Project Overview & 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 ("Board") to issue fixed rate, taxable and tax-exempt revenue bonds in an amount not to exceed $265 million (the "Bonds") through the Division of Bond Finance ("DBF") to finance renovations to Doak Campbell Football Stadium on its main campus (the "Project").

The Project will renovate the west side of the stadium, removing approximately 27,000 bleacher-style seats and adding back over 16,000 seats with great premium amenities including new club seating, a commissary and kitchen, suites, lounges, chairback seating, and upgrades to antiquated infrastructure. The proposed seating is as follows:

Premium Seating
- 8 Founders Suites with 24 seats (192 total seats)
- 28 Founders Suites with between 2-6 seats (128 total seats)
- West Stadium Club Seating (2,224 total seats)

General Seating
- Chairback Seating (8,618 total seats)
- Bench Seating (5,257 total seats)

The Project will also renovate the south endzone seating, reducing capacity from 5,800 to 3,570, but increasing premium experiences including the addition of club seating, loge box seating, and sofa seating, as well as breathable mesh seats. The proposed seating is as follows:

- South Endzone Club Seating (2,150 total seats)
- Loge Box Seating (240 total seats)
- Sofa Seating (536 total seats)
- Ledge Seating (576 total seats)
- Safe Standing Seating (68 total seats)

The Project was approved by the FSUAA Board of Directors on October 18, 2023 and the FSU Board of Trustees ("BOT") on October 27, 2023; it is included in the University’s approved Campus Master Plan, as corrected June 15, 2023; and it was Legislatively authorized in the FY23-24 General Appropriations Act (Section 10).

Location:
Doak Campbell Stadium is located in the southwest corner of the main campus. The Project will affect the west and south portions of stadium, as reflected in the diagram below:
Construction Period: Initial site preparation work began in September 2023. Project construction is expected to commence in late 2023 and be completed in August 2025. The general contractor will be a Manhattan-Culpepper Joint Venture, chosen via competitive selection in March 2023. A finalized guarantee max price contract is anticipated in March 2024.

Project Demand: According to FSU, the stadium has a shortage of premium fan amenities and lacks multiple tiers of diverse premium seating options. To assess the demand and financial impact of improvements, the University had a ‘Market & Financial Feasibility Study’ prepared by Conventions Sports & Leisure (CSL; the same consultant on USF’s stadium project approved by the Board on Sept. 8, 2023) and Legends. The study, dated April 23, 2020, determined there was significant interest in greater premium seating options; lounge memberships, ledge and club seating, loge boxes and luxury suites, and supported the addition of approximately 580 added premium seats (and projected $3.7M in increase revenues, as a result). FSUAA and Seminole Boosters, Inc. (Boosters) hired Populous (a global architectural and design firm specializing in athletics facilities) to help create the plan for the stadium renovation and continues to work with CSL and Legends on the appropriate pricing for all aspects of the project based off the data collected during the feasibility study.

Project Cost & Financing Structure: FSUAA was established in 2019 by the FSU BOT to provide greater coordination and transparency for athletics-related fundraising and management. To that end, the Bonds will be issued under the recently created FSUAA credit structure previously approved by the Board at its June 22, 2023 meeting, which authorized financing for the Football Operations Facility project. Moving forward, FSU intends to utilize FSUAA as its primary financing platform and will refinance (when appropriate) existing DSO athletics-related debt, placing it under the new FSUAA credit structure to consolidate and streamline its debt. Currently, the University has $112M of DSO athletics-related debt, which, combined with the pending debt for the Football Operations Facility of $116M and the proposed Project Bonds of $265M, will bring total athletics debt outstanding to $493M.
The total Project cost is estimated at $242M, with the planned improvements having a useful life of 80 years. The Project will be financed, for the most part, with proceeds from the issuance of fixed rate, taxable and tax-exempt revenue bonds by DBF (on behalf of FSUAA). Remaining Project costs will be funded with over $8M in gifts/donations [the University has already received (on hand) over $9.1M, as of October 16, 2023]. FSU anticipates receiving additional donations of approximately $30M through FY28, which are pledged to pay debt service on a small portion of the Bonds during the first 5 years.

The justification for using taxable debt relates to federal tax law restrictions related to "private use" of tax-exempt financed facilities, and said restrictions are usually satisfied by issuing a small portion of the financing issued as ‘taxable’. However, in this case, a larger portion of the Project activities stem from ‘private use’, necessitating that a larger portion of the Bonds be issued as taxable debt. According to DBF, a portion of the Bonds may be tax-exempt, but, at this juncture, to be conservative, the entire Bond issue is assumed to be taxable, and debt service projections assume a 7.0% interest rate. A tax analysis is underway to determine the extent to which the Bonds will need to be issued as taxable debt, and DBF is working with the University and tax counsel to maximize the amount of the Bonds that can be issued as tax-exempt in order to achieve a lower cost of financing.

The Bonds will have a final maturity not to exceed 30 years, level debt service, and in an amount not to exceed $265 million, including approximately $33.7M in bonding capacity as a contingency for the debt sizing ($25M owner’s contingency and $8.7M construction contingency). An additional $30.3M will fund capitalized interest to pay debt service on the Bonds during the construction period. FSUAA anticipates structuring the Bonds with two components, as follows:

i. **$17.3M, 5-year term**, ‘front-loaded’ debt service, to be repaid from expected Project gifts/donations over the next five years; and, ¹

ii. **$247.7M, 30-year term**, level debt service, repaid from bond proceeds (capitalized interest) during construction and then from Project revenues thereafter.

[see attached Estimated Debt Service Schedule.]

In light of the above, the Bonds may be issued as a single series with larger earlier maturities or two 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 revenue streams contractually pledged to FSUAA by FSU’s athletics department and Seminole Boosters, Inc. The pledged revenue streams include athletic conference

¹ The maturity of debt secured by gifts and donations shall not exceed five, pursuant to the SUS Debt Management Guidelines and Section 1010.62, Florida Statutes.
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, and game guarantees (collectively, the “Pledged Revenues”).

**Pledged Revenues & Debt Service:**

FY23 Pledged Revenues of over $91M jump to over $103M in FY24 due to gifts/donations for the Project and the recently approved Football Operations Facility. By FY26, Pledged Revenues exceed $120M, reflecting the full years of accretive revenue growth from the Project’s proposed premium seating options (see attached Historical and Projected Debt Service Coverage). Based on the combined debt service for the financing of the Project and the pending Football Operations Facility, max annual debt service of $36.3M occurs in FY27, and Pledged Revenues provide a calculated debt service coverage of 3.54x, which exceeds the 1.20x minimum required by the SUS Debt Management Guidelines.

Prior to FY 2026, the interest on the Bonds will primarily be paid from bond proceeds and gifts/donations for the Project.

It must be emphasized that a majority of the 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 in FY 2024, some of the sources of the Pledged Revenue tend to fluctuate based on the success of FSU’s athletics programs (particularly its football team). Additionally, the Project will take approximately 27,000, or 35%, of existing seating capacity within Doak Campbell Stadium offline for the fall 2024 football season, of which only 7,000 will be replaced with temporary seats for that season. However, FSU and Seminole Boosters will work to provide seats for existing season ticket holders who are impacted by the Project for the fall 2024 football season. Accordingly, there may be years where annual resources are insufficient to pay all expenses. Since the Bonds are secured by a gross lien on Pledged Revenues (i.e., the payment of debt service is prioritized over the payment of operating expenses), if operating deficits occur, FSU’s athletics department and/or Seminole Boosters will have to utilize available cash balances or reduce operating expenses accordingly to ensure timely prioritized payment of debt service.

**Private Sector Alternatives:**

The football stadium is operated and managed for the benefit of FSU Athletics, and the proposed Project’s improvements to the football stadium will enhance the quality of the fan experience, increasing revenue from ticket sales and concessions. The University feels that no private-sector alternative could realistically service that mission as singularly as or as well as FSU itself.

**Return on Investment:**

The Project is expected to achieve an internal rate of return (IRR) of approximately 8.19%, based upon assumptions provided by the University, with a focus on construction costs and added cash flow as a result of the Project. (see Projected IRR)
### 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.

Also, a significant amount of Project revenue is anticipated to be generated from private activities, and federal tax law restrict/limit “private use” in tax-exempt financing. As such, for the purpose of this analysis, the Bonds are assumed to be entirely taxable. A portion of the Bonds is anticipated to be tax-exempt, the amount of which will be subsequently determined by the University, DBF, and Bond Counsel.

### 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 FSU. 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.