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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III

Date: November 4, 2026

Re: Florida Polytechnic University P3 Proposal

As required by Section 1010.62, Florida Statutes, the Division of Bond Finance ("DBF") has reviewed all information provided in connection with a proposal by Florida Polytechnic University ("Poly") to construct a student housing facility, a dining hall, and a surface parking lot (the "Project") on university-owned land through a public-private partnership ("P3") with a developer. DBF has also reviewed and agrees with the Board of Governors ("BOG") staff analysis of the Project. The context and history around Poly's student housing warrants consideration of the potential impact of the proposed P3 on Poly's existing credit rating.

Florida Poly initially utilized the private sector to provide student housing, constructing two dorms through P3s with the private partner retaining construction and operating risk of the student housing facilities. After operating a few years Poly was dissatisfied with control of student life and requested BOG and DBF assistance, resulting in $76 million in bonds issued through the BOG in 2023 to finance acquisition of one of the two private student housing facilities and construction of a new student housing facility, to create a "university housing system."

Poly now says it needs additional student housing to support its growth plans. However, Poly cannot satisfy the additional bonds test required to issue bonds on parity with its outstanding BOG bonds. As an alternative to issuing parity debt, which would be the normal way to finance expansion of student housing, Poly proposes using a P3 to finance its student housing expansion. In reality, the P3 as proposed is the functional equivalent of Poly issuing the bonds itself to finance the expansion because it retains the operating risk. The additional debt and financial risk will most likely be attributable to Poly and cause a downgrade of Poly's underlying rating from the lowest investment grade category of BBB-. The financial performance of the housing system created by Poly through issuance of the BOG bonds has not met expectations. Housing revenues have been lower than expected with 89.7% occupancy and expenses have been higher than projected, resulting in net revenues available for debt service being barely enough to cover the annual payments. Net revenues available for debt service in fiscal year 2026 were $5 million while

required debt service payments were $4.9 million, leading to debt service coverage of only 1.02x. Adding more debt to finance growth will make required debt service payments entirely dependent on operating performance, which has fallen short of expectations historically.

Additionally, having a trifurcated lien structure creates circumstances where housing facilities are in competition with each other if occupancy is not adequate. Additionally, there may be disparities in student housing rates among the facilities. Protecting the existing outstanding BOG bonds is critical because of the reputational risk accompanying any downgrade/default scenario. One way to protect the BOG debt is by requiring Poly to ensure adequate occupancy in the current housing system before students are placed in the new P3 project which we would recommend.

The proposed financing of the Project also includes dining and parking components, with payments required by Poly to make debt service payments on the bonds issued to finance these components of the facilities. Poly retains financial and operating risk associated with these components of the Project. The Project also serves an essential university function and as such, Poly will not be able to "walk away" in the event the Project does not perform as projected. This makes the "non-recourse" nature of the debt meaningless from a risk management perspective.

In short, the Project places pressure on Poly's existing credit rating, creates direct competition for a relatively weak system, and is not financially feasible without significant university support and deviations from best practices set forth in the Debt Management Guidelines, thereby negating the risk transfer benefit of a P3.

cc: Raymond Rodrigues, Chancellor, Board of Governors
Kevin Pichard, Director, Finance and Facilities, Board of Governors
Tanner McKnight, Vice President and CFO, Florida Polytechnic University