

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
September 8, 2023

SUBJECT: Authorization to Issue Debt by USF Financing Corporation for a Stadium

PROPOSED COMMITTEE ACTION

Adopt a resolution authorizing the issuance of taxable debt in an amount not to exceed \$200M by the University of South Florida Financing Corporation to finance the construction of a new stadium on the Tampa campus of University of South Florida.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; State University System Debt Management Guidelines.

BACKGROUND INFORMATION

The USF Financing Corporation (the "DSO"), a direct support organization of University of South Florida, is requesting approval to issue \$200M in debt (the "Debt") to finance the construction of a stadium (the "Project") on the Tampa campus.

The Project will consist of an approximate 35,000-seat stadium to support the University's football and women's lacrosse programs. The Project will have multiple premium areas and seating configured over five levels: field level, main concourse, club level, suite level, and press level. Design work began in October 2022 and construction of the Project is expected to begin in October 2023, following loan closing, and be completed in July 2026.

The total cost of the Project is approximately \$340M, to be financed with 20-year, fixed rate, taxable Debt issued by the DSO in an amount equal to \$200M, inclusive of estimated cost of issuance (\$500k); together with a \$140M aggregate equity contribution from various University funding sources. According to USF, the Debt proceeds and University equity contribution are anticipated to be sufficient to complete construction without the use of additional funds.

The Debt will be in the form of a bank loan from Truist Bank. The bank's original indicative rate of 5.13% was subsequently increased to 6.68% due to a general increasing interest rate environment. For the purpose of proforma projections and debt service coverage, a rate of 7.0% is assumed to provide a cushion for further upward movement in rates. USF expects to close prior to October 16, 2023 (i.e., the expiration of the loan commitment). The Debt will be structured with a 20-year final maturity; the first three years interest-only, followed by 17-years of fully amortizing level debt service.

The Debt will be secured by a first priority lien on certain gross revenues: stadium operating revenues and non-stadium athletics revenues (collectively, "Athletic Pledged Revenues"). The lien on the non-stadium athletics revenues will be on parity with the outstanding bank promissory notes Series 2018A and 2018B; current balance \$12.7M, used to finance USF Athletic District facilities in 2010.

Based on University provided projections, in the first year of stadium operation, Athletic Pledged Revenues of over \$49M provide debt service coverage of 2.28x (gross pledge basis), expanding to 2.67x in the 5-year projection period, exceeding the 1.20x minimum coverage required by the SUS Debt Management Guidelines.

The Project was Legislatively authorized, pursuant to s. 1010.62, F.S., in the FY22-23 General Appropriations Act, and it is included in the University's approved campus master plan as amended June 2023.

The DSO Board of Directors and the USF Board of Trustees approved the Project on May 9, 2023 and June 13, 2023, respectively.

Board staff and the Division of Bond Finance have reviewed the resolution and supporting documentation provided by USF. Based upon this review, the proposed financing appears to be in compliance with Florida Statutes, as well as the SUS Debt Management Guidelines, governing the issuance of university debt.

Supporting Documentation:

1. Requesting Resolution
2. Project Summary
3. Estimated Source & Uses
4. Historical & Projected Debt Service Coverage
5. Schedule of Debt Service
6. Schedule of Consolidated Debt Service
7. Projected Internal Rate of Return
8. Site Location Map
9. DBF Memorandum #1
10. DBF Memorandum #2

Facilitators/Presenters:

Mr. Kevin Pichard