May 1st. FSU estimates several hundred students are turned away from applying for on-campus housing due to this deadline.

Completion of this Project and subsequent demolition of Deviney and Dorman will increase the housing system beds by a net 338, for total beds of 6,746 in 2015-16. Of the current on-campus housing facilities, 1615 beds are in four aging facilities that FSU believes will need to be replaced over time. This Project will enable FSU to replace two of those older traditional, community-style dormitories, Deviney and Dorman (combined student capacity of 524), while maintaining cash flow and service to students. FSU made the determination to replace Deviney and Dorman, built in 1952 and 1959, respectively, on the basis of a building assessment performed by the ISES Company. A detailed review of building systems and components by ISES indicated that the cost to restore each building was between 50 and 60% of building value. Given the age and configuration of these facilities, replacement was identified as the most cost-effective option. FSU has renovated several historic residence halls on campus, but does not characterize these two halls as historic. FSU is planning a second phase of their efforts to replace aged dormitories after completion of the Project. The second phase would include the construction of another suite-style residence facility to replace Kellum and Smith Halls (combined student capacity of 1,091). The second phase would represent a decrease of approximately 229 student beds. The capacity increase resulting from the completion of both phases would be approximately 109 beds, if fully implemented as currently planned.

Focusing predominantly on housing first-time-in-college (FTIC) students, University housing provides exceptional living opportunities for students to succeed academically, therefore contributing directly to the overall academic mission of the institution. On-campus housing offers enhanced safety and security and the convenience of not having to find parking on campus each day.

Available Private Sector Alternatives:

FSU retained the firm of Brailsford and Dunlavy (B&D) to conduct an independent student housing analysis (Attachment 3). This report confirms that a complementary relationship exists between suite-style rooms available on campus and the apartment-style units available off campus. Approximately 73% of on-campus housing is suite-style, and FSU plans to replace the remaining inventory of traditional community-style dorms. With the exception of two complexes, the off-campus market consists of apartments. In the past, several private residence halls were available, but these have gradually been converted to apartments or other uses. With the exception of the two units mentioned, comprised of 700 beds, the local market is focused on providing apartment-style housing that typically appeals more to the needs of upperclassmen and graduate students. Of the two off-campus private halls, the larger, with 500 beds, has equivalent rental rates to on-campus housing and strong demand. The smaller, private loft-style has lower rental costs than on-campus housing, but no residential life programming.

B&D found that the Tallahassee off-campus housing market is robust; however, these apartment-style facilities are not in direct competition with the residences and the experiences offered by FSU Housing to its on-campus residents. This finding is evidenced by the fact the new facilities currently under construction in the off-campus market are all apartment-style units and is also supported by the reduction of the number of privately-owned dormitories by approximately 50% over the past five years.

National studies have shown that students who live on campus are more connected to the institution, do better academically, and persist to graduation. According to a recent study conducted by FSU's Office of Institutional Research, retention and 4-year graduation rates for student living on campus during their first semester at FSU were nearly 8% higher than students who lived off-campus.

University Housing at FSU provides a unique student residential experience that is fundamentally different from any other living environment available in the Tallahassee off-campus housing market. The masters level live-in professional staff, coupled with live-in graduate and undergraduate staff are extremely well trained and prepared to respond to individual student needs from adjustment issues associated to the transition to college life to management of more serious individual student crises. Parents want their children to reside on campus particularly during their first year for quality of service, convenience, safety and resources provided.

Through the replacement of aging beds with community-style baths with modern suite-style rooms that meet the needs of today's students, FSU will position itself to continue to provide an exemplary on-campus living experience and ensure continued demand and the successful persistence of its students through graduation, therefore contributing to the FSU's overall academic mission.

While FSU has the opportunity to engage the private market for the establishment of a public-private partnership, it would be required to give up financial benefit, building design, and/or operational control. University ownership provides long-term strategic and financial benefits, as well as increased flexibility for FSU.

Project Cost and Financing Structure:

The construction of the Project is estimated at a total cost of $55,500,000. Construction costs are estimated at $51,198,442, with planning and design estimated at $2,971,558 and equipment estimated at $1,330,000.

The Project will be financed with a $10 million cash contribution from excess funds within the housing system and a fixed rate, tax-exempt revenue bond issue in an amount not exceeding $51,400,000 issued by the Division of Bond Finance. The bonds will finance a portion of the cost of the Project, fund a debt service reserve account, if necessary, and pay costs of issuance. The bonds will be structured with a 20-year final maturity and level annual debt service payments with the first principal payment occurring May 1, 2016 and a final maturity date of May 1, 2033.

(See Attachment 1 for an estimated sources and uses of funds).

Security/Lien Structure: Net housing system revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, after deducting operating expenses. The bonds will be issued on parity with the Florida State University Housing Facility and Dormitory Revenue Bonds currently outstanding in the aggregate principal amount of $128,355,000. All costs of the housing program at FSU are completely funded without the use of any state funding.

Pledged Revenues, Debt Service Coverage and Return on Investment:

During the past five years from fiscal year 2007-08 to 2011-12, pledged revenues grew from $15.3 million to $19.2 million. These revenues produced debt service coverage ratios ranging from a high of 1.96x to a low of 1.59x. For fiscal year 2012-13, pledged revenues are projected at $21 million, producing an estimated debt coverage ratio of 2.14x. Pledged revenues are projected to be $22 million and $23.5 million for 2013-14 and 2014-15, with debt service coverage expected to be 1.79x and 1.85x in those years, including interest payments due on the new bonds. The full annual debt service payments for the new bonds, including principal and interest, will begin in fiscal year 2015-16. Pledged revenues for that year are projected to be $27.7 million with debt service coverage projected to be 1.91x.

The Project is expected to significantly increase operating revenue of the housing system. The projected rental rate for the Project is $3,370 per semester, per bed. The rate projection is based on the current suite-style rate, with annual 5% increases until the year of completion. Revenue and expense projections assume a 98% occupancy rate for Fall and Spring, and are based on historical collections for Summer. Revenues and expenses of the system are based on assumed 5% annual increases in rental rates, 2% increases in personnel expenses, 3% increases in general operating expenses and 4% increases in utilities. Debt service payments on the new bonds have been estimated using a 5.75% interest rate.

The Project is also expected to provide a positive return with an internal rate of return estimated at 7.76%, based upon the assumptions provided by FSU.

(See Attachment 2 for a table of historical and projected pledged revenues and debt service coverage prepared based upon revenue and expense information supplied by FSU).

Type of Sale: The Division of Bond Finance will make a determination to sell the bonds through either a competitive or a negotiated sale based upon market conditions and financing options available at the time of sale.

Analysis and Recommendation: Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided FSU with respect to the request for Board of Governors approval for the subject financing. System Revenues have historically generated positive debt service coverage and are projected to continue to provide adequate debt service coverage in the future based on what appear to be reasonable assumptions as to revenue and expenditure growth. Also, it appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.

Attachment 1

STATE OF FLORIDA, BOARD OF GOVERNORS
FLORIDA STATE UNIVERSITY
DORMITORY REVENUE BONDS, SERIES 2013A

Estimated Sources and Uses of Funds

Sources of Funds		**Basis for Amounts**
Bond Par Amount	**$ 51,400,000**	**Estimated bond sale amount based on an interest rate of 5.75% for 20 years.**
Cash Contribution from Housing System	**10,000,000**	
Less: Underwriter's Discount	**(1,028,000)**	**Estimated at 2% of par.**
Total Sources of Funds	**$ 60,372,000**	
Uses of Funds		
Project Cost	**$ 55,500,000**	**Planning, Design, Construction & Equipment**
Reserve Fund (if needed)	**4,660,500**	**Estimated maximum annual debt service on the bonds.**
Costs of Issuance	**163,030**	**Estimated Bond Counsel ($15,000); arbitrage compliance ($10,280), DBF Fees ($94,400); Ratings ($37,050); and other misc. ($6,300).**
Bond Sizing Contingency	**48,470**	
Total Uses of Funds	**$ 60,372,000**	

ATTACHMENT II

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FLORIDA STATE UNIVERSITY
HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

	Historical					Projected				
	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Operating Revenues[1]										
Existing Housing, excluding Deviney and Dorman	$ 27,435,355	$ 28,376,554	$ 30,151,953	$ 31,508,799	$ 32,993,034	$ 35,370,393	$ 37,138,913	$ 38,995,858	$ 40,956,689	$ 43,004,524
Deviney & Dorman Existing Facilities	$ 1,942,772	$ 1,984,833	$ 2,086,832	$ 2,189,202	$ 2,291,583	$ 2,406,162	$ 2,526,470	$ 2,652,794		
New Dorman Complex									$ 5,620,320	$ 5,901,336
Total Operating Revenue	**$ 29,378,127**	**$ 30,361,387**	**$ 32,238,785**	**$ 33,698,001**	**$ 35,284,617**	**$ 37,776,555**	**$ 39,665,383**	**$ 41,648,652**	**$ 46,577,009**	**$ 48,905,860**
Operating Expenses[2]										
Existing Housing, excluding Deviney and Dorman	$ 13,458,036	$ 15,061,786	$ 14,902,600	$ 14,429,378	$ 15,068,323	$ 15,694,578	$ 16,520,707	$ 16,904,089	$ 17,624,180	$ 18,034,010
Deviney & Dorman Existing Facilities	$ 1,262,896	$ 1,413,391	$ 1,398,453	$ 1,354,046	$ 1,347,406	$ 1,397,682	$ 1,471,253	$ 1,505,395		
New Dorman Complex									$ 1,625,117	$ 1,670,393
Total Operating Expenses	**$ 14,720,932**	**$ 16,475,177**	**$ 16,301,053**	**$ 15,783,424**	**$ 16,415,729**	**# $ 17,092,260**	**$ 17,991,960**	**$ 18,409,484**	**$ 19,249,297**	**$ 19,704,403**
Net Operating Revenue	**$ 14,657,195**	**$ 13,886,210**	**$ 15,937,732**	**$ 17,914,577**	**$ 18,868,888**	**$ 20,684,295**	**$ 21,673,423**	**$ 23,239,168**	**$ 27,327,712**	**$ 29,201,457**
Investment Income[3]	628,592	213,246	431,976	347,133	354,039	300,000	310,000	320,000	330,000	340,000
Pledged Revenues	**$ 15,285,787**	**$ 14,099,456**	**$ 16,369,708**	**$ 18,261,710**	**$ 19,222,927**	**$ 20,984,295**	**$ 21,983,423**	**$ 23,559,168**	**$ 27,657,712**	**$ 29,541,457**
Annual Debt Service										
Outstanding Parity Bonds	$ 8,847,219	$ 8,843,069	$ 8,843,447	$ 9,690,729	$ 9,812,690	$ 9,792,075	$ 9,795,375	$ 9,780,819	$ 9,788,456	$ 9,789,169
Proposed 2013A Bonds	-	-	-	-	-	-	2,462,882	2,955,500	4,660,500	4,657,463
	$ 8,847,219	**$ 8,843,069**	**$ 8,843,447**	**$ 9,690,729**	**$ 9,812,690**	**$ 9,792,075**	**$ 12,258,257**	**$ 12,736,319**	**$ 14,448,956**	**$ 14,446,632**
Pledged Revenues after Debt Service and Available for other Expenses/Transfers	$ 6,438,568	$ 5,256,387	$ 7,526,261	$ 8,570,981	$ 9,410,237	$ 11,192,220	$ 9,725,166	$ 10,822,849	$ 13,208,756	$ 15,094,826
Maximum Annual Debt Service	$ 8,847,219	$ 8,843,447	$ 8,843,447	$ 9,992,841	$ 9,812,690	$ 9,795,375	$ 14,448,956	$ 14,448,956	$ 14,448,956	$ 14,446,632
Debt Service Ratios										
Total Annual Debt Service	**1.73x**	**1.59x**	**1.85x**	**1.88x**	**1.96x**	**2.14x**	**1.79x**	**1.85x**	**1.91x**	**2.04x**
Maximum Annual Debt Service	**1.73x**	**1.59x**	**1.85x**	**1.83x**	**1.96x**	**2.14x**	**1.52x**	**1.63x**	**1.91x**	**2.04x**

[1] Projections assume 5% annual increases in rental rates and 98% occupancy rates for the system and the proposed project for fall and spring semesters and are based on historical collections for the summer.

[2] Total Current Expenses are net of depreciation. Expenses for 2007-08 and 2008-09 were obtained from the restated financial statements for each of those years. The expenses for 2009-10 were adjusted from the financial statements by $624,419 to account for building improvements expenses that should have been capitalized but were instead incorrectly expensed in that year. Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses and 4% annual increases in utilities expenses.

[3] Investment Income presented includes only interest on the Housing System operating account.

FLORIDA STATE UNIVERSITY



STUDENT HOUSING ANALYSIS | FEBRUARY 2013

Prepared by

BRAILSFORD & DUNLAVEY

PREFACE & ACKNOWLEDGEMENTS

In January 2013, Florida State University ("FSU" or the "University") engaged Brailsford & Dunlavey ("B&D" or the "Team") to prepare a Student Housing Analysis ("Analysis") related to a potential new student housing development ("Project") on the FSU campus. B&D's scope of work included a review of the FSU Campus Master Plan; an assessment of market conditions through on-campus research, off-campus research, student focus groups, and a competitive context review; and a review of FSU's housing financials. This report provides a summary of B&D's findings from the Analysis and is intended to serve as a foundation for decision making as FSU considers the new housing Project.

The findings contained herein represent B&D's professional opinions based upon assumptions and conditions detailed in this report. B&D conducted research using both primary and secondary information sources that are deemed to be reliable, but whose accuracy cannot be guaranteed.

Throughout the project, Dr. Adrienne Frame, Director of University Housing, was B&D's primary contact and facilitated communication and coordination with University administrators and students. B&D would like to acknowledge her support and thank her for her efforts.

Brailsford & Dunlavey would also like to acknowledge the support, cooperation, and effort of the University community members who contributed to the completion of this planning effort, with special recognition to the following individuals in the Working Group:

- Alan Acosta, Assistant Director for Residence Life
- John Barnhill, Assistant Vice President for Enrollment Management
- Maclain Benton, Housing Business Manager
- Mark Bertolami, Campus Master Plan Director
- Kendra Bumpus, Assistant Director for the Westside
- Allison Crume, Associate Vice President for Student Affairs
- Adrienne Frame, Director of University Housing
- Michele Gray, Assignments Coordinator
- Stacie Kurlick, Assistant Director for Conferences & Undergraduate Staff Selection
- Chandra Myrick, Associate Director for Residence Life
- Gavin Roark, Assistant Director for the Eastside
- Vince Roberts, Associate Director for Administrative Services
- Larry Rubin, Director of Construction & Design
- Dave Sagaser, Associate Director for Housing Facilities
- Daniel Sheets, Assistant Director for Housing Facilities
- Steven Wiley, Acting Assistant Director of Assignments

This Analysis and documentation was produced by the following individuals from Brailsford & Dunlavey:

- Brad Noyes, Senior Vice President
- Peter Isaac, Senior Project Manager
- Joseph Winters, Assistant Project Manager
- Carolyn Volker, Project Analyst

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EXHIBITS

EXECUTIVE SUMMARY

CAMPUS MASTER PLAN REVIEW

FSU has developed a Campus Master Plan that includes a plan to gradually renovate and replace all of its aging housing facilities in order to raise the overall quality of the on-campus living experience and to remain competitive with regional and national peers. The enhanced facilities offer modern amenities and improved configurations that support FSU's objectives of student development, social integration, and the connectivity of the campus community. Over the past 20 years, FSU has made significant enhancements to the majority of its housing facilities. Now, only four community-style facilities remain that have not had a major renovation. The facilities – Dorman, Deviney, Smith, and Kellum – are all in need of major renovation or replacement in order to address the growing deferred maintenance issues that exist and to match the suite-style unit configurations of newer buildings on campus.

PROJECT BACKGROUND

FSU is interested in developing a new, 862-bed suite-style residence hall at the southeast corner of Woodward Avenue and Traditions Way, adjacent to the other suite-style residence halls near Landis Green. The complex will be 193,116 square feet in two different residence halls, with each offering 431 beds. The facility will offer amenities such as a common student lounge, recreation room, TV lounge, common area kitchens, study lounges, laundry, vending service, administrative offices, and academic space, including classrooms, to support FSU's living-learning initiatives. The facility will also offer live-in staffing, classrooms, and a ratio of 1 Resident Assistant for every 45 students.

The new facility is projected to match the existing rental rate structure of the other suite-style housing facilities on campus. It will be constructed while both Dorman and Deviney are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility to avoid a dip in on-campus bed supply or housing revenues. Dorman and Deviney would be taken off-line and demolished immediately following the occupancy of the new facility. Dorman and Deviney represent a total of 524 beds, so the new facility would provide 338 beds more than what is currently provided.

Although not part of the Project, there is a potential second phase of development that includes the replacement of Kellum and Smith with a new, 862-bed suite-style residence hall. The Kellum and Smith replacement would occur on the location of the demolished Dorman and Deviney and would be scheduled to open in Fall 2017 or Fall 2018. The replacement facility would be constructed while both Kellum and Smith are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility to avoid a dip in on-campus bed supply or housing revenues. Kellum and Smith would be taken off-line and demolished immediately following the occupancy of the new facility. Kellum and Smith represent 1,091 beds, so the new facility would represent a decrease of 229 beds compared to what is currently available. The bed count for both phases would amount to an increase of 109 beds to the housing system.

STUDENT HOUSING MARKET ANALYSIS

FSU successfully operates a robust first-year housing experience for students, accommodating nearly 4,500 first-year students in on-campus housing. Although first-year housing is a successful program, it has been limited in the past by space constraints. For the past ten years, University Housing has opened its doors in the fall semester at over 100% occupied and with a sizable waitlist. Students who could not live on campus due to space constraints were placed on the waitlist, and most of these students were required to move to the off-campus housing market. While FSU has a positive relationship with the off-campus housing providers, the majority of the off-campus market is comprised of apartments that are more appropriate for upper division students because they lack some of the connectivity to campus and to their peers that is critical for student development during a student's first two years. While some private dorms offer suite-style configurations, Resident Assistants, and meal plan requirements, they do not offer the same experience and developmental benefit that the on-campus housing provides. As a result, on-campus housing remains the preferred option for students, and B&D believes that an increase in student housing on campus will be absorbed by students who want to live on campus but have been pushed to the off-campus market due to space constraints.

FINANCIAL REVIEW

As previously mentioned, FSU proposes to keep the same rental rate structure at the replacement facility as is offered for similar units at existing suite-style facilities on campus. FSU will pledge the revenues from the entire housing portfolio against the Project, and, even with conservative assumptions related to lower occupancy, higher expenses, inflated construction costs, and less favorable debt terms, the Project still works financially and achieves a system-wide debt coverage ratio of more than 1.70x in any given year.

While the Dorman and Deviney replacement development works financially at the required debt coverage ratio, B&D understands that Kellum and Smith are both in dire need of renovation or replacement. B&D asked FSU to run additional financial scenarios to ensure that the addition of future debt to the housing system to address the deferred maintenance needs at Kellum and Smith would not trigger any complications. Even with conservative assumptions for a full replacement scenario, B&D believes that the FSU housing system should be able to support the replacement of Dorman, Deviney, Kellum, and Smith while still maintaining a system-wide debt coverage ratio of more than 1.50x in any given year.

The financial parameters are more specifically defined within the body of the document, but B&D believes that, based on a review of FSU's housing financial model and the corresponding assumptions, the Project will be able to support the debt requirements placed on the system.

Finally, B&D recommends that the University develops, owns, and operates the Project, rather than enter into a public-private venture with a third party. B&D believes developing the Project internally is the most appropriate approach for the University because the facility is located at the center of campus and will play an integral role in strengthening the campus life core (i.e., housing, recreation, and student union space) that FSU administrators and leaders have emphasized and reinforced over the past decade. Additionally, owning the Project will provide long-term strategic and financial benefits, not to mention flexibility, for FSU and University Housing.

RECOMMENDATION

B&D's analysis suggests that there is sufficient market demand to support the Dorman and Deviney replacement facility. Although the new facility will increase the housing supply by 338 beds, B&D believes that those beds can be absorbed by the students who currently are being pushed into the off-campus market due to long waitlists for on-campus housing, or being placed in lounges and other non-traditional living arrangements within University Housing's existing facilities. Additionally, with the pending replacement of Kellum and Smith, FSU has the ability to address deferred maintenance issues in its aging housing facilities while only increasing the total supply by 109 beds. B&D believes that FSU should keep Dorman and Deviney on-line until the replacement facility is occupied to eliminate the reduction in revenue and the reduction in bed supply during construction. B&D also believes that FSU should develop, manage, and own the replacement facility to realize the long-term strategic and financial benefits of ownership.

UNIVERSITY PROFILE

As indicated on the University's website, the mission of FSU is to "preserve, expand, and disseminate knowledge in the sciences, technology, arts, humanities, and professions, while embracing a philosophy of learning strongly rooted in the traditions of the liberal arts. The University is dedicated to excellence in teaching, research, creative endeavors, and service. The University strives to instill the strength, skill, and character essential for lifelong learning, personal responsibility, and sustained achievement within a community that fosters free inquiry and embraces diversity." As one of the largest and oldest of the 11 institutions of higher learning in the State University System of Florida, Florida State University is committed to implementing its mission by:

- Offering a distinctive academic environment built on its cherished values and unique heritage, a welcoming campus on the oldest continuous site of higher education in Florida, championship athletics, and prime location in the heart of the state capital;
- Establishing itself as one of the nation's elite research universities with the Carnegie Foundation's highest designation, Doctoral/Research University-Extensive; and
- Offering baccalaureate degrees in 88 programs, master's degrees in 102 programs, advanced master's/specialist degrees in 19 programs, doctorates in 67 programs and two professional degrees - law (J.D.) and medicine (M.D.).

In addition to its mission, the vision of Florida State University is to "be one of the world's premier institutions of higher education, devoted to transforming the lives of our students, shaping the future of our state and society, and offering programs of national and international distinction in a climate of inquiry, engagement, collegiality, diversity, and achievement."

FSU continues to demonstrate the implementation of its mission and vision by constantly enhancing its student population and campus environment.

- In Fall 2011, FSU enrolled 41,087 students, including 32,201 undergraduates and 8,886 graduates. The campus largely enrolls full-time students, with 90% of the undergraduates and 69% of the graduates enrolled full time. The majority (93%) of the undergraduate population is 24 years or younger, which is considered the "traditional college age." Women account for 55% of the enrollment, and minorities comprise 32% of total enrollment. Although 89% of students are from Florida, a majority of in-state students are from the central and southern part of the state, rather than near Tallahassee. FSU's out-of-state population includes representatives from all 50 states, the District of Columbia, and over 130 countries.

- The Main FSU Campus is located in Tallahassee, approximately 1 mile from the Florida State Capitol. According to the FSU website, 2001 through 2009 marked a period of major growth on the FSU campus. During this time, Florida State built and renovated approximately 1 million gross square feet of new facilities for academics, student support, and business functions at the University at a total cost of approximately $800 million. The 2001 to 2010 period was characterized by a renewed sense of heritage, with construction, landscaping, monuments, and signage designed to highlight the University's history. The FSU campus presently is composed of 542 buildings on 1,550 acres.

Student housing has played a significant role in the growth of FSU's demographic profile and campus environment, thus supporting the University's ability to achieve its mission and vision. Enhancement of student housing through FSU's renovation and replacement plan will be explored in the next section of this document.

UNIVERSITY HOUSING PROFILE

STRATEGIC HOUSING OBJECTIVES

Nationally, institutions of higher education are working to improve recruitment, retention, and throughput efforts. To accomplish these goals, institutions have conducted research to determine which factors are most likely to influence student success. Largely, the results of the research have found that one primary driver for student success is the integration and connectivity that students feel to their campus, their academic experience, their peer students on campus, and the values of their institution. As a result, many institutions are using student housing, especially for freshmen, to provide living-learning opportunities that promote a better sense of community, sustained social networking opportunities, and integration into the academic life of the campus.

University Housing at FSU has implemented this strategy on campus, currently accommodating nearly 4,500 first-year students and more than 1,100 returning students in on-campus housing. Consistent with national practices, FSU has aimed to accommodate high percentages of first- and second-year students in buildings that provide modern student housing amenities, semi-private bathrooms, affordable rental rates, and high levels of community interaction. Additionally, FSU has decided to let the off-campus housing market supplement its on-campus housing supply with housing for upper-division students. As is described in detail later in this document, University Housing's existing inventory and planned additions reflect this decision by providing a majority of non-apartment beds and focusing its marketing efforts on lower-division students.

EXISTING CONDITIONS

Florida State University currently offers 7,380 university-owned, on-campus beds to students.

The majority of the housing, 6,408 beds, is assigned to undergraduate students in the following configurations:

- 1,615 beds in traditional, community-style rooms
    - 243 beds in Deviney
    - 281 beds in Dorman
    - 538 beds in Kellum
    - 553 beds in Smith

- 3,766 beds in suite-style rooms
    - 135 beds in Broward
    - 131 beds in Bryan
    - 297 beds in Cawthon
    - 706 beds in DeGraff
    - 229 beds in Gilchrist
    - 326 beds in Jennie Murphree
    - 403 beds in Landis
    - 239 beds in Reynolds
    - 706 beds in Wildwood

  - 594 beds in Salley

- 1,027 beds in apartment-style rooms
  - 196 beds in McCollum
  - 555 beds in Ragans
  - 276 beds in Traditions

The balance of the housing, 972 beds, is assigned to non-FTIC and graduate students in the following configurations:

- All 972 beds in two apartment complexes
  - 181 beds in Rogers
  - 791 beds in Alumni Village

KEY GOALS AND OBJECTIVES FOR UNIVERSITY HOUSING

Although this robust housing program and FSU's housing initiative is consistent with national trends, its implementation needed to be carefully orchestrated and required FSU to balance development decisions with deferred maintenance costs on existing buildings, annual cash reserve balances, debt capacity constraints, debt-coverage ratio requirements, and the availability of bed supply on campus during any given year, among other challenges. To help prepare University Housing for these challenges and to chart the course for future development, University Housing engaged with the Campus Master Plan (last published version "Florida State University Master Plan, 2008 Update – Amended June 2011") to create goals and objectives related to University Housing's existing and future residential facilities. The key goals and objectives that were established by University Housing as a part of that process are listed below:

- **Goal 1**: To continue to provide high-quality housing on campus to meet the current and future needs of the University.
  - **Objective 1A**: Eliminate or improve substandard housing.
  - **Objective 1B**: Increase campus housing to house 20% of both undergraduate and graduate students
  - **Objective 1C**: Establish procedures and priorities for the allocation of funding for on-campus housing facilities

- **Goal 2**: Encourage the provision of adequate safe and affordable off-campus housing to meet the future needs of the University.
  - **Objective 2A**: Work with the host community to ensure provision of safe and affordable housing in close proximity to the campus

As demonstrated in the Master Plan's goals and objectives for housing, the University's intent was to improve the quantity and the quality of the on-campus housing supply. The University has been actively following this plan for more than a decade and has made progress on both fronts:

- Quantity – FSU has increased the housing supply by nearly 2,000 beds on campus since 2004
- Quality – The majority of the housing facilities are new or renovated since 1993

The following chart was provided by FSU and reflects the increases in housing quantity since 2004. A subsequent analysis of the housing quality is also provided.

HOUSING QUANTITY

Figure 1: University Housing's Bed Capacity by Residence Hall

Residence Hall	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2012 Capacity
Broward	135	135	135	135	134	135	134	135	135	135
Bryan	131	131	131	131	131	131	131	131	131	131
Cawthon	297	296	297	297	295	297	297	297	297	297
DeGraff	137	*	*	705	706	706	706	705	705	706
Deviney	243	250	243	249	254	242	252	248	257	243
Dorman	281	292	281	297	289	281	289	288	301	281
Gilchrist	229	229	229	229	229	229	229	229	229	229
Jennie Murphree	326	324	326	326	324	326	325	325	326	326
Kellum	564	556	538	537	544	538	547	537	537	538
Landis	*	*	403	403	401	403	403	403	403	403
McCollum	199	199	199	193	196	194	196	196	196	199
Ragans	552	555	555	554	556	554	555	555	555	555
Reynolds	239	237	239	239	239	238	236	238	239	239
Salley	569	581	570	567	570	582	579	582	577	570
Smith	570	582	553	557	556	550	570	563	556	553
Traditions									275	276
Wildwood				704	706	706	706	706	705	706
Total	**4,472**	**4,367**	**4,699**	**6,123**	**6,130**	**6,112**	**6,155**	**6,138**	**6,424**	**6,387**

**Residence Hall was closed for renovations.*

Notes: The residence halls listed are for undergraduate student living. FSU has two graduate facilities: Rogers Hall (capacity of 181) and Alumni Village (capacity of 791). Wildwood Hall opened in summer 2007. Traditions Hall opened in summer 2012.

Source: University Housing. Online Resource: The University Housing's website can be accessed at: http://housing.fsu.edu

As demonstrated in the chart above (Figure 1), FSU has added nearly 2,000 beds on campus since 2004. In addition to this new construction, the University has also enhanced the quality and style of other beds on campus through renovation.

HOUSING QUALITY

FSU has enhanced the majority of its on-campus housing supply, as listed below:

- Suite-style rooms
  - Jennie Murphree – Built 1921, Renovated 1993
  - Reynolds – Built 1911, Renovated 1996
  - Bryan – Built 1907, Renovated 1997
  - Broward – Built 1917, Renovated 1998
  - Gilchrist – Built 1925, Renovated 1998
  - Salley – Built 1964, Renovated 2000/2001
  - Cawthon – Built 1949, Renovated 2001/2002
  - Landis – Built 1935, Renovated 2006

- DeGraff – Built 1950, Razed 2005, Rebuilt 2007
- Wildwood – Built 2007

- Apartment-style rooms
  - Ragans – Built 2003
  - Traditions – Built 2012

The only housing facilities that have not undergone significant renovations since 1993 are the following:

- Traditional, community-style rooms
  - Smith – Built 1952
  - Deviney –Built 1952
  - Dorman – Built 1959
  - Kellum – Built 1959

- Apartment-style rooms
  - McCollum – Built 1973
  - Rogers Hall – Built 1964
  - Alumni Village – Built 1959-1965

Per University Housing's renovation and replacement plan, the traditional, community-style rooms offered on campus have gradually been phased out through razing and renovation, and they have been replaced with suite-style housing. The careful orchestration of this phasing effort allowed the University to replace aging facilities and modernize unit configurations while continuing to operate housing without a significant decline in bed supply or revenue in any given year. As described in the subsequent section, the replacement or renovation of Deviney, Dorman, Smith, and Kellum is recommended by a third-party facility assessment company called ISES. To remain consistent with University Housing's renovation and replacement plan that has been in place for more than a decade, B&D believes that the enhanced facilities that replace Deviney, Dorman, Smith, and Kellum should be configured as suite-style residence halls.

FACILITY CONDITIONS

The following chart (Figure 2) is the scale that ISES uses to reflect facility conditions. Below the chart is the ISES ranking for the FSU housing facilities.

Figure 2: ISES Ranges for the Condition of Individual Buildings

Individual Building FCNI Range	Condition Description
0.00 - 0.10	Excellent condition, typically new construction
0.11 - 0.20	Good condition, renovations occur on schedule
0.21 - 0.30	Fair condition, in need of normal renovation
0.31 - 0.50	Below average condition, major renovation required
0.51 - 0.59	Poor condition, total renovation indicated
0.60 and above	Complete facility replacement indicated

- Traditional, community-style rooms
    - Deviney –Built 1952, ISES Score 0.56
    - Dorman – Built 1959, ISES Score 0.52
    - Kellum – Built 1959, ISES Score 0.42
    - Smith – Built 1952, ISES Score 0.36
- Suite-style rooms
    - Broward – Built 1917, Renovated 1998, ISES Score 0.07
    - Bryan – Built 1907, Renovated 1997, ISES Score 0.12
    - Cawthon – Built 1949, Renovated 2001/2002, ISES Score 0.05
    - DeGraff – Built 1950, Razed 2005, Rebuilt 2007, ISES Score Not Available (New Facility)
    - Gilchrist – Built 1925, Renovated 1998, ISES Score 0.10
    - Jennie Murphree – Built 1921, Renovated 1993, ISES Score 0.14
    - Landis – Built 1935, Renovated 2006, ISES Score 0.01
    - Reynolds – Built 1911, Renovated 1996, ISES Score 0.15
    - Wildwood – Built 2007, ISES Score Not Available (New Facility)
    - Salley – Built 1964, Renovated 2000/2001, ISES Score 0.11
- Apartment-style rooms
    - McCollum – Built 1973, ISES Score 0.20
    - Ragans – Built 2003, ISES Score 0.05
    - Traditions – Built 2012, ISES Score Not Available (New Facility)
    - Rogers Hall – Built 1964, ISES Score 0.20
    - Alumni Village – Built 1959-1965, ISES Score Not Available

As evidenced by the ISES rankings, Deviney and Dorman are listed as “poor condition, total renovation indicated,” and are at risk of moving into the “complete facility replacement indicated” category if major renovation does not occur within the next few years. Furthermore, according to the ISES data, Kellum and Smith are in “below average” condition and are in need of a major renovation in the near future. The assessment of these two facilities was completed in 2007.

B&D believes that Dorman, Deviney, Kellum, and Smith should be addressed in the near-future due to poor facility conditions. B&D believes that FSU should take advantage of the fact that the facility conditions will require some form of physical enhancement in the near future to continue implementing its renovation and replacement strategy for older housing facilities that was established as a part of the University’s most recent Campus Master Plan.

The following section of the report defines the potential new housing project.

NEW HOUSING PROJECT PROFILE

PROJECT DESCRIPTION

Florida State University is considering the construction of a residence hall complex with a design capacity of 862 beds arranged in suite-style double rooms with a connecting bathroom. The purpose of the proposed residence halls is to replace existing, aging housing facilities with more desirable beds to meet the needs of today's students. The Project will be administered by Florida State University.

According to FSU, this Project will consist of two residence halls with 193,116 gross square feet and each new building will offer 431 beds. The design of the facility is compatible with the other suite-style facilities on campus including Broward, Bryan, Cawthon, DeGraff, Gilchrist, Jennie Murphree, Landis, Reynolds, and Wildwood Hall, all of which have recently been renovated or are newly constructed.

The new facility is projected to match the existing rental rate structure of the other suite-style housing facilities on campus. It will be constructed while both Dorman and Deviney are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility, to avoid a decrease in on-campus bed supply or University Housing revenues. Dorman and Deviney would be taken off-line and demolished immediately following the occupancy of the new facility. Dorman and Deviney represent a total of 524 beds, so the new facility would provide an additional 338 beds beyond what is currently provided.

AMENITIES / PROGRAMMING

The proposed new development will include a common student lounge, recreation room, TV lounge, furniture storage, laundry, common kitchen, dedicated study lounge space, vending service areas, and administrative offices. In addition to the typical amenities nationally associated with these types of facilities, FSU also offers enhanced student life programming that includes one Resident Assistant per approximately 45 students and two classrooms for academically generated living-learning communities. This ratio of 45:1 is compatible with staffing in the other FSU halls. According to University Housing, a Residence Coordinator, an Administrator, and a Professional position will provide the live-in staffing and oversight for the Project. 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. A graduate student Assistant Coordinator will support the Coordinator.

LOCATION

The proposed facility will be located on the main campus of the Florida State University at the southeast corner of Woodward Avenue and Traditions Way. This site is located in close proximity to academic and student services buildings and completes the chain of residence halls on the east side of campus. This location is consistent with the Campus Master Plan.

CONSTRUCTION COST

According to FSU, construction of the proposed residence halls is estimated at a total cost of $55,500,000. Constructions costs are estimated at $51,198,442 with planning estimated at $2,971,558 and equipment estimated at $1,330,000.

CONSTRUCTION / OCCUPANCY SCHEDULE / TARGET MARKET

FSU is targeting a start of construction in August 2013. The new residence hall is scheduled to open for the fall term in August 2015. The new residence hall facility will house undergraduate students and be geared toward freshmen.

OTHER INITIATIVES

Although not part of the Project, there is a potential second phase of development that includes the replacement of Kellum and Smith with a new, 862-bed suite-style residence hall. The Kellum and Smith replacement would occur on the location of the demolished Dorman and Deviney and would be scheduled to open for the fall of 2017 or 2018. The replacement facility would be constructed while both Kellum and Smith are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility, to avoid a dip in on-campus bed supply or housing revenues. Kellum and Smith would be taken off-line and demolished immediately following the occupancy of the new facility. Kellum and Smith represent 1,091 beds, so the new facility would be a decrease of 229 beds when compared to what is currently represented. The bed count for both phases would represent an increase of 109 beds for the housing system.

STUDENT HOUSING MARKET ANALYSIS

Brailsford & Dunlavey conducted market research to define local market conditions and to understand national housing trends in higher education. The market research component of this analysis included an understanding of student preferences through focus group sessions, an investigation of the private, off-campus housing market, a peer institution benchmarking comparison, and the on-campus waitlist statistics. The following sections detail the results of the individual analyses that comprise B&D's Student Housing Market Analysis.

STUDENT FOCUS GROUPS

The focus groups were comprised of a variety of student participants representing on- and off-campus residents, multiple class levels, and a broad range of viewpoints and opinions. In general, FSU students had a very positive perception of the on-campus living experience. Students responded very positively to the location of the residence halls, the "student life neighborhood," and the overall introduction to college they received by living in university-provided housing. Some of their major apprehensions about living on campus were affordability of housing when a meal plan is required and the quality of the older residence halls on campus. Though participants indicated that they enjoy living on campus and valued the experiential learning opportunities that doing so provides, many students mentioned that the quality of housing at FSU was not the primary factor in deciding to attend the University. Rather than a deciding factor, participants stated that they expected housing to be available and of a high quality.

Overall, when discussing the desirability of a new residence hall on campus, most participants suggested renovating or replacing one or more of the older buildings. Participants mentioned that Dorman and Diviney were in a great location but, because the buildings were in poor condition, people preferred living in other halls. They had the same views when discussing Smith and Kellum, in that because there are significant deferred maintenance issues, students did not like to live there. Exhibit A ("Focus Group Report") provides more detail regarding the information that was gathered from the focus group sessions.

HOUSING DEMAND / WAITLIST

For the past ten years, the undergraduate population at FSU has recognized the importance of living on campus, and, as a result, University Housing's facilities have started each fall semester with occupancy rates that have exceeded 100%. As a result, waitlists were formed with several hundred students applying for housing but forced to live off campus due to space constraints in the on-campus supply. The waitlist for on-campus housing continues to exist on an annual basis, despite the nearly 2,000 beds that have been developed on campus in the past decade.

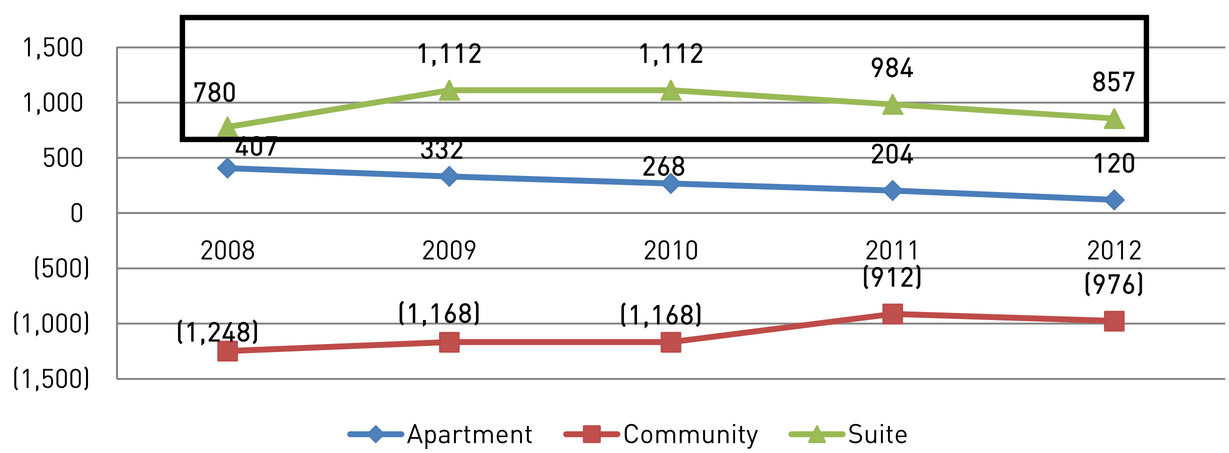
To reduce the waitlist and encourage students to move off campus when on-campus supply is not available, the University has started closing the waitlist as early as May. The waitlist for Fall 2012 exceeded 600 at the end of May, despite the fact that housing applications were not accepted after May 1st (approximately one month earlier than in years past). Although it is speculation, FSU estimates that several hundred additional students are turned away from applying for on-campus housing due to this deadline.

While some private dorms offer suite-style configurations, Resident Assistants, and meal plan requirements, they do not offer the same experience and developmental benefit that the on-campus housing provides. As a result, on-campus housing remains the preferred option for students, and B&D believes that an increase in student housing on campus will be absorbed by students who want to live on campus but have been pushed to the off-campus market due to space constraints. B&D believes that the excess demand for student housing exceeds the additional 335 beds that will be offered as part of the Project.

STUDENT PREFERENCES / APPLICATIONS

When assessing the supply of, and demand for, housing on campus, it was determined that, as a result of the significant waitlist described above and the information that has been provided regarding unit preference, there is a significant amount of demand for on-campus, suite-style beds among prospective residents at FSU. B&D's primary objective when evaluating demand was to determine if there is sufficient demand from FSU students to support the Project, not to quantify total demand for on-campus housing. To accomplish this, University Housing provided B&D with student preferences from housing applications over the past five years. Using this information and comparing it with University Housing's reported occupancy rates for each year, B&D was able to reconcile the difference between supply and student demand (i.e., net demand). Through this analysis, B&D found that 72% of prospective residents showed a preference for a suite-style unit configuration over community- and apartment-style arrangements. When applying this to the current occupancy on campus, 72% represents 4,599 suite-style beds and the University currently only offers 3,742 bed spaces. The chart provided below (Figure 3) details that net demand for different unit types on campus over the past five years based on student preference information. More specifically, the chart below quantities how many additional beds would need to be added, by unit type, in order for FSU's housing supply to perfectly match demand. As Figure 3 describes, demand for suite-style units has significantly out-paced the quantity that is available on campus over the past five years.

Figure 3: Net Housing Demand by Unit Type Based on Student Preferences



Based on the preference data detailed above, in order for the supply of on-campus housing to perfectly match demand, the University would need to add approximately 850 suite-style beds and significantly decrease its supply of community-style units. While demand for community-style units has slightly increased over time, this is due in part to the University clearly stating during the selection process that students applying late should choose from one of the community-style residence halls because it was unlikely that they would be assigned a suite-style bed. This fact also explains why there has been a marginal decrease in the relative percentage of suite-style demand over the past several years.

In short, B&D's findings related to demand for suite-style beds is consistent with University Housing's plan to demolish Dorman and Diviney and construct a new, suite-style residential complex.

PEER BENCHMARKING ANALYSIS

B&D researched six (6) of FSU's peer institutions to determine their housing goals, objectives, and recent development strategies. The six institutions that were researched include:

- Clemson University
- University of Central Florida
- University of South Florida
- North Carolina State University
- University of Florida
- University of Tennessee - Knoxville

Figure 4, below, summarizes the housing accommodations that are available at each peer institution as compared to what is available at FSU.

Figure 4: On-Campus Housing Comparison between FSU and Peer Institutions

	FSU	Clemson	UCF	USF	NC State	UF	UTK
Population							
Undergraduate*	26,876	14,674	33,630	20,394	22,069	23,696	19,830
Graduate*	5,721	2,693	4,402	5,156	5,369	9,199	4,137
Total	32,597	17,367	38,032	25,550	27,438	32,895	23,967
Residence Halls							
# of Halls	17	21	8	19	20	24	12
LLC	7	8	7	7	13	14	5
Traditional	28%	54%	0%	12%	39%	63%	20%
Semi-Suite	0%	0%	0%	24%	0%	0%	0%
Suite	59%	15%	33%	31%	15%	14%	50%
Pod	0%	0%	0%	0%	46%	0%	0%
Apartment	13%	31%	67%	33%	0%	23%	30%
% of Undergraduate Students Living On Campus							
Total	24%	40%	20%	26%	30%	32%	38%

* Represent Full-Time Equivalent Students attending each university

Below are several notes that describe the on-campus housing offerings at each institution.

- Clemson University recently began carrying out part of their campus master plan by replacing Douhit Hills with new apartment-style housing for graduate students. They also plan to renovate the Thornhill apartments with new apartment-style student housing.
- The University of Central Florida ("UCF's") main goal is to ensure the availability of affordable housing units and support facilities. UCF is currently housing 80% of first-time-in-college ("FTIC") freshmen and wishes to accommodate 50% of returning, second-year students. To accomplish this goal, the institution is in the process of adding 700 new suite-style beds to its housing inventory through the addition of a new residence hall. Furthermore, there is an off-campus apartment complex (~600 beds) that is currently under construction, which UCF's housing department may manage once it is completed.
- The University of South Florida ("USF") aims to provide at least 500-1000 new student beds by 2020. They wish to maintain a minimum ratio of at least 5% of full-time students in on-campus housing.

- NC State University is planning on adding 1,550 beds of apartment-style housing on their Centennial Campus over the next decade.
- At the University of Florida, they have taken two residence halls off-line each summer since 2005 for renovations, and this will continue through 2018. They are also working to maintain the wide variety of unit types they currently offer to meet the needs of a diverse student population. To this end, they have also recently built a new graduate and professional housing complex as a part of a larger institution initiative on the campus's fringe. The complex is in an apartment-style configuration, and it is currently 85% occupied.
- The University of Tennessee at Knoxville plans to turn a former residence hall into classroom and class laboratory space. It also plans to build a new 700-bed residence hall with a dining facility and begin renovations for seven of its twelve residence halls in the near future.

As demonstrated by the housing programs at FSU's peer institutions, it is clear that universities are all working to enhance their on-campus housing facilities, to develop student communities, and to create a plan that allows more students to live in close proximity to student amenities, the academic experience, and the campus community. While the respective approach to achieving these outcomes clearly varies by institution, the results of the peer benchmarking analysis confirm that, similar to FSU, both in-state and regional peers are choosing to enhance their ability to accommodate the housing needs of new and advancing students in order to remain competitive from a recruitment standpoint, while also improving retention and the overall campus experience.

OFF-CAMPUS MARKET ANALYSIS

The result of B&D's Off-Campus Market Analysis confirms that there is currently a complementary, or supportive, relationship between the housing that is available on campus and those units that are available in the off-campus market. As has been detailed previously, a majority of University Housing's existing inventory (73%) is comprised of community-style units and suites, while, with the exception of two individual complexes, SouthGate and Osceola Lofts, the off-campus market is comprised of apartment-style units. The target market for University Housing is lower-division students, including freshmen and sophomores, while judging from its predominant unit type – apartments, the private, off-campus market is focused on providing housing for upper-division and graduate students. Rather than accommodate the housing needs of all students at FSU, and as a result provide a unit mix and scale of housing that is responsive to that approach, the University and its housing department have decided to focus its efforts on housing freshman and sophomore students in response to the larger institution's mission, and, in turn, let the private, off-campus market provide a more independent living arrangement (i.e., apartments) for upper-division and graduate students at FSU.

As previously stated, this supportive relationship between the University and the private, off-campus market has been confirmed through B&D's Off-Campus Market Analysis. Specifically, of all the complexes that were investigated by B&D in the local Tallahassee market, there are currently only two private dormitories that offer non-apartment beds for students, SouthGate and Osceola Lofts. Prior to 2010, there was one additional facility, Osceola Hall, that also provided non-apartment living (656 beds) and similar amenities to on-campus residence halls; however, it has recently been purchased by Mica Creek Partners and is in the process of being renovated into apartments. Figure 5 below provides a comparison of the two private dormitories that would be considered in direct competition for University Housing's target market.

Figure 5: Rental Rate Comparison between FSU's Non-Apartment Residence Halls and the Private Dorms

Per Semester	FSU		SouthGate		Osceola Lofts	
	Traditional	Suite	Traditional	Suite	Traditional	Suite
Rent	$2,360	$2,910	Included	Included	N/A	$1,661
Meals	$1,849	$1,849	Included	Included	N/A	$1,532*
Cable	$180	$180	Included	Included	N/A	$180
Electricity**	Included	Included	Included	Included	N/A	$111
Water**	Included	Included	Included	Included	N/A	$41
Total	**$4,389**	**$4,939**	**$4,850**	**$4,970**	**N/A**	**$3,524**
# of Beds	6,347		500		200	
Occupancy Rate	101%		100%		100%	
Res. Life Program	Yes		Yes		No	

* Average Cost of Food in the United States for 2012 from the USDA Food Plans

** Based on the City of Tallahassee Utility Rates found at https://www.talgov.com/you/you-customer-helpful-rates.aspx

SouthGate offers a community-style living arrangement for residents and has the capacity to house 500 students. Osceola Lofts, in a suite-style configuration, has a capacity to house approximately 200 students. Both facilities are located near campus and fully occupied (100%). In addition to their location and occupancy rates, these dormitories are similar in the fact that they provide residential dining, paid utilities, and a fitness center. As the chart above describes, Osceola Lofts offers the most affordable living option when compared to SouthGate and the average cost to live in non-apartment units on campus. However, of the three community- and suite-style options that are available, Osceola Lofts is the only one that does not provide any residential life programming. This complex is also the smallest of the three. From a cost standpoint, SouthGate is very similar to what is available on campus but does not share the same locational attributes to FSU's campus life core as University Housing's residence halls.

In short, while the off-campus market in Tallahassee is robust, according to B&D's investigation, the vast majority of these privately-owned facilities are not in direct competition with the residences, and the experience, that FSU and University Housing aspire to provide for its on-campus residents. This finding is evidenced by the fact that even though the private dormitories that currently exist in the market are fully occupied year over year, the number of privately-owned, non-apartment facilities in the off-campus market has decreased by approximately 50% over the past five years because those facilities are either being renovated into apartments, or razed and rebuilt as apartments. Furthermore, the new facilities that are currently under construction in the off-campus market all include apartment-style unit types, rather than community- or suite-style accommodations. The sum of these activities has demonstrated that private developers and property owners also recognize the complementary relationship that exists between FSU's residential communities (non-apartments) and the off-campus housing complexes (primarily apartments) and continue to respond accordingly through new apartment additions and renovations.

FINANCIAL REVIEW

OBJECTIVES & METHODOLOGY

B&D reviewed FSU's operating financial model, which outlines the revenues, expenses, and affiliated debt with the proposed replacement housing (Dorman / Deviney replacement). To forecast the system's operating performance over a ten-year stabilized period, the model analyzes projected revenues and operating expenses, capital cost assumptions and affiliated debt, and potential excess cash flow, demonstrating the replacement housing's financial impact on the entire University Housing system. A summary of FSU's financial model that has been created for bond-financing purposes can be found as an exhibit to this report (Exhibit B). Additionally, as will be explained below, FSU and B&D have worked together to develop a more conservative financial model as a part of the Analysis to ensure that University Housing's balance sheet remains financially stable, even if some unforeseen market conditions should occur. This summary financial model is included in the report as Exhibit C.

HOUSING FINANCIAL MODEL ASSUMPTIONS

REVENUES

General assumptions for operating revenues for the housing model included the following:

- An average occupancy of 98% was projected for all existing buildings, and 95% occupancy was projected for the replacement facility after the completion of new construction. Please note that the original occupancy rate for the replacement facility was 98% but was reduced to 95% to project a more conservative financial outcome.
- Rental rates were calculated on a per semester basis. For the purpose of the model, the semesters were 4.5 months.
- Rental rates for the building opening are projected at $3,370 per semester, per bed.
- Rental rates were inflated at 5% annually through 2016-17, which is consistent with recent rental rate increases on campus. Beginning in 2017-18, rental rate increases will be reduced to 3% inflation.
- The Investment Income calculated in the model includes only interest on the Housing System's operating account and does not include interest on the Housing System's cash reserve.

EXPENSES

General assumptions for operating expenses for the housing model included the following:

- Total Current Expenses are net of depreciation.
- Expenses for 2007-08 and 2008-09 were obtained from the restated financial statements for each of those years. The expenses for 2009-10 were adjusted from the financial statements by $624,419 to account for building improvement expenses that should have been capitalized but were instead incorrectly expensed in that year.
- Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses, and 4% annual increases in utilities expenses.
- Originally, FSU offered a discounted utility expense rate for newly constructed facilities because University Housing has recognized energy savings in the more efficient new buildings. The utility rate was later increased to reflect a more conservative financial outcome.

CONSTRUCTION QUALITY / CAPITAL COSTS

Construction quality and capital costs were provided by FSU and were not analyzed in detail by B&D.

SECURITY / LIEN STRUCTURE

According to the University, net housing system revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, after deducting operating expenses. The bonds will be issued on parity with the outstanding Florida State University Housing Facility and Dormitory Revenue Bonds currently outstanding in the aggregate principal amount of $128,355,000.

PLEDGED REVENUES / DEBT SERVICE COVERAGE

According to the University, during the past five years from fiscal year 2007-08 to 2011-12, pledged revenues grew from $15.3 million to $19.2 million. These revenues produced debt service coverage ratios ranging from a high of 1.96x to a low of 1.59x. For fiscal year 2012-2013, pledged revenues are projected at $21 million, producing an estimated debt coverage ratio of 2.14x. The addition of the replacement housing for Dorman and Deviney is projected to achieve above a 1.91x debt service coverage in each year of operation.

DEBT STRUCTURE

Debt service payments on the new bonds have been estimated using a 5.75% interest rate over a 20-year term.

PROJECTED FINANCIAL OUTCOMES

B&D believes that FSU has established a strong financial system built on solid planning and consistent implementation of the planning. The numbers provided to B&D demonstrate the financial viability of the housing system, even with the conservative assumptions of the housing model. B&D does not project significant risk associated with the financial success of the new replacement facility for Dorman and Deviney.

PHASE 2 OF HOUSING REPLACEMENT

While the Dorman and Deviney replacement development can be supported financially at the required debt coverage ratio, B&D understands that Kellum and Smith are both in dire need of renovation or replacement. In order to evaluate the overall, phased plan to ensure financial feasibility, B&D asked FSU to run additional financial scenarios to ensure that the addition of future debt to the housing system, to address the deferred maintenance needs in Kellum and Smith, would not trigger any complications or unforeseen financial hardships. To support this scenario, B&D asked FSU to include the following assumptions:

- Increase projected construction inflation by 8% per year (as opposed to the originally planned 4%)
- Eliminate any capital contribution from housing reserves (to ensure that the project can be supported without any supplemental cash)
- Maintain a cost of borrowing of 5.75% for 20 years (conservative compared to a 30-year term)

Even with conservative assumptions for a full replacement scenario, FSU's housing model demonstrated that it can support the replacement of Dorman, Deviney, Kellum, and Smith while still maintaining a system-wide debt coverage ratio of more than 1.50x in any given year.

PPP CONSIDERATIONS

FSU has the opportunity to engage the private market for the establishment of a public-private partnership. In this configuration, FSU can select a private partner to develop, own, or manage the new facility, or any combination of those roles. Universities often select this option if cash is not available and private equity is required to help an institution achieve its strategic mission. While public-private partnerships can help reduce the burden of balance sheet utilization, the credit ratings agencies (such as Moody's) have all placed strict rules and regulations to ensure that most student housing will remain on the University's credit. Given the location, scale, and proposed assignment at the new facility, it is highly likely that the new development would be placed on FSU's credit, even in spite of a public-private partnership structure.

In addition to a credit rating impact, the utilization of a public-private partnership comes with some strings attached. The private development community will look to balance risk with control, and the University will be required to give up financial benefit, building design, operational control, or all of those factors, in order to satisfy their requirements.

B&D believes that it is beneficial for the University to develop, own, and operate the Project. This facility is located at the core of campus and in close proximity to other residence halls, and owning it will provide long-term strategic and financial benefits, not to mention increased flexibility, for FSU.

RECOMMENDED STRUCTURE

Using the assumptions outlined in FSU's model, B&D believes that the University can achieve its strategic objectives while maintaining the required debt service coverage. B&D believes that FSU has done an excellent job of following its renovation and replacement plan that was established as a part of the Campus Master Plan, and as a result, FSU is in a financial position to continue enhancing its inventory into the future.

Based on the fact that the conservative estimates in the financial model produce a favorable debt coverage ratio, B&D believes that beating the estimates will provide long-term financial benefit to FSU and University Housing. As such, B&D believes that FSU should develop, own, and operate the Project.

While this analysis does not focus on the Phase 2 replacement of Kellum and Smith, preliminary metrics indicate that a second phase of replacement housing is financially viable and should be considered.

EXHIBIT A:

FOCUS GROUP REPORT

OBJECTIVES

The purpose of the focus groups was to engage a variety of Florida State University students in a dynamic conversation about their needs and preferences for on-campus housing at FSU. The focus group discussions were intended to yield qualitative data, reveal hidden sensitivities, and raise issues not previously considered by the University, rather than provide rigid, statistically-reliable responses from a demographically representative sample of the population. Throughout the process, Brailsford & Dunlavey gained an enhanced understanding of students' concerns and obtained pertinent information to be used as a guide for determining the feasibility and desire for potential new / renovated student housing.

METHODOLOGY

The focus groups were organized by the University and held on Tuesday, February 5, 2013 in the Center for Global Engagement's first floor dining hall. The focus groups were led by moderators from B&D whose role was to guide the conversations in order to gain further understanding of issues pertaining to campus life, unit-type preference, facility conditions, and other varied aspects of current and future campus housing. The moderators introduced a series of questions, intentionally open ended in nature, to engage the participants in the conversation. In addition to B&D's questions, the moderators paid close attention to participant-generated issues raised during the interviews. Information from the focus groups was analyzed and documented for the preparation of this appendix.

SUMMARY OF FINDINGS

The focus groups were comprised of a variety of student participants representing on- and off-campus residents, multiple class levels, and a broad range of viewpoints and opinions. In general, FSU students had a very positive perception of the on-campus living experience. Participants responded very positively to the location of the residence halls, the "student life neighborhood," and the overall introduction to college they received by living in university-provided housing. Some of the students' major apprehensions about living on campus were affordability of housing when a meal plan is required and the quality of the older residence halls on campus. Though participants indicated that they enjoy living on campus and valued the experiential learning opportunities that doing so provides, many students mentioned that the quality of housing at FSU was not the primary factor in deciding to attend the University. Rather than a deciding factor, participants stated that they expected housing to be available and of a high quality.

When discussing the desirability of a new residence hall on campus, most participants suggested renovating or replacing one or more of the older halls. Participants mentioned that Dorman and Deviney were in a great location, but that these were less popular options for students because of the buildings' age, condition, and bathroom configuration. Students had the same views when discussing Smith and Kellum.

The following sections highlight the key themes of the focus group discussions, including responses regarding unit types and size, community development, pricing and affordability, location, facility conditions, and the off-campus housing market.

UNIVERSITY LIFE AND AMENITIES

Students were initially asked to discuss the experience regarding their decision to attend FSU. The majority of students agreed that the community felt warm, friendly, and very welcoming. Participants explained that they love the traditions and history of the University, and also indicated that they enjoy the on-campus housing experience.

In regards to campus amenities, students mentioned that they thoroughly enjoy the campus recreation facilities at FSU. In particular, participants appreciated how the quality-of-life facilities on campus, including the Leach, are concentrated around the campus core. One student mentioned, "Leach is right in the middle of what seems to be the student life area of campus." When discussing dining, students showed a strong desire for meal plans that offered flexibility. Students also mentioned that required meal plans can increase the cost of living on campus, and often students preferred housing options that did not require on-campus meal plans.

COMMUNITY DEVELOPMENT

When asked about the sense of community that is cultivated by on-campus housing at FSU, the students said that living in the residence halls gives them the "college experience" that each student looks for as an incoming freshman. Students said that on-campus housing helped make it easier to acclimate to life in college and to make the transition from high school to college easier. Participants also mentioned that, because they live in a residence hall with so many other students, making friends is much easier. Students enjoy having the ability to meet friends at the vending machines and in the lounge areas. One student said, "My dad sarcastically asked me, 'What are you going to do, meet someone while brushing your teeth?' and that is exactly how I met my best friend."

A large number of participants also mentioned that the residence life programs that are led by University Housing staff helped make their communities stronger. These programs provide residents with opportunities to meet peers that live in their residence hall and in the surrounding communities. Students mentioned that the staff helps expand their horizons and provides opportunities for them to be introduced to people that they might not otherwise have had the chance to meet. One focus group also mentioned that these programs and the quality of the staff have had a large impact on their decision to remain in on-campus housing after their first year.

When asked about neighborhoods, students did not show a clear preference regarding the residence halls located on the east side and the west side of campus, respectively referred to as the "Eastside Residence Halls" and the "Westside Residence Halls." Students stated that each neighborhood had its own qualities that made it attractive and unique.

In terms of unit configuration, participants stated that they believe living in non-apartment unit types (i.e., community-style and suites) helps to foster a sense of community for residents and support their acclimation into the college environment. Specifically, while apartments provide the most independent living space per student, the suite and community-style units encourage a higher level of interaction because residents are required to share common areas (e.g., bathrooms, living rooms, kitchens, etc.) with others.

LOCATION

Focus group participants indicated that the location of FSU's existing housing and its proximity to the University's academic resources and quality-of-life facilities is a major advantage to living on campus. The participants stated that they enjoy living on campus because the location allows them easy access to all of FSU's campus amenities. Specifically, the proximity to classes, dining, and recreation facilities alleviated some of the need for parking.

Students also discussed parking in regards to their respective residence halls. In general, students who live in the Westside Residence Halls do not believe that parking is an issue because of the proximity of supplemental lots close by; however, many Eastside Residence Hall participants indicated that there is little or no parking that is proximate to their buildings, which causes many students to park far away and walk across campus to the residence. One participant said "I don't like having to walk all the way across campus at night just because I couldn't find a parking spot next to my hall." The students with these concerns mentioned that having parking close to a hall should be a priority when considering a new residence hall. B&D will note that parking is a common complaint nationally from students in focus groups.

UNIT TYPES AND SIZE

University Housing's existing inventory has been developed over the years to respond to the different needs of students as they progress and grow in maturity and independence at FSU. Focus group participants indicated that students enjoy the variety of living arrangements that are available on campus. Many participants stated that they like living in the suite-style units provided in halls such as DeGraff and Wildwood, but they had split views on the suite-style configuration of Salley Hall. Multiple students agreed that "the set-up of the building is confusing; there are just so many doors," but they liked the living room included in the room configuration and the privacy it afforded. Students also stated that when deciding on where to live, the majority gave preference to suite-style residence halls because they offered more privacy than the community-style residence halls and were in better condition. When discussing the community-style unit configurations, participants mentioned that living in buildings with high levels of community "helps students become acclimated to college." As for the apartments provided on campus, students saw these units as good options for upper-division students who desire more independence. Participants mentioned that they like living in apartments because these units include a kitchen and larger rooms.

PRICING AND AFFORDABILITY

Participants indicated they desire improved facilities but want to maintain affordable options. Students also mentioned that meal plans have a major impact on the demand for individual residence halls because this requirement reduces affordability. Furthermore, focus group participants stated that they gave preference to the residence halls that did not require a meal plan because the additional cost was too expensive and the quality of the food did not reflect the cost. Specifically, one student said "If I'm paying that much, I expect the best." Each group stated they would be interested in a new hall that maintained affordable prices for students and did not include a required meal plan.

FACILITY CONDITIONS

Students mentioned the difference in facility conditions between FSU's different residence halls. According to the participants, building maintenance is good, but the condition of the buildings needs to be more consistent across individual halls. Participants agreed that in the older buildings such as Dorman and Deviney, there was a need for an updated HVAC system because of the amount of humidity and moisture that currently exists. One student who lived in Deviney said, "I had to buy a dehumidifier because my towel would not fully dry when it was hung up."

In terms of quality, another student said, "These old buildings are a bad first impression for the campus." Students explained that there was a large quality gap between the newest and best condition buildings and the oldest and worst condition buildings. Students believe this disparity should be addressed. Participants stated that they thought the new residence halls were well maintained in terms of facility care and cleanliness. Students enjoy living in these halls because the quality of the facilities is very high and consistent with their desired image for campus. Students also explained that they like the balance of tradition and innovation offered in some of the newly renovated halls, such as Landis, because it maintains the history of the University while providing a great living space for students.

Another major takeaway in regard to facility maintenance is the relationship between the responsiveness of service requests and the effectiveness of the building manager. Students noticed a positive correlation between the hall manager's responsiveness to maintenance requests and the quality of the residence halls. Students suggested that the maintenance requests in buildings such as Kellum take priority in the future over buildings that are newer and in better condition. Participants mostly agreed that enhancement of the older residence halls should be a focus of University Housing going forward.

OFF-CAMPUS HOUSING MARKET

When discussing the off-campus market, participants indicated that because of capacity constraints and the types of units that are available, housing in the off-campus market has been geared to accommodate upper-division and graduate students. Focus group participants mentioned that the common understanding among students is that everyone lives on campus their freshman year and, then, as they advance in terms of classification, they move off campus. The upper-division focus group participants, who already made this transition, said they like living off campus because these complexes provide an affordable option that allows them the independence they desire and are primarily located close to campus and its associated amenities.

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EXHIBIT B:

BOND-RELATED SUMMARY FINANCIAL PRO FORMA

STATE UNIVERSITY SYSTEM OF FLORIDA

BOARD OF GOVERNORS

FLORIDA STATE UNIVERSITY

HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

	Historical					Projected				
	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Operating Revenues[1]										
Existing Housing, excluding Deviney and Dorman	$ 27,435,355	$ 28,376,554	$ 30,151,953	$ 31,508,799	$ 32,993,034	$ 35,370,393	$ 37,138,913	$ 38,995,858	$ 40,956,689	$ 43,004,524
Deviney & Dorman Existing Facilities	$ 1,942,772	$ 1,984,833	$ 2,086,832	$ 2,189,202	$ 2,291,583	$ 2,406,162	$ 2,526,470	$ 2,652,794		
New Dorman Complex									$ 5,620,320	$ 5,901,336
Total Operating Revenue	**$ 29,378,127**	**$ 30,361,387**	**$ 32,238,785**	**$ 33,698,001**	**$ 35,284,617**	**$ 37,776,555**	**$ 39,665,383**	**$ 41,648,652**	**$ 46,577,009**	**$ 48,905,860**
Operating Expenses[2]										
Existing Housing, excluding Deviney and Dorman	$ 13,458,036	$ 15,061,786	$ 14,902,600	$ 14,429,378	$ 15,068,323	$ 15,694,578	$ 16,520,707	$ 16,904,089	$ 17,624,180	$ 18,034,010
Deviney & Dorman Existing Facilities	$ 1,262,896	$ 1,413,391	$ 1,398,453	$ 1,354,046	$ 1,347,406	$ 1,397,682	$ 1,471,253	$ 1,505,395		
New Dorman Complex									$ 1,625,117	$ 1,670,393
Total Operating Expenses	**$ 14,720,932**	**$ 16,475,177**	**$ 16,301,053**	**$ 15,783,424**	**$ 16,415,729**	**$ 17,092,260**	**$ 17,991,960**	**$ 18,409,484**	**$ 19,249,297**	**$ 19,704,403**
Net Operating Revenue	**$ 14,657,195**	**$ 13,886,210**	**$ 15,937,732**	**$ 17,914,577**	**$ 18,868,888**	**$ 20,684,295**	**$ 21,673,423**	**$ 23,239,168**	**$ 27,327,712**	**$ 29,201,457**
Investment Income[3]	628,592	213,246	431,976	347,133	354,039	300,000	310,000	320,000	330,000	340,000
Pledged Revenues	**$ 15,285,787**	**$ 14,099,456**	**$ 16,369,708**	**$ 18,261,710**	**$ 19,222,927**	**$ 20,984,295**	**$ 21,983,423**	**$ 23,559,168**	**$ 27,657,712**	**$ 29,541,457**
Annual Debt Service										
Outstanding Parity Bonds	$ 8,847,219	$ 8,843,069	$ 8,843,447	$ 9,690,729	$ 9,812,690	$ 9,792,075	$ 9,795,375	$ 9,780,819	$ 9,788,456	$ 9,789,169
Proposed 2013A Bonds	-	-	-	-	-	-	2,462,882	2,955,500	4,660,500	4,657,463
	$ 8,847,219	**$ 8,843,069**	**$ 8,843,447**	**$ 9,690,729**	**$ 9,812,690**	**$ 9,792,075**	**$ 12,258,257**	**$ 12,736,319**	**$ 14,448,956**	**$ 14,446,632**
Pledged Revenues after Debt Service and Available for other Expenses/Transfers	$ 6,438,568	$ 5,256,387	$ 7,526,261	$ 8,570,981	$ 9,410,237	$ 11,192,220	$ 9,725,166	$ 10,822,849	$ 13,208,756	$ 15,094,826
Maximum Annual Debt Service	$ 8,847,219	$ 8,843,447	$ 8,843,447	$ 9,992,841	$ 9,812,690	$ 9,795,375	$ 14,448,956	$ 14,448,956	$ 14,448,956	$ 14,446,632
Debt Service Ratios										
Total Annual Debt Service	**1.73x**	**1.59x**	**1.85x**	**1.88x**	**1.96x**	**2.14x**	**1.79x**	**1.85x**	**1.91x**	**2.04x**
Maximum Annual Debt Service	**1.73x**	**1.59x**	**1.85x**	**1.83x**	**1.96x**	**2.14x**	**1.52x**	**1.63x**	**1.91x**	**2.04x**

[1] Projections assume 5% annual increases in rental rates and 98% occupancy rates for the system and the proposed project.

[2] Total Current Expenses are net of depreciation. Expenses for 2007-08 and 2008-09 were obtained from the restated financial statements for each of those years. The expenses for 2009-10 were adjusted from the financial statements by $624,419 to account for building improvements expenses that should have been capitalized but were instead incorrectly expensed in that year. Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses and 4% annual increases in utilities expenses.

[3] Investment Income presented includes only interest on the Housing System operating account.

EXHIBIT C:

HOUSING ANALYSIS-RELATED SUMMARY FINANCIAL PRO FORMA

Florida State University
Division of Student Affairs
University Housing

	Projections						
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-2021**	**2021-2022**
Existing Housing, excluding Deviney, Dorman, Kellum & Smith	$ 35,374,245	$ 37,142,957	$ 38,459,597	$ 39,613,385	$ 40,801,787	$ 42,025,840	$ 43,286,615
PHASE I							
Deviney & Dorman Existing Facilities							
New Dorman Complex	$ 5,450,538	$ 5,723,065	$ 5,894,757	$ 6,071,600	$ 6,253,748	$ 6,441,360	$ 6,634,601
PHASE II							
Kellum & Smith Existing Facilities	$ 5,752,227	$ 6,039,838					
New Deviney Complex			$ 5,894,757	$ 6,071,600	$ 6,253,748	$ 6,441,360	$ 6,634,601
Operating Revenues[1]	$ 46,577,009	$ 48,905,860	$ 50,249,112	$ 51,756,585	$ 53,309,283	$ 54,908,561	$ 56,555,818
Existing Housing, excluding Deviney, Dorman, Kellum & Smith	$ 14,495,170	$ 14,830,843	$ 16,280,680	$ 16,552,454	$ 16,829,561	$ 17,112,100	$ 17,400,170
PHASE I							
Deviney & Dorman Existing Facilities							
New Dorman Complex	$ 2,336,150	$ 2,406,235	$ 2,478,422	$ 2,552,774	$ 2,629,357	$ 2,708,238	$ 2,789,485
PHASE II							
Kellum & Smith Existing Facilities	$ 3,107,395	$ 3,180,862					
New Deviney Complex			$ 2,665,562	$ 2,745,529	$ 2,827,895	$ 2,912,732	$ 3,000,114
Operating Expenses[2]	$ 19,938,715	$ 20,417,940	$ 18,759,102	$ 19,105,228	$ 19,458,918	$ 19,820,338	$ 20,189,655
Net Operating Revenue	$ 26,638,295	$ 28,487,920	$ 31,490,010	$ 32,651,357	$ 33,850,364	$ 35,088,223	$ 36,366,163
Investment Income[3]	$ 330,000	$ 340,000	$ 350,000	$ 360,000	$ 370,000	$ 380,000	$ 390,000
Pledged Revenues	$ 26,968,295	$ 28,827,920	$ 31,840,010	$ 33,011,357	$ 34,220,364	$ 35,468,223	$ 36,756,163
Annual Debt Service							
Outstanding Parity Bonds	$ 9,788,456	$ 9,789,169	$ 9,772,007	$ 9,765,157	$ 9,776,338	$ 9,765,163	$ 9,770,632
Proposed 2013A Bonds	$ 4,660,500	$ 4,657,463	$ 4,658,963	$ 4,659,425	$ 4,658,563	$ 4,656,088	$ 4,656,713
	$ 1,300,000	$ 3,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000
	$ 15,748,956	$ 17,446,632	$ 20,430,970	$ 20,424,582	$ 20,434,901	$ 20,421,251	$ 20,427,345
Pledged Revenues after Debt Service and Available for other Expenses/Transfers	$ 11,219,338	$ 11,381,289	$ 11,409,040	$ 12,586,775	$ 13,785,463	$ 15,046,972	$ 16,328,818
Debt Service Ratios							
Total Annual Debt Service	1.71x	1.65x	1.56x	1.62x	1.67x	1.74x	1.80x

[1] Projections assume 5% annual increases in rental rates through '16-17, then 3% increases beginning in '17-18. Assume 98% occupancy rates for the system and the 95% for the proposed projects.

[2] Total Current Expenses are net of depreciation. Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses and 4% annual increases in utilities expenses.

[3] Investment Income presented includes only interest on the Housing System operating account.

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 27, 2013

SUBJECT: A Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance") to issue revenue bonds on behalf of the Florida International University to finance construction of a Parking Garage on the main campus of Florida International University

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PROPOSED COMMITTEE ACTION

Adoption of a resolution approving the issuance of fixed rate parking facility revenue bonds, by the Division of Bond Finance on behalf of the Florida International University (the "University"), in an amount not to exceed $33,500,000 (the "Bonds") for the purpose of financing Parking Garage VI on the main campus of Florida International University ("the Project").

Staffs of the Board of Governors, State University System of Florida, and the Division of Bond Finance have reviewed this resolution and all supporting documentation. Based upon this review, it appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt and complies with the debt management guidelines adopted by the Board of Governors. Accordingly, staff of the Board of Governors recommends adoption of the resolution and authorization of the proposed financing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; and Florida Board of Governors Debt Management Guidelines

BACKGROUND INFORMATION

The University previously submitted a proposal for financing and construction of Parking Garage VI. The Board approved The Project at its meeting held on June 23, 2011. Due to the length of time since the original approval and to address specific metrics before advancing construction projects that require debt financing, The Project is being re-presented for approval.

The Project will be located on the north side of the Modesto A. Maidique campus of FIU. The Project will contain approximately 2,000 parking spaces, bringing the total number of parking spaces on campus to approximately 17,000 and approximately 8,800 structured parking spaces. The Project is consistent with the University's Campus Master Plan. The total Project cost is expected to be $42 million.

The University's Board of Trustees has requested approval from the Board of Governors for the Division of Bond Finance to issue up to $33,500,000 of fixed rate parking facility revenue bonds to finance a portion of the construction of the Project, fund a debt service reserve fund, capitalized interest and pay costs of issuing the Bonds. The University also anticipates contributing $9 million from University Parking and Auxiliary fund balances. The Bonds will mature thirty (30) years after issuance with level annual debt service payments.

The debt service payments will be funded from revenues generated from the operation of the University's Parking System, after payments for operation and maintenance costs. The primary source of revenues being used to pay debt service on the Bonds will be transportation access fees required to be paid by all students, faculty and staff parking decal sales, and fines. The Bonds will be issued on parity with the outstanding Parking Facility Revenue Bonds, currently outstanding in the aggregate principal amount of $47.8 million.

Projections provided by the University indicate that sufficient net revenues will be generated by the transportation access fees, faculty and staff parking decal sales, fines, and other parking fees to pay debt service on the Bonds and the outstanding parity bonds. 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 University's Board of Trustees approved the original Project and the financing thereof at its March 15, 2011 meeting. Subsequent approval of the revised Project was provided at its March 6, 2013 meeting.

Supporting Documentation Included:	1. Requesting Resolution 2. University Cover Letter 3. Project Summary 4. Attachment I – Estimated Sources and Uses of Funds 5. Attachment II – Historical and Projected Pledged Revenues and Debt Service Coverage 6. Attachment III – Feasibility Studies
Facilitators/Presenters:	Chris Kinsley

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A RESOLUTION REQUESTING THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA TO ISSUE REVENUE BONDS ON BEHALF OF FLORIDA INTERNATIONAL UNIVERSITY TO FINANCE THE CONSTRUCTION OF A PARKING GARAGE ON THE CAMPUS OF THE FLORIDA INTERNATIONAL UNIVERSITY IN AN AMOUNT NOT TO EXCEED $33,500,000; REQUESTING THE REDEMPTION OF CERTAIN STATE OF FLORIDA, BOARD OF REGENTS, FLORIDA INTERNATIONAL UNIVERSITY PARKING FACILITY REVENUE BONDS, SERIES 1995; AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed Board of Governors of the State of Florida 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) Pursuant to Article IX, Section 7 of the Florida Constitution, the Board of Governors is vested with the power to operate, regulate, control and manage the State University System of Florida. The Board of Governors is further vested with the authority to approve the issuance of revenue bonds by a state university pursuant to section 1010.62(2), Florida Statutes.

(B) The Board of Trustees of Florida International University (the "University") has requested approval from the Board of Governors for the Division of Bond Finance to issue revenue bonds in an amount not exceeding $33,500,000 (the "Bonds"), for the purpose of financing: (i) a parking garage of approximately 2,000 spaces and associated improvements to be located on the main campus of the University; (ii) and certain costs relating to the Bonds (collectively, the "Project"). The foregoing plan to finance the Project is collectively referred to herein as the "Financing Plan".

(C) The project will be part of the parking system at the University.

(D) Upon consideration of the Financing Plan, the Board of Governors further finds that the issuance of the Bonds is for a purpose that is consistent with the mission of the University; is structured in a manner appropriate for the prudent financial management of the University; is secured by revenues adequate to provide for all debt service payments; has been properly analyzed by the staffs of the Board of Governors and the Division of Bond Finance; and is consistent with the Board of Governors' Debt Management Guidelines.

(E) The Board of Governors declares that the Project will serve a public
purpose by providing parking facilities at the University.

(F) The Project is included in the master plan of the University.

2. Approval of the Project. The Project is approved by the Board of Governors as being consistent with the strategic plan of the University and the programs offered by the University.

3. Approval of the Bonds. The Board of Governors hereby approves and requests the Division of Bond Finance of the State Board of Administration of Florida (the "Division") to issue the Bonds for the purpose of financing the construction of the Project, in an amount not to exceed $33,500,000. Proceeds of the Bonds may be used to pay the costs of issuance of such Bonds and to provide for a municipal bond insurance policy, if any. The Bonds are to be secured by the net revenues of the parking system of the University, which may include but are not limited to, transportation access fees, parking decal fees, fines, special rental fees or other charges for parking services or parking spaces, 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, which is authorized by Section 1010.62, Florida Statutes, or such other parking facility project at the University which is authorized by Section 1010.62, Florida Statutes. The issuance of Bonds by the Division for the purpose of reimbursing the University for capital expenditures paid for the Project from legally available funds of the University is hereby authorized.

4. Refunding Authority. 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, 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.

5. Compliance. The Board of Governors will comply, and will require the

University to comply, with the following:

(A) All federal tax law requirements upon advice of bond counsel or 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.

(B) All other requirements of the Division with respect to compliance with federal arbitrage law, pursuant to Section 215.64 (11), Florida Statutes.

(C) All requirements of federal securities law, state law, or the Division, relating to continuing secondary market disclosure of information regarding the Bonds, the University, and the University's parking system, including the collection of the revenues pledged to the Bonds. Such requirements currently provide for the disclosure of information relating to the Bonds, the University, and the University's parking system, including the collection of the revenues pledged to the Bonds, on an annual basis and upon the occurrence of certain material events.

(D) All covenants and other legal requirements relating to the Bonds.

6. Fees. 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 University from any legally available funds of the University .

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

8. Redemption of Bonds. The Division is further requested to take action necessary to redeem certain State of Florida, Board of Regents, Florida International University Parking Facility Revenue Bonds, Series 1995. It is anticipated the University will provide cash to accomplish the redemption.

9.. 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.

10.. 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 construction or financing of the Project for use by the University, the issuance of the Bonds or as necessary to preserve the exemption from the taxation of interest on any of the Bonds which are tax-exempt, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

11.. Effective Date. This resolution shall become effective immediately upon its adoption.

Adopted this 28rd day of March , 2013

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 Division of Bond Finance of the State Board of Administration of Florida is a true and accurate copy as adopted by the Board of Governors on March 28, 2013, 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 UNIVERSITY SYSTEM OF FLORIDA

Dated: ____________________, 2013

By: ___________________________________
Corporate Secretary

00538599.1

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March 6, 2013

Mr. Chris Kinsley
Director, Finance and Facilities
Board of Governors
325 W. Gaines Street
Tallahassee, Florida 32399

Dear Chris:

On behalf of the Florida International University Board of Trustees, I am pleased to submit this letter and accompanying analysis in response to Governor Rick Scott's February 18, 2013 request that SUS universities address the following specific concerns before advancing construction projects that require debt financing:

- Review quantitative metrics justifying the need for construction
- Calculate a return-on-investment for revenue-generating projects and other appropriate measures for non-revenue-generating projects; and
- Assess whether the private sector can offer a comparable alternative at a lower cost

QUANTITATIVE METRICS JUSTIFICATION REVIEW

FIU's Student Population Is Growing

In Fall 2010, the university's student headcount totaled 44,010. Comparatively, by Fall 2012, student headcount enrollment reached 46,292. Additionally, FIU enrolls approximately 4,200 high school dual enrollment students and this increases total student headcount to over 50,000. This increase in headcount was in-line with the university's Worlds Ahead 2010-2015 Strategic Plan to increase enrollment by 2,000 academically qualified students per year.

FIU completed and opened its last parking garage on the Modesto Maidique Campus (MMC) in the Fall 2010 semester, adding a net 1,750 spaces and increasing total parking space inventory to 11,992 spaces, 7,501 of which were assigned to students and 999 assigned to on-campus housing residents. Student spaces including those assigned to residential students represented 70.9 percent of spaces. The proportion of student spaces is in-line with historical and projected allocations.

Service Levels Are Declining

RATIO OF FTE TO STUDENT 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) students and one space for every 2 FTE students living on campus. The university was close to meeting this standard of service in Fall 2010 but is now well above the ideal ratios due to the 9.6 percent enrollment increase in FTEs and the -3.7 percent decrease in allotted spaces.

Fall 2010		Ideal Ratio	Spaces Needed	Spaces Available	Shortage	Actual Ratio
FTEs ex-residents	28,719	2.9	9,903	9,430	(473)	3.0
Residents	2,746	2.0	1,373	1,227	(146)	2.2
Total	**31,465**	**2.8**	**11,276**	**10,657**	**(619)**	**3.0**
Fall 2012						
FTEs ex-residents	31,731	2.9	10,942	9,274	(1,668)	3.4
Residents	2,760	2.0	1,380	986	(394)	2.8
Total	**34,491**	**2.8**	**12,322**	**10,260**	**(2,062)**	**3.4**

RATIO OF HEADCOUNT TO MMC STUDENT PARKING SPACES

Student headcount on MMC is also a valuable metric of level of service to students. As shown below, with headcounts increasing, service levels have been declining.

MMC	Student Headcount	Spaces Available	Ratio
Fall 2010	33,448	8,500	**3.9**
Fall 2012	36,456	7,918	**4.6**

RATIO OF TRANSPORTATION ACCESS FEE COLLECTED TO STUDENT PARKING SPACES

Levels of service can also be measured by decal sales, or more accurately for students, the number of transportation access fees (TAF) collected. TAF collected are measured on a university-wide basis, since student decals are not restricted by campus. Service levels for students have been declining based on TAF collected.

University Wide	TAF Collected	Spaces Available	Ratio
Fall 2010	36,770	10,657	**3.5**
Fall 2012	38,734	10,260	**3.8**

Parking Garage Six Will Improve Quality of Service to Students

Parking Garage 6 (PG6) is planned as a 2,000 space structure that will provide a net 1,775 additional spaces, 1,580 of which are projected to be allocated as student spaces. With the addition of 1,580 student spaces, service levels will return to Fall 2010 levels. Otherwise, service levels will continue to deteriorate as surface lots are lost to new building construction and enrollment increases.

Fall 2014 w/o PG 6 (Est)		Ideal Ratio	Spaces Needed	Spaces Available	Shortage	Actual Ratio
FTEs ex-residents	32,574	2.9	11,232	9,274	(1,958)	3.5
Residents	3,366	2.0	1,683	1,527	(156)	2.2
Total	**35,940**	**2.8**	**12,915**	**10,801**	**(2,114)**	**3.3**
Fall 2014 (Est)						
FTEs ex-residents	32,574	2.9	11,232	11,010	(222)	3.0
Residents	3,366	2.0	1,683	1,527	(156)	2.2
Total	**35,940**	**2.8**	**12,915**	**12,537**	**(378)**	**2.9**

MMC	Student Headcount	Spaces Available	Ratio
Fall 2014 w/o PG 6 (Est)	37,987	8,218	**4.6**
Fall 2014 (Est)	37,987	9,798	**3.9**

University Wide	TAF Collected	Spaces Available	Ratio
Fall 2014 w/o PG 6 (Est)	40,384	10,801	**3.7**
Fall 2014 (Est)	40,384	12,537	**3.2**

Current Parking Cost to FIU Student and Expense to FIU

FIU students pay $89 for the Fall and Spring semesters or $178 for the two semesters. Furthermore, students pay $81 for the Summer semester, or $259 for an entire year.

Total net operating expense for FIU Parking and Transportation was $6.3 million in FY 2011-12 (excludes shuttle and vehicle services and R&R expenses). With debt service of $4.9 million, parking services expense were about $11.2 million. Student and resident spaces represented 70.9% of the total spaces, therefore the associated operating expenses and debt service would be $7.9 million.

These costs have increased due to specific measures implemented by the university to relieve traffic congestion and to provide additional parking options during peak usage periods, specifically the start of each semester. In Fall 2012, these initiatives added over $0.2 million in expenses.

Ongoing improvements to further alleviate traffic and parking problems, such as inner loop traffic lights and pedestrian controls, also added significant expense to the university.

Qualitative Assessment of Current Parking Service Level

In February 2012, the university received a parking satisfaction report from the FIU Metropolitan Center, an applied social science research and training institute. The availability of parking was rated poor by the overwhelming majority of users, regardless of their relationship to the university. Most markedly, 67 percent of students identified parking availability as poor. These survey results reinforce the observed decline in parking service quality and the shortage of parking spaces on the MMC.

Do you feel the availability of parking on campus is?

	Administration	Faculty	Student	Other	Total
Poor	242	164	936	101	**1443**
%	59.5%	61.7%	67.0%	70.6%	**65.2%**
Adequate	151	95	431	39	**716**
%	37.1%	35.7%	30.8%	27.3%	**32.3%**
Excellent	14	7	31	3	**55**
%	3.4%	2.6%	2.2%	2.1%	**2.5%**
Total	407	266	1398	143	**2214**
%	100.0%	100.0%	100.0%	100.0%	**100.0%**

Parking Garage Six is Part of a Community Partnership to Improve Transportation

FIU is working with Miami-Dade County Transit, Miami-Dade County Expressway, the Florida Department of Transportation, and the City of Sweetwater to solve traffic congestion and improve access to public transportation and PG6 is integral to these efforts. In 2012, FIU and its partners, proposed the University City Prosperity Project to the US Department of Transportation, an innovative and transformational partnership among the various agencies. This project included the Advanced Transit and Multimodal Station (ATMS), a joint effort with the Miami-Dade Transit and Miami-Dade Expressway Authority. It would consolidate the automobile, local county bus, university and Sweetwater shuttle bus and future express bus traffic onto a single site to increase the efficiency of travel to and from the university. Parking Garage 6 will be the hub of express bus service along SW 8th street.

The ATMS concept is envisioned as a western hub to complement the Miami Intermodal Center (MIC) at Miami-International Airport with use of the Sustainable Informed Traveler Program to assist all travelers in transportation choices. Together, the Alliance submitted US Department of Transportation Grants for funding under the TIGER program -- one in 2011 and one in 2012 -- as well as two recent grant requests to the Florida Department of Transportation and the Knight Foundation. We are encouraged that additional outside funding will materialize to fulfill the Prosperity Project.

RETURN-ON-INVESTMENT OR INTERNAL RATE OF RETURN CALCULATION

Based on the 30-year useful life of the parking garage, the internal rate of return of the project is estimated at 6.51 percent. Based on a review of the information as provided by the University consistent with the State University System Debt Management Guidelines, the Board of Governors will provide a recommendation on the project. The University, with assistance from the Division of Bond Finance, calculated the internal rate of return based on an established methodology used for a similar project at another institution within the State University System.

PRIVATE SECTOR ALTERNATIVES ASSESSMENT

Using the Private Sector to Provide On-campus Services is Appropriate is Certain Cases

FIU is an active partner with the private sector and assesses opportunities to generate cost savings by contracting with external vendors who can deliver services at a lower cost to students, faculty and staff. Most notably, within its Parking and Transportation Department, the university contracts with an outside vendor to provide shuttle bus service between its MMC and Biscayne Bay Campus, located about 24 miles from each other. Known as the Golden Panther Express, the contract was worth $0.9 million in FY2012. The following is a list of major outsourcing contracts managed by the university:

Cost centers (service agreements)	
Repairs and Maintenance (Various)	$ 6.4 million
Shuttle Service (Horizon Coach Lines)	0.9 million
Profit Centers (licensing agreements)	
Food Service (Aramark)	$ 2.7 million
Printing/Copying (Toshiba)	2.1 million
Bookstore (Barnes & Noble)	1.1 million

The university has implemented outsourced private parking for its Brickell instructional site in downtown Miami, which provides executive, evening and weekend business degree programs. Parking costs for are $19,874 per month to the university, which would equate to $101 per student per month.

Privatization Alternatives Analyses

As a part of its ongoing strategy to review the efficacy of private alternatives, the university engaged the services of Timothy Haas & 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 solution to student, faculty and staff parking. The Tim Haas analysis examined the four most viable combinations garage construction, parking operation and location scenarios:

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

The analysis concluded that option 2 would not be viable because of "the additional costs incurred by FIU students and staff, as well as the strain of a potential to revenue guarantee for the developer." Option 3 would further exacerbate the problem with "the addition of ground lease costs" while option 4 would include "transportation costs from the off-campus lot [that] would result in significant cost increases and inconvenience to students and staff."

Additionally, FIU contracted with Walker Parking Consultants to evaluate the feasibility of off-campus student parking. Similar to Walker Parking Consultants' finding for Florida Atlantic University, a developer funded and developer operated parking garage off-campus would result in a considerable increase in cost to our students.

The Timothy Haahs and Associates, Inc. and Walker Parking Consultants studies are included for your review and consideration.

The request for authorization to construct Parking Garage 6 on the Modesto A. Maidique Campus and the issuance of debt was approved by the FIU Board of Trustees at the March 6, 2013 meeting.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

Kenneth A. Jessell

Kenneth A. Jessell, Ph.D.
CFO and Senior Vice President

Cc. Mark B. Rosenberg, President

Attachments: Timothy Haahs and Associates, Inc. Feasibility Study
Walker Parking Consultants Feasibility Study

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.

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FLORIDA INTERNATIONAL UNIVERSITY PARKING REVENUE BONDS, SERIES 2013
Estimated Sources and Uses of Funds
Parking Garage 6

Sources of Funds		Basis for Amounts
Bond Par Amount	$ 33,500,000	Series 2013 Bonds par amount based on a fixed, tax-exempt interest rate of 5.75% for 30 years.
Less: Costs of Issuance		
Total Costs of Issuance	$ (653,989)	Based on estimates (Underwriters Discount, $481,800; Division of Bond Finance, $104,360; rating fees, $50,000; other $20,000)
Plus: Cash Contribution	$ 9,466,470	
Plus: Interest Earnings (Construction Trust Fund)	$ 264,081	Based on net bond proceeds deposited in the construction fund, invested for 15 months at an estimated interest rate of 1%.
Total Sources of Funds	$ 42,576,562	
Uses of Funds		
Project Cost (Planning, Design, Construction & Equipment)	$42,576,562	Cost of planning, design, construction, equipment and contingency.
Debt Service Reserve Account	$ -	Fully funded at maximum annual debt service on the bonds.
Estimated Interest to be paid during Construction (Capitalized Interest)	$ -	This represents 18 months of capitalized interest to be paid from bond proceeds at an interest rate of 6%.
Total Uses of Funds	$ 42,576,562	

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FLORIDA INTERNATIONAL UNIVERSITY
PARKING FACILITY REVENUE BONDS, SERIES 2012
5-YEAR HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE [1]

	Historical					Projected				
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Operating Revenues										
Parking Decals and Fees[2]	$7,178,376	$7,875,089	$8,678,360	$9,507,027	$10,024,271	$10,398,206	$11,692,557	$12,585,672	$13,058,018	$14,949,961
Visitor Parking[3]	343,565	351,134	296,801	338,523	372,506	495,300	523,300	552,800	584,100	617,100
Traffic Fines, Towing & Other Revenue	1,183,158	2,344,209	2,188,725	2,273,719	2,652,931	3,231,255	3,358,456	3,435,299	3,470,389	3,512,246
less: Shuttle Services	-276,287	-261,616	-283,684	-314,927	-473,348	-418,900	-437,200	-437,200	-454,000	-480,800
less: Vehicle Services	0	-748,022	-882,134	-966,171	-1,144,139	-1,047,266	-1,047,266	-1,047,266	-1,047,266	-1,047,266
Total Parking System Revenues[4]	**$8,428,812**	**$9,560,793**	**$9,998,068**	**$10,838,171**	**$11,432,221**	**$12,658,595**	**$14,089,847**	**$15,089,305**	**$15,611,241**	**$17,551,241**
Current Expenses										
Salaries and Personnel Services[5]	$1,318,453	$2,019,872	$2,335,621	$2,530,917	$2,927,745	$2,925,446	$3,004,158	$3,130,256	$3,192,885	$3,326,777
Other Operating Expenses[6,7,8]	1,878,761	3,118,746	2,791,959	2,829,775	3,479,449	4,214,595	4,358,661	4,709,120	4,794,357	5,122,482
less: Shuttle Services	-663,584	-708,627	-721,300	-1,043,748	-1,118,224	-1,192,454	-1,178,287	-1,204,263	-1,226,076	-1,415,200
less: Vehicle Services	0	-854,946	-1,026,792	-1,204,955	-1,356,058	-1,147,278	-1,156,023	-1,170,609	-1,179,991	-1,195,079
Total Current Expenses	**$2,533,630**	**$3,575,045**	**$3,379,488**	**$3,111,989**	**$3,932,912**	**$4,800,309**	**$5,028,509**	**$5,464,505**	**$5,581,175**	**$5,838,980**
Net Parking System Revenues	**$5,895,182**	**$5,985,748**	**$6,618,580**	**$7,726,182**	**$7,499,309**	**$7,858,285**	**$9,061,338**	**$9,624,800**	**$10,030,067**	**$11,712,260**
Interest Income[9]	**$249,347**	**($407,516)**	**$518,854**	**$9,901**	**$3,034**	**$1,688**	**$18,905**	**$15,019**	**$15,688**	**$17,110**
Pledged Revenues	**$6,144,529**	**$5,578,232**	**$7,137,434**	**$7,736,083**	**$7,502,343**	**$7,859,973**	**$9,080,243**	**$9,639,819**	**$10,045,754**	**$11,729,370**
Annual Debt Service:[10]										
1995 Bonds[10]	633,308	638,558	642,138	643,998	644,323	648,088	-	-	-	-
1999 Bonds[11]	638,769	637,209	634,749	635,999	635,854	639,274	-	-	-	-
2002 Bonds[11]	1,738,366	1,741,004	1,740,254	1,741,494	1,741,069	1,737,819	-	-	-	-
2009 Bonds	-	1,032,049	1,909,224	1,911,024	1,912,524	2,554,834	2,556,034	2,555,171	2,541,371	2,533,296
2013 Bonds[11]	-	-	-	-	-	-	4,493,874	4,505,350	4,508,925	4,508,263
Total Annual Debt Service	**$3,010,443**	**$4,048,819**	**$4,926,364**	**$4,932,514**	**$4,933,769**	**$5,580,014**	**$7,049,907**	**7,060,521**	**7,050,296**	**$7,041,559**
Maximum Annual Debt Service	**4,394,923**	**4,394,923**	**5,581,214**	**5,581,214**	**5,581,214**	**5,580,014**	**7,060,521**	**7,060,521**	**7,060,521**	**7,060,521**
Coverage Ratios										
Annual Debt Service	**2.04x**	**1.38x**	**1.45x**	**1.57x**	**1.52x**	**1.41x**	**1.29x**	**1.37x**	**1.42x**	**1.67x**
Maximum Annual Debt Service	**1.40x**	**1.27x**	**1.28x**	**1.39x**	**1.34x**	**1.41x**	**1.29x**	**1.37x**	**1.42x**	**1.66x**

[1] The financial information related to revenues and expenses was provided by the University and has not been audited.

[2] Parking Decals and Fees increased 10 percent in FY 2012-13 and are projected to increase 10 percent in FY 2013-14, 7.5 percent in FY 2014-15 and 10 percent in FY 2016-17.

[3] Visitor Parking Revenue from metered parking spaces are projected to increase 6 percent each year from FY 2011-12 and FY 2016-17.

[4] Excludes all shuttle services and Vehicle Services which are included in the financial statements - not a part of the Pledged Revenues.

[5] Employee salaries and fringe benefits are projected to increase approximately 2 percent per year; other personnel services expenses are projected to increase approximately 2 percent per year.

[6] Includes maintenance, materials and supplies and other current expenses and are projected to increase approximately 2 percent per year.

[7] Includes electric utility costs and are projected to increase 2 percent per year.

[8] Excludes administrative overhead and non-recurring expenses.

[9] Prior to FY2010-11, Interest Income reflects changes in market valuation of the investment portfolio. FIU new policy is that interest income will only reflect realized income.

[10] The 1995 outstanding bonds are expected to be repaid in FY 2012-13.

[11] The University intends to refund the 1999 and 2002 outstanding bonds and incorporate them into the 2013 "new money" issuance. Estimated debt service for the "new money" was calculated based on the par amount of $33.5 million and a 5.75 percent interest rate.

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TimHaahs
ENGINEERS | ARCHITECTS

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February 22, 2013

Dr. Kenneth Jessell
Senior Vice President and Chief Financial Officer
Florida International University
11800 SW 8th Avenue
Miami, FL 33199

RE: PG6 Feasibility Analysis
Florida International University
Miami, FL

Dear Mr. Jessell:

Timothy Haahs & Associates, Inc. (TimHaahs) is pleased to provide you with our report summarizing our research and findings on the feasibility of constructing proposed "Parking Garage 6" (PG 6) under multiple scenarios, including a public/private partnership (P3) development model.

Objective

Florida International University (FIU) has retained Timothy Haahs & Associates, Inc. (TimHaahs) to conduct a parking garage financial feasibility study to evaluate the opportunities to develop the proposed Parking Garage 6 (PG 6) on its main campus – the Modesto A. Maidique Campus (MMC) in West Miami-Dade County. The proposed parking facility is required to support the continuing growth of the University, and in particular the MMC.

This study is being conducted as a result of the recent inquiry by Florida Governor Rick Scott regarding the potential options for private development firms to develop off-campus parking structures serving the state's public universities. For this study, TimHaahs has evaluated numerous scenarios comparing the financial and logistical feasibility of developing the new PG6. These scenarios include the following:

- Option 1: FIU Funded and Operated Garage On Campus
- Option 2: Developer Funded and Operated Garage On Campus
- Option 2A: Developer Funded and Operated Garage On Campus (with Ground Lease)
- Option 3: Developer Funded and Operated Garage Off Campus

Throughout this report, TimHaahs has provided the University with a comprehensive assessment of each of these options, outlining the specific financing structure, and our analysis regarding the feasibility of each option. It is our belief that as a result of this assessment, the University will be able to make the most informed and reasonable decision regarding this project and take appropriate steps toward the planning and development of this new mixed-use parking facility.

Background

FIU includes more than 50,000 students across its two main campuses – Modesto A. Maidique Campus in West Miami-Dade County, and Biscayne Bay Campus in North Miami Beach – as well as various smaller instructional sites throughout South Florida. FIU also includes more than 5,100 full-time and part-time faculty and staff.

Parking at FIU currently consists of 14,628 spaces across five parking facilities (on the Modesto A. Maidique Campus) and various parking lots. These parking areas serve 39,556 students with parking permits, 4,272 employees with parking permits, and numerous visitors. Of the total parking spaces, 10,260 are available for students and 3,012 are available for faculty and staff, with the remaining spaces incorporating service vehicle spaces, visitor lot spaces, metered spaces and loading zones.

University-wide, the current ratio of parking decal holders to students is one space for every 3.9 decals, and one space for every 1.4 faculty and staff decals. At the MMC campus, this ratio is currently one parking space for every 5 student decals and one space for every 1.7 faculty and staff decals.

As one of the top research institutions in the United States, FIU's annual enrollment numbers have increased significantly. As a result of this growth, the unmet parking demands have increased.

To support these increases in parking demand, FIU is currently looking at the opportunity to add a sixth parking garage at its Modesto A. Maidique Campus. The proposed PG 6 will include approximately 2,000 parking spaces, as well as core and shell space for 35,000 gross square feet of classrooms and retail space. This increase in parking supply will increase the total number of spaces on campus to 17,000 with approximately 8,800 of those spaces as structured parking.

With this increase in parking, the goal of this new facility is to increase the ratio of available parking spaces to student and faculty/staff decals. This will result in more convenient and accessible parking for users, decreasing the amount of time spent searching for spaces, while increasing the total number of spaces available to serve the growing campus. Further, the integration of classrooms and retail space within the footprint of the garage will be a valuable use of the footprint, as well as encourage additional street-level pedestrian activity in the area. Additional benefits include a reduction to students' time spent looking for a space, as well as decreases in vehicles circulating and the resulting reductions in emissions from such vehicles.

General Project Assumptions

For the purposes of this analysis, we have utilized the following project assumptions, based on information provided by FIU as well as our experience in design, construction, the local market, and state of the industry P3 practices.

Assumption	Cost	Notes/Detail
Project Cost	$42,500,000	Cost includes all elements including 2,000 spaces and classroom and retail space of 35,000 SF.
Student Monthly Fee	$21.75	Based on the three semester year, annual transportation access fee per student is $261, amounting to $21.75 per student on a monthly basis. Faculty and staff permits average approximately $200 per year, for an approximate monthly fee of $20.00. For this reason, we have included faculty and staff permits at that rate.
Daily Visitor Fee	$8/day or $1/hr	

Fee Increases	3% annually	Assumes three percent annual increase in access fee, as well as daily and short term rates
Garage Occupancy	2000 cars	Assumes garage operates at full occupancy starting in year one and continues.
Decal Parker Occupancy	88%	Assumes 88% of the space will be occupied by students and faculty/staff.
Daily Parker Occupancy	12%	Assumes 12% of the space will be occupied by daily parkers. 50% will be divided among daytime visitors and nighttime visitors assuming an average stay of three hours.
Turnover	2.94	Ratio provided by the University.
Operating Increase	2%	Assumes an annual increase of 2% on expenses.
Operating Cost/Space	$250/space	Assumes industry standard rate.
Operating Administrative Cost	$220/space	Assumes industry standard rate.
Structural Maintenance Reserve	$120/space	Assumes industry standard rate.
Cost of Retail Construction and Operations		Assumes off-set by rent at full occupancy, per the University.

Methodology

To evaluate the feasibility of each of the selected scenarios, we projected revenue and analyzed the operating expenses for Option 1 to set the baseline by which we can compare additional scenarios. Under Option 1, the University would set access fee and parking rates and operate the garage. Under Options 2 and 3 the developer would operate and manage the structure, setting fees and parking rates. It is assumed that under Options 2 and 3, students, faculty, and staff will not pay the transportation access fee to utilize the proposed garage and will instead pay the market rate for parking.

Thus, development and financing expenses for each option become the most pertinent factor to determine the feasibility of each scenario, as parking fees and rates will be set based on the individual facility's profit.

Option 1: FIU Funded and Operated Garage on Campus

The construction and operation of this garage will be very similar to the previously constructed on-campus University owned and operated facilities. The University will allocate and finance the funding for the construction of the garage and will operate and manage the garage by the existing Parking and Transportation Department.

Option 1 Assumptions

Unless otherwise noted, the general assumptions listed above apply in each of the options.

Assumption	Cost	Notes/Detail
Debt Service	5.75%	Per the University, debt service for non-taxable bonds at a maximum of 5.75% over 30 years.

Option 1 Findings

Under Option 1, in the first year the garage operates at an approximate additional cost of $2.2 million to the University.

Option 2: Developer Funded and Operated On Campus Garage

Under this scenario, the University develops a public/private partnership with a developer to fund the design and construction of the garage on campus potentially in the same location as Option 1 for PG6. Once built, the garage will be operated and managed by the developer. Potential fee structure and revenue and additional costs are described in the assumptions below.

Option 2 Assumptions

Unless otherwise noted, the general assumptions listed above apply to this scenario.

Assumption	Cost	Notes/Detail
Monthly Rate	$140/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
Daily Rate	$10/day	Daily rates increase to $10/day and $1.50/hour, at the same ratio of 12% daily parkers.
Turnover	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
Debt Service	6.75%	Debt service estimated at 6.75% over 30 years
City Parking Tax	$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at $300/space.
Developer Fee	5%	Developer fees range from 4% to 7% depending on project conditions, estimated 5% of construction cost to be financed at 6.75%.
ROI	15%	Assumes a mid-range ROI for developers investors of 15%.
Debt Financing	70%	Assumes debt financing at 70% of construction cost with 30% down payment.
Land Lease	$1	Assumes a land lease from the University to the developer at $1 to incentivize the project.
Construction Cost		Construction cost based on garage cost, and does not include 35,000 SF retail shell space.

Option 2 Findings

Under Option 2, the garage operates as at a loss in the near term, until year three when the facility becomes profitable.

Under this option, the developer will utilize taxable private financing. Historically, the delta between non-taxable bonds and taxable private financing is one to two percent. Presently the delta is slightly less than one percent. We have assumed a one percent increase in financing (from 5.75% in Option 1 to 6.75% in Option 2 and 2A) as a conservative assumption.

This increase in cost results from the reduced turnover ratio, increase in debt service rate, the impact of annual city parking taxes, developer fee, and necessary ROI for investors. In addition to the increased cost in this option, the developer may require “Guarantee of Revenue” from the University to incentivize the project. The University may also find it challenging to find a developer incentivized to fund the project under the current revenue structure, given the loss taken in years one and two.

In addition, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Option 2A: Developer Funded and Operated On Campus Garage with Ground Lease

Under this option, the University leases the footprint of the garage at market rates to the developer, in lieu of the one dollar land lease in Option 2.

Option 2A Assumptions

Assumption	Cost	Notes/Detail
Monthly Rate	$150/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
Daily Rate	$12/day	Daily rates increase to $12/day and $2/hour, at the same ratio of 12% daily parkers.
Turnover	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
Debt Service	6.75%	Debt service estimated at 6.75% over 30 years
City Parking Tax	$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at $300/space.
Developer Fee	5%	Developer fees range from 4% to 7% depending on project conditions, estimated 5% of construction cost to be financed at 6.75%.
ROI	15%	Assumes a mid-range ROI for developers investors of 15%.
Debt Financing	70%	Assumes debt financing at 70% of construction cost with 30% down payment.
Land Lease	$2.50/SF	Assumes lease at market rates for approximately $500,000 annually in profit for the University.
Construction Cost		Construction cost based on garage cost, and does not include 35,000 SF retail shell space.

Option 2A Findings

Under Option 2, the garage operates as at a loss in the near term, until year three when the facility becomes profitable.

Under this option, we have again assumed a one percent increase in financing (from 5.75% to 6.75%) as a conservative assumption.

This increase in cost results from the additional cost of the ground lease to the developer at market rates. Again, the developer may require "Guarantee of Revenue" from the University to incentivize the project. As in Option 2, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Option 3: Developer Funded, Operated Garage off Campus

Under this scenario, the University develops a public/private partnership with a developer to fund the design and construction of the garage off campus, on a site to be identified and acquired. Once built, the garage will be operated and managed by the developer. Potential fee structure and revenue and additional costs are described in the assumptions below.

Option 3 Assumptions

Unless otherwise noted, the general assumptions listed above apply to this scenario.

Assumption	Cost	Notes/Detail
Monthly Rate	$170/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
Daily Rate	$12/day	Daily rates increase to $10/day and $2/hour, at the same ratio of 12% daily parkers.
Turnover	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
Debt Service	7%	Debt service estimated at 7% over 30 years.
City Parking Tax	$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at $300/space.
Developer Fee	7%	Developer fees range from 4% to 7% depending on project conditions, estimated 7% of construction cost to be financed at 7%.
ROI	18%	Assumes a higher range ROI for developer investors of 18%.
Debt Financing	60%	Assumes debt financing at 60% of construction cost with 40% down payment.
Land Acquisition	$4 million	Land assemblage and acquisition assumed at $4 million based upon recent land sales in adjacent Sweetwater and appraisal of University land
Construction Cost		Construction cost based on garage cost, and does not include 35,000 SF retail shell and classroom space.

Option 3 Findings

Under Option 3, the garage also operates as at a loss in the near term, until year three when the facility becomes profitable.

In addition to the cost of land under Option 3, this increase in cost above Option 2 results from the further increase in debt service rate, as well as a higher developer fee and ROI. We have assumed a 1.5% increase in financing (from 5.75% in Option 1 to 7% in Option 3). These increases are projected based on the assumption that an off-campus garage will be a higher risk venture for the developer and are consistent with what we observe in the current market.

As in the case for Option 2 and 2A, the developer may require “Guarantee of Revenue” from the University to incentivize the project. The University may also find it increasingly challenging to find a developer incentivized to fund the project under the current revenue structure off campus, as opposed to within the campus boundary.

Given the current rate structure and ability to park anywhere on campus with a decal, students and staff will need further incentive to walk further from the garage or take a shuttle to their destination, in addition to paying a higher rate per month or day for parking.

Another consideration would be opening the garage operation to the public, which would result in a net loss of spaces to be utilized by the University.

In addition, as in Option 2 and 2A, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Finally, if providing off campus parking facilities, the developer may need to provide for additional transportation to bring students on the campus via a shuttle or other services. This expense is not included under these scenarios, but should be considered in addition to the costs summarized in this report as a deterrent to project feasibility.

Feasibility Analysis

Based on the findings for each of these scenarios, increasing parking rates, developer expenses and project risk are the most pertinent factors to determine the feasibility of Options 1, 2, and 3.

Option	Cost Year 1	Monthly Cost	Daily Rate	Annual Cost for Students and Faculty
Option 1	$2.2 M to University	$21.75	$8	Student transportation access fees consistent with current structure: $261 per student annually
Option 2	Operates at loss Years 1 and 2	$140	$10	Monthly parker cost: $1680 annually
Option 2A	Operates at loss Years 1 and 2	$150	$12	Monthly parker cost: $1800 annually
Option 3	Operates at loss Years 1 and 2	$170	$12	Monthly parker cost: $2040 annually

Assuming the developer would recoup the cost of Options 2 or 3 through increases in the monthly and daily parking rates charged to all students (as well as staff and facility permit holders), those increases in that fee would be substantial, as detailed in the table above.

Conclusion

Based on our comparison of the options outlined in this report and our analysis to date, it is our recommendation in moving forward with the design and construction of PG6, it is in the best interest of FIU as a whole, well as that of the students, for the facility to be designed, constructed and operated by FIU at an on-campus site.

In Option 2, the additional costs incurred by FIU students and staff, as well as the strain of a potential to revenue guarantee for the developer will not be an optimal situation for the parties involved. Further, in Options 2A and 3, the addition of ground lease costs, and transportation costs from the off-campus lot would result in significant cost increases and inconvenience to students and staff.

In summary, we believe that the most cost-effective solution for this project is for FIU to develop the proposed parking facility on campus. This will not only ensure that the location of the facility is conveniently placed in proximity to other student destinations, but this is the most financially feasible option for students and the university. Finally, the inclusion of retail and classroom space within the garage will generate additional activity and student life in this section of campus.

Thank you for the opportunity to work with you on this exciting project.

Sincerely,

Tim Haahs

Timothy Haahs, PE, AIA
President

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February 22, 2013 via e-mail: kjessell@fiu.edu

Kenneth A. Jessell, Ph.D.
Senior Vice President and Chief Financial Officer
11200 SW 8th Street, PC 523
Miami, FL 33199

Florida International University
885 SW 109Avenue, PG5 Market Station
Miami, FL 33199-0001

Re: *Off-Campus Student Parking – Feasibility Review*
Florida International University
Miami, Florida
Walker Project No. 15-1951.00

Dear Dr. Jessell:

In response to your request, Walker Parking Consultants is pleased to submit this report evaluating the feasibility and practicality of privately owned and managed off-campus student parking.

BACKGROUND

The Miami Campus of Florida International University (FIU) currently provides on-campus parking for its students and staff in five structured parking facilities and several surface parking lots spread throughout the campus. A sixth parking structure is currently in the design phase. With the growth of the University enrollment, need for sites for new campus buildings has meant a steady encroaching on the existing surface parking lots. While the demand for parking is increasing with the University's growth, the land available for surface parking, and therefore, the parking supply, will decrease without addition of new structured parking. With a land-locked campus, the only way FIU can meet its parking needs is with additional structured parking. Given the cost of structured parking, the State has asked the University for an evaluation of the feasibility of providing off-campus privately owned and operated parking. The model used for this concept is that of privately provided off-site parking near major airports wherein patrons are typically shuttled to and from their destination.

ANALYSIS AND EVALUATION

The University's headcount enrollment for Fall of 2012 was approximately 50,000. A total of 14,629 parking spaces were provided for staff and faculty in 2012. The parking system is supported primarily by revenues derived from three sources. A mandatory transportation access fee charged to all students enrolled at the University, citations, and metered spaces. FIU currently charges $89 per semester [$83 during summer] for student access fee. The access fees include parking decals. The faculty/staff pay for parking decals and the fees range from a low of $133 to a high of $972 per year depending on staff/faculty grade. More than 88% of the access fee/decal revenue is derived from student access fees. The parking decals allow unlimited parking in designated areas of the campus. Proceeds from the fee are used by the University to sustain the parking program.

Off-campus parking can be provided as surface parking or structured parking. For off-campus parking to be desirable, it needs to be located close to the campus and affordable to students. In terms of possible locations, the area surrounding the Miami campus of FIU is densely populated and lacking sites large enough for surface parking lots or for placement of a parking structure. The University is immediately adjacent to Florida turnpike on the west side. Area across S.W. 8th Street on the north side is all residential. Area on the east side with the exception of strip shopping centers, a school and a church is all residential. There are tracts of empty land on the south side, but this is used for the Miami Dade County youth fair and Tamiami Park, neither one of them is available to FIU. Also, there is no ability for a private operator to buy the land and build a garage. Thus, areas large enough for surface parking lots are rarely if ever available for land acquisition, leaving structured parking as the only option provided land was available within a reasonable distance from the campus and a shuttle service was provided.

Structured parking may cost anywhere from $10,000 per space to $15,000 per space, not including cost of the land. A private owner/operator will be subject to property taxes unlike University owned properties. In addition, the operator will need to provide a shuttle service to and from the campus either on-demand or throughout the operating hours. As a business, in addition to being able to pay all ownership and operating costs, the owner/operator will need to make a reasonable profit. All this will have to be accomplished from the revenues derived from the single facility.

It is estimated that the owner/operator will need to charge a minimum of $6 to $8 per space per day of operation. For a commuting student spending a minimum of three days on campus, this would translate into a parking cost of over $80 per month or over $300 per semester. This will be in stark contrast to the $89 per semester access fee currently being charged by FIU. In addition, the student or staff paying $80 or more per month will have to use parking far less convenient than that available on campus. Even if you ignore the profit portion and the property tax liability of the private operator, the reason FIU can have a self-sustaining parking program at a substantially lower rate is because nearly 60% of the parking is provided in low cost, minimal maintenance surface lots and it can charge access fees for up to 50,000 students in addition to faculty/staff decals for 14,629 available spaces.

CONCLUSION

Therefore, the cost differential alone makes provision of the off-site privately owned and operated parking an option that will not be supported or used by students. This factor is why local market demand for parking is insufficient to attract private vendors. Further, FIU subsidizing off-campus parking defeats the primary goal for this option. We are, therefore of the opinion that the provision of off-site privately owned and operated parking is neither desirable, nor financially workable for FIU.

We trust that the above provides you with the evaluation you have requested. Please call if you have any questions or need additional clarification.

Sincerely,

WALKER PARKING CONSULTANTS

Uday A. Kirtikar, P.E.
Vice President/Managing Principal

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STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 27, 2013

SUBJECT: Update, 2013-14 SUS Fixed Capital Outlay Legislative Budget Request

PROPOSED COMMITTEE ACTION

Information; action to be determined

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The Committee will receive an update regarding the 2013-14 FCO LBR, and if needed, may amend the Board's capital funding request at this time.

Supporting Documentation Included: None

Facilitators/Presenters: Governor Dick Beard

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