

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
June 18, 2015**

SUBJECT: A Resolution of the Board of Governors Authorizing the Issuance variable-rate revenue bonds by the University of Florida University Athletic Association, Inc. to finance or reimburse the construction, renovation, expansion and equipping of the Office of Student Life and a new indoor football practice facility on the main campus of the University of Florida

PROPOSED COMMITTEE ACTION

Adoption of a resolution approving the issuance of variable rate tax-exempt bonds, by the University of Florida University Athletic Association (the "UAA"), in an amount not to exceed \$15,000,000 (the "Debt") for the purpose of financing or reimbursing the costs of construction, renovation, expansion and equipping of the Office of Student Life and the acquisition, construction and equipping of a new indoor football practice facility on the University of Florida's (the "University") main campus ("the Project"). The Project will also be financed with capital gifts and donations of \$25.15 million and \$2.0 million in UAA's available unrestricted cash and investments.

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 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; Florida Board of Governors' Debt Management Guidelines; Section 1010.62, Florida Statutes.

BACKGROUND INFORMATION

The University of Florida has submitted a proposal for financing or reimbursing the costs of construction, renovation and equipping of certain facilities on the main campus of the University of Florida. The Project includes the renovation and expansion of the existing Farris Hall Building to provide an enhanced Office of Student Life ("OSL") for

student athletes and the construction of a new indoor football practice facility. The Project also includes renovation and expansion of the University's College of Liberal Arts and Sciences Academic Advising Center located within Farrior Hall. All portions of the Project will be located on the University's main campus. The total Project cost is expected to be \$42,000,000.

The Project is consistent with the University's Campus Master Plan.

The UAA, a direct support organization of the University of Florida, proposes to issue up to \$15,000,000 of variable rate, tax-exempt bonds to finance the Project. The Debt will mature no later than twenty (20) years after issuance. There will not be a debt service reserve fund.

The Debt is a general unsecured obligation of the UAA payable from available revenues excluding athletic fees and any capital grants and donations collected by the UAA. The UAA revenues are derived from a variety of sources including ticket sales from football and basketball games, athletic conference revenues, auxiliary sales, sponsorships and other miscellaneous sources. Non-operating revenues are derived primarily from investment earnings and athletic fees. Athletic fees are not available to pay debt service, but are available to pay other expenses of the UAA (primarily scholarships). Projections provided by the UAA indicate that sufficient pledged revenues will be generated to pay debt service on the Bonds and outstanding parity bonds.

The Debt will be issued on parity with previously issued bonds of the UAA currently outstanding in an aggregate principal amount of approximately \$76.5 million, (\$55.6 million outstanding in variable rate and short-term fixed rate mode and \$20.8 million outstanding in fixed rate mode). The UAA has over twenty years of experience managing its variable rate debt portfolio and has generated interest rate savings from issuing variable rate debt versus long-term fixed rate debt. In addition, the UAA has historically maintained healthy annual debt service coverage, which is projected to continue based on reasonable revenue and expenditure assumptions. The UAA is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. It appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines.

The University Athletic Association Board of Directors, at a meeting on February 1, 2015, and the University of Florida Board of Trustees, at its March 9, 2015 meeting, approved the Project and the financing thereof.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Estimated Sources and Uses
4. Historical and Projected Debt Service Coverage

Facilitators/Presenters: Mr. Chris Kinsley