STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida State University Athletics Association, Inc.
Football Operations Facility; $116M Bond Issuance

Project Description:

Florida State University Athletics Association, Inc. ("FSUAA"), a direct support organization ("DSO") of Florida State University ("FSU" or the "University"), is requesting approval from the Board of Governors ("BOG") to issue fixed rate, tax-exempt revenue bonds in an amount not to exceed $116 million (the "Bonds") through the Division of Bond Finance ("DBF") to finance the construction of a football operations facility on the main campus of the University (the "Project"). The Project was approved by the FSUAA Board of Directors and the FSU Board of Trustees on June 5 and June 15, 2023, respectively, and it is included in FSU's Campus Master Plan.

When completed, the Project will be approximately 150,000 gsf, and will serve as the new day-to-day home of FSU football operations. The Project is expected to include offices for coaches and staff, a locker room, meeting rooms, strength training and conditioning space, nutrition stations, recovery and rehabilitation resources, video production space, and a recruiting suite.

FSUAA was established in 2019 by the FSU Board of Trustees to provide greater coordination, efficiency, and transparency for athletics-related fundraising and management. The FSUAA Board is comprised of five voting members, including the Chair of the FSU Board of Trustees, FSU's President, and the Chair of Seminole Boosters, Inc. ("Seminole Boosters"), another DSO of the University. FSU's Director of Athletics serves as FSUAA's Chief Executive Officer. FSUAA's leadership structure provides a clear chain of command and aligns decision-making among FSU athletics' institutional stakeholders.

Moving forward, FSU intends to increasingly integrate its athletics financials, utilizing FSUAA as its primary financing platform. If approved, the Project will be FSUAA's first debt issuance . Further, the University intends to refund existing DSO athletics-related debt and effectively place it under the new FSUAA credit structure to consolidate and streamline its six different series of bonds outstanding totaling $122.4 million. The University will work with DBF to execute refinancings when appropriate as authorized in and pursuant to the SUS Debt Management Guidelines (the "Guidelines"), including level debt service, annual savings, and no extension of maturities.

Location:

The Project will be in the southwest corner of FSU's main campus, near the football team's indoor practice facility and the Stadium, providing nearly seamless connectivity for players, coaches and staff before, during and after practice.

Construction Period: Groundbreaking and initial site preparation work commenced in December 2022. Construction is expected to begin in September 2023 and be completed in July 2025.

Project Demand: FSU football currently shares space at the Coyle E. Moore Athletic Center ("the Moore Athletic Center") with other FSU athletics programs. The Moore Athletic Center was originally built in the 1950s and has undergone occasional renovations in the years since. FSU has carefully assessed the current competitive landscape and concluded that additional renovation of the Moore Athletic Center would be insufficient to keep pace with the capital investments of peer football programs.

To sustain the recruitment, retention, and development necessary for FSU football to preserve its status as a nationally prominent program, its goal is to offer facilities and amenities comparable to other major football programs in the southeast. The Project represents a major step in that direction with its integration of first-class performance resources into a dedicated, cohesive space.

FSU football's transition out of the Moore Athletic Center will make available at least 25,000 square feet of space for other FSU athletic programs to utilize for their operations.

Project Cost & Financing Structure: The Project has a total estimated cost of $138M and an expected useful life of 50 years. At 150,000 sf, the facility's cost/sf is approximately $920. FSU stressed the importance that total Project cost not exceed $138M, but also stated that a GMP contract is not anticipated to be finalized for several months.

The Project will be financed, for the most part, through the issuance of $116M fixed rate, tax-exempt revenue bonds by the Division on behalf of the University and FSUAA. The remaining Project costs will be funded by approximately $21.5M in private donations to FSU and/or Seminole Boosters as well as estimated $3M in interest earned on bond proceeds during construction.

Currently, $28.6M in donations have been received, with another $4.3M expected by the end of June 2023. Furthermore, FSU anticipates receiving additional donations between FY24 - FY28 totaling $22.1M, which are pledged to pay debt service on the Bonds. An additional $5.8 million in donations is anticipated between FY29 – FY32, which will be available to pay debt service, but will not secure the debt.

The Bonds are currently planned to be structured with a final maturity of 20 years, but in no case will exceed 30 years. Depending on prevailing market yields and total donations received, the Division will work with FSUAA to determine the amount of the Bonds to be issued, not to exceed $116M, as well as date, terms, maturities, and other technical features necessary for the issuance of the Bonds. FSUAA anticipates structuring the Bonds with two components, as follows:

i. $98.4M, 20-years, level debt service; and,

ii. $17.6M, 5-years, 'front-loaded' debt service, with amounts comporting with expected Project donations over the next five fiscal years.

[see attached exhibit *Estimated Debt Service Schedule - $116M Bonds*.]

The Bonds may be issued as a single series with larger earlier maturities, or the two components issued as separate bond series. FSUAA will work with DBF on the financing strategy that produces the best execution and lowest cost of borrowing.

Security/Lien Structure:

The Debt will be secured by certain gross revenue streams contractually pledged to FSUAA, including athletic conference distribution revenue, recurring annual Seminole Booster membership fees, Project-specific donations received within 5 years of issuance, sponsorships and advertising money, proceeds from ticket sales in excess of $8.85 million[1], and game guarantees (collectively, "Pledged Revenue").

Additionally, in compliance with the requirements for structural features in the SUS Debt Management Guidelines (the "Guidelines") and the limitations for securing debt under Section 1010.62, Florida Statutes, the donations for the football operations facility received within the first 5 years of issuance will be pledged to the Bonds. Donations received after the first 5 years of issuance will not secure the Bonds but could be used to pay debt service.

Pledged Revenues & Debt Service:

Pledged Revenue, as described above, exceeded $82M in FY22 and is projected to exceed $84M in FY23. Pledged Revenue provides a <u>gross</u> pledge of revenues with debt service coverage of 6.78x (FY24), exceeding the 1.20x minimum required by the Guidelines.

[See attached exhibit "*Historic and Projected Debt Service Coverage*"]

However, to gain perspective on how additional debt may affect the operations of FSU's athletics department and its DSOs, it must be emphasized that a majority of the (gross) Pledged Revenue (collected by FSU and Seminole Boosters and pledged to the FSUAA debt) is also used to pay ongoing operating expenses of FSU's athletics department and/or Seminole Boosters. While the Pledged Revenue is expected to grow, there may be years where annual resources are insufficient to pay all expenses, FSUAA's priority lien on gross revenues will require FSU's athletics department and/or Seminole Boosters utilize available cash balances or reduce operating expenses to ensure timely prioritized payment of debt service.

Private Sector

[1] Represents $7M pledged to FSU Financial Assistance, Inc. bonds ("FSUFA"), a DSO of FSU, and $1.85M of Athletic Dept rent pledged to FSUFA.

Alternatives: The Project is a non-revenue producing facility that is intended to be operated and managed for the benefit of FSU football players, coaches, and staff. According to the University, no private-sector alternative could realistically service that mission as singularly as FSU itself. Further, no private-sector alternative could provide the same proximity (and resulting convenience and efficiency) to FSU's football stadium, indoor training facility, and FSU classrooms.

Return on Investment: Not applicable. This is a non-revenue producing facility.

Method of Bond Sale: DBF will determine whether the Bonds will be sold through a competitive or a negotiated sale based upon market conditions and financing options available at the time of sale. At present, the Bonds are anticipated to be sold via competitive sale.

Selection of Professionals: The Bonds will be issued through DBF, which has contracts with multiple outside professionals (bond counsel, financial advisors, verification agents, etc.) who will be engaged as necessary, all of whom were selected through a competitive process.

Recommendation: Staff of the Board of Governors and the Division of Bond Finance have reviewed the resolution and supporting documentation provided by USF. 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.

As such, staff recommends authorization of the proposed Bonds to finance the Project.