

Project Summary
University of Florida
University Athletic Association, Inc.
Athletic Improvements

Project Description: The University of Florida’s University Athletic Association (the “UAA”) is proposing an athletic improvement project. The proposed project includes three components: (i) construction of a new Baseball Stadium Complex and (ii) renovation and expansion of the Katie Seashole Pressly Softball Stadium Complex and (iii) new maintenance building and yard (collectively, the “Project”).

Baseball Stadium Complex

The existing baseball stadium and associated maintenance building will be demolished to make space for an anticipated new football-practice and operations facility. This project consists of the construction of a new baseball stadium and team facility complex located on the main campus of the University of Florida. (“the University”). The capacity of the stadium is intended to be approximately 5,500 seats and include the necessary fan amenities, team facilities, and parking. The stadium will provide accommodations and facilities to support the needs of the program including a regulation sized competitive playing field, open air seating grandstand, a shade canopy, a 360 degree concourse, family zones, press box, and premium areas including, club seats, a club lounge, and home plate seating. Within the team facilities, the necessary program areas to support the coaches and players will be provided. The new stadium will also give the University the ability to bring in temporary seating to add capacity for games with higher demand.

Katie Seashole Pressly Softball Stadium Complex Renovation and Expansion

The renovation and expansion of the Katie Seashole Pressly Stadium Complex will expand the UF player facilities, relocate the UF coach’s facilities, replace the existing bench seating, add a shade structure, and provide expanded fan amenities. Seating modifications and additions will accommodate an additional 750 to 1000 seats.

New Maintenance Building and Yard

A new freestanding Maintenance Building (8,400-sq. ft.) will be constructed to replace the existing facility which will be demolished to accommodate the new football facility. It is scheduled to include six

offices, staff lockers, carpenter shop, storage room, break/meeting room, wash rack, gas & diesel pump, bins for sand & mulch, roll off dumpster, chemical storage/pesticides and covered parking.

The Project is included in the University Master Plan.

Facility Site Locations:

The Project is located on the Southwest side of the main campus. Once the new baseball stadium is complete, the plan is for the existing baseball stadium to be demolished in connection with the construction of a football practice and operations facility.

(See map)

Projected Start and Opening Date:

Construction of the Baseball Stadium Complex is expected to commence in September 2018 and be completed by January 1, 2020 and the Katie Seashole Pressly Softball Complex renovation and expansion, along with the New Maintenance Building, are anticipated to commence in June 2018 and will be completed in February 2019.

Approvals:

The UAA Board approved the proposed financing terms of the Project on March 21, 2018 (the "UAA Resolution"). The University Board of Trustees approved the Project on March 22, 2018.

Specific legislative approval of the Project financing has been obtained, effective July 1, 2018.

Demand Analysis:

Baseball Stadium Complex

The current baseball facility, McKethan Stadium at Perry Field, was built in 1988, and is a concrete structure that seats approximately 5,500 fans, and includes a press box, concession stands, locker rooms and coaching staff offices. Extensive renovations and expansions have been made to the original facility, with the most recent being an upgrade to the locker rooms and baseball offices in 2007.

While the existing baseball stadium is in good condition, the University has determined that it should nevertheless be replaced, due to other factors. The first factor is that the baseball stadium receives direct sunlight. Most of the weekend games are played during the hotter months and it is not the best experience for fans. By relocating the stadium and re-orienting the bowl along with adding shading, it will create a safer and more enjoyable experience for fans, and an increase in attendance is expected. This will also create a better

experience for the student-athletes by optimizing the hitting and pitching environment.

Secondly, another factor is that the UAA plans to construct a new football training complex and has determined that the best location is where the current baseball stadium and maintenance building are currently sited. The new football facility will not be constructed with debt.

Thirdly, the new baseball stadium will have the same fixed seating capacity as the old stadium, but some of the seating will be luxury seats. The new baseball stadium will also have standing room and will allow the use of temporary seating for an additional 4,000 seats during games with high demand for tickets. Construction of the Baseball Stadium Complex will improve overall fan experience by creating a club lounge, premium seating, and additional ADA seating, increasing point-of-sale concessions, expanded restrooms and providing shade for afternoon games. It should be noted that these premium seats will be charged at a higher rate, which directly improves revenue.

Fourthly, the training room facility will significantly increase the space allocated to rehabilitation (from 900 GSF to 1500 GSF) and have dedicated space for team physicians to treat and meet with athletes.

Finally, the Florida Gators baseball team won the 2017 Baseball College World Series, and the UAA believes these improvements will help the baseball program stay competitive with other major schools. For example, LSU moved into a new stadium in 2009 and it has the highest average attendance of any major university at approximately 10,000 attendees per game. Mississippi State, which currently has attendance at each game of approximately 7,400, has entered into a \$60 million expansion. South Carolina is playing in a \$35 million facility constructed in 2009, which has a capacity of approximately 8,200 seats. In fact most schools in the Southeastern Conference have renovated or added additional amenities to their baseball stadiums over the last 10 years.

Pressly Softball Stadium Complex Renovation and Expansion

The current softball facilities were constructed in 1996, and the University has indicated a need of renovation and expansion; specifically, they lack sufficient seating and shading. The proposed renovations will allow better accommodate fans and student athletes.

Currently, the women's softball facility seats approximately 1,000 fans. Seating modifications and additions will accommodate an additional 750 to 1000 seats.

In addition, the renovation and expansion of the training room will allow female student-athletes to receive rehabilitation and recovery treatment at the softball facility. The new space will also provide additional office space for trainers and physicians.

Study of Private Sector Alternatives:

The Project consists of athletic facilities managed and operated by the UAA for the benefit of student-athletes and the athletic programs at the University. The programs and services offered at these proposed facilities are directly correlated and impacted by the physical proximity to athletic facilities, housing, dining and academic programs. The UAA is also convinced that the advantages of proximity also affect student-athlete recruitment and retention.

As a result, there are no private sector alternatives that can provide the same level of access and service as the proposed Project.

Project Cost and Financing Structure:

The total project cost for all three facilities is estimated at \$65 million and will be funded through an estimated \$50 million in debt proceeds, while the remaining \$15 million will be a combination of contributions from private donors and unrestricted UAA cash.

Project	Cost
Baseball Stadium Complex	\$50,000,000
Seashole Pressly Softball Stadium Complex	\$11,000,000
The new Maintenance Building	\$4,000,000
Total:	\$65,000,000

(See Attachment -Estimated Sources and Uses of Funds)

The Project is currently planned to be financed with a 20-year direct placement bank loan. However, the UAA is seeking permission to issue as either 25 year publicly offered bonds or to place the debt directly with a bank for as long a term as possible; at this time, the UAA indicates that it has been given current indicative rates between 3.5 and 3.75% for a 20 year put for a private placement bank loan.

Accordingly, what the UAA is seeking in the Board authorizing resolution is flexibility to issue the Debt using the financial structure

that is most advantageous to the UAA at the time of issuance, which could include some combination of publicly offered bonds and privately placed debt. If all or a portion of the debt is placed directly with a bank, this will be done via a negotiated process. The portion of the debt that may be issued as a bank loan is planned to be issued with a term of as short as 5 years or as long as 25 years.

The UAA is seeking this flexibility with regard to financing methods due to current uncertainty in the market as to the direction of both short term and long-term interest rates. The UAA's goal is to issue debt using the method that is projected to result in the lowest cost of capital, while maintaining a conservative risk profile. Based on market conditions closer to the time of sale, the UAA will review the all-inclusive true interest costs, terms, and advantages/disadvantages of a public offering compared to a direct placement and make a determination on the financing method and structure at the time. In making this decision, the UAA's considerations will include, but not be limited to, the UAA's outstanding debt characteristics, the shape of the yield curve, interest rates, available direct placement structures and market conditions at the time.

The Debt issue will be structured with a 25-year final maturity, and in a manner which is accordance with the Debt Management Guidelines.

Security/Lien Structure: The Debt will be issued on a parity basis with the outstanding UAA debt, totaling \$81,275,000 as of October 1, 2017. This balance is comprised of \$63.0 million, or 77%, of variable rate and short-term fixed rate debt and \$18.2 million in debt that has a fixed rate through its final maturity. Once the Debt is issued, the UAA will have \$126M in outstanding debt as of September 1, 2018, of which approximately 58% will be in variable rate and short-term fixed rate modes. This assumes that the new Debt will all be issued as a private placement note, fixed for 20 years, with the remaining 5 years of principal of approximately \$16,000,000.

Debt service payments are structured on a generally level basis as specified in the Debt Guidelines.

The Debt will be a general obligation, payable from available revenues of the UAA pursuant to Section 1010.62, Florida Statutes, but excluding (i) Athletic Fees described in Section 1009.24(12), Florida Statutes and (ii) any capital gifts and donations.

Pledged Revenues and Debt Service Coverage:

The revenues available to pay debt service consist of revenues of the UAA (excluding Athletic Fees and capital gifts and donations). These revenues come mainly from ticket sales and conference revenues related to football and basketball; however significant revenues are derived from other sports, auxiliary sales, camps, royalties and sponsorships. To understand the operations of the UAA and the likelihood that debt service will be paid in full and on time, it is important to review the financial operations and performance of the UAA, taking into consideration all revenues and expenses. This review includes the Athletic Fees and capital gifts and donations, even though they are not pledged, since they are available to pay other expenses of the UAA.

(See Financial Statement History and Pro Form Projections)

The proposed Project will generate less in net revenues than in new debt service; accordingly, the UAA is projecting a decline in net implied debt service coverage from a 1.6X to 1.2 X coverage in 2019-20. This level of coverage excludes the contribution which the UAA has historically made and projects it will continue to make to the University.

As a general obligation pledge, the UAA's debt is further secured by its estimated available unrestricted investments of \$57 M as of March 31, 2018; and ability to significantly reduce expenses if required to make debt service coverage.

Projected revenues available to pay debt service are shown to decline from the historical years primarily because of conservative projections which do not include any capital contributions or any annual increase to the Athletic Fee. Capital contributions averaged \$11 M over the past 5 years, and the total Athletic Fee averaged \$2.5M over the past 5 years. While not legally pledged towards UAA debt service, these revenues would be available to pay other expenses of the UAA.

Projections are based on an increase of 5% for most revenues and expenses, which is the historical trend. Growth in revenues are primarily based on the expected growth in SEC revenue, football and men's basketball revenue. The UAA also intends to implement increases to football ticket per seat contributions and football ticket sales. In addition, the UAA anticipates that the royalties and sponsorship will continue to grow as it has in years past.

Management of Variable Rate Debt:

The Debt is expected to be issued for an initial 20 years using a direct placement note with a bank. Under the Guidelines, debt whose term is less than the full maturity, is treated as variable debt. Accordingly, the UAA's demonstrated experience and variable debt management plan should be carefully considered; as well as the fact that the UAA has a significant amount of outstanding variable debt; and fixed rate debt of shorter duration which has some of the characteristics of variable rate debt.

The UAA's expertise and financial strength indicate that they have an adequate understanding of the risks and complexities associated with variable rate debt. With regard to managing interest rate risks, the UAA budgets for variable rate debt each year considering the volatility of short-term interest rates and their impact on the budget as well as expectations regarding interest rates. The current practice is to budget based upon the highest monthly rate for the preceding twelve months with a review of predicted future fed rate increases. Quarterly monitoring of debt service expenditures, projections and variations from budget will be performed by the Director of Athletics, the Association Finance Committee, and the chair of the Association Audit Committee so that any budgetary concerns can be recognized and quickly addressed.

The UAA has determined that it will also maintain appropriate amounts of short-term and long-term investments as a partial hedge against rising interest rates on its debt. The financing documents (on previously issued debt) require the UAA to maintain unrestricted cash and marketable securities of at least 25% of its outstanding indebtedness. The short-term investments average approximately \$25 million on a monthly basis. Based on current projections, this amount will need to be increased to \$27 million to match the new debt total of \$126 M. At June 30, 2017 long-term investments totaled \$54.3 million, or almost 50% of outstanding debt. The short-term investments are invested with the State's Treasury Investment Pool and earn interest at a variable monthly rate.

The short-term investments should perform as a direct hedge against approximately one-fifth of the outstanding and proposed variable rate debt because the interest received on the investments should increase as the interest rate paid on the variable rate debt increases. The long-term investments are currently invested primarily in equity funds, which can be converted to cash within 90 days. These investments might not perform in the same manner as the variable rate debt because their value and earnings, under varying market conditions,

could decline when the interest rate on the variable rate debt is rising. Although investing in equity funds does not provide the most stable or predictable hedging tool, the \$54 million in those funds, along with the \$25 million in short-term investments, provides significant protection to UAA in the event of an increase in interest rates. The outstanding debt in the short-term fixed rate mode also provides budgetary stability during the fixed rate period.

The UAA does not intend to use derivatives for this transaction.

Quantitative Metrics:

Katie Seashole Pressly Softball Stadium Complex

During the 2017 softball season, a substantial number of games were completely sold out, which may infer that there is more demand than seating available. In an effort to address this issue, the stadium improvements will add 750 to 1000 additional seats. The anticipated increase in attendance and revenue will be measured and reported.

While the Project is anticipated to increase revenues through increased baseball and softball attendance, the UAA, for reasons of financial conservatism, has not included these increased revenues in the financial pro forma. Even if revenues were to increase, it will not make significant decrease in the fact that sports other than football and basketball are not net revenue producing sports. Thus, there is not a Return on Investment per se.

The Project will satisfy some qualitative goals, including providing space for a new football facility, and providing an improved fan experience. In addition, average attendance for last 4 years at baseball was 3,825. An increase is expected of 20% to that average for a new total of 4,500 or greater. Average attendance for last 4 years at softball was 1,500. An increase of 20% to that average is expected for a new total of 1,800 per game.

The results will be reported to the Board of Governors and the Division of Bond Finance on an annual basis as required by the Board of Governor's Debt Management Guidelines.

Baseball Stadium Complex

Florida baseball had an average attendance of 3,823 over 41 games during the 2017 season. Six other SEC schools averaged more than

5,000 in attendance, with one SEC school averaging 10,000 plus fans. Given the historic success of the University's varsity baseball team, including a national championship in 2017, the UAA believes a significant detriment to increased attendance is the fact that an unshaded stadium in Florida is simply too hot for many potential spectators during the latter part of the baseball season. During the 2017 baseball season, temperatures reached an average of 83 degrees, with 12 games during that time reaching over 85 degrees and 7 games reaching over 90 degrees. The completion of the baseball facility will provide adequate shading and provide a safer and more comfortable game day experience.

The new stadium complex is expected to create a higher average attendance as well as additional associated revenue. The anticipated increase in attendance and revenue will be measured and reported.

Like the other programs, it is important that recruiting classes for baseball remain in the top 10%. The proposed improvements are designed to support such recruitment level.

The results will be reported to the Board of Governors and the Division of Bond Finance on an annual basis as required by the Board of Governor's Debt Management Guidelines.

Type of Sale:

The UAA is requesting approval for a negotiated sale of the Bonds; and/or a direct placement with a bank via a competitive/negotiated process. Based on the UAA negotiated sale analysis, the factors indicate a negotiated sale is appropriate and in the UAA's best interest.

Selection of Professionals:

The professionals involved in this transaction were selected through a competitive process. The bond counsel for the Debt will be McGuireWoods LLP and the financial advisor will be RBC Capital Markets. These professionals have been in place for ten years.

Analysis and Recommendation:

The project was approved by the University board of trustees on March 23, 2018 and subsequently submitted by the University to the Board of Governors Office and the Division of Bond Finance for review.

The results of the review by the Division of Bond Finance have been incorporated into the project summary.

While the UAA is seeking a greater degree of financial flexibility in the authorizing resolution than typical, the UAA's experience and financial strength are factors that appear to provide adequate support for such financial flexibility.

The current consideration of a 20 year privately placed note significantly reduces the interest rate risks associated with notes of shorter duration.

The proposed financing complies with the Florida Statutes governing the issuance of university debt and complies with the Board of Governors' Debt Management Guidelines. Accordingly, Board staff recommend approval of the University financing proposal and associated Project.