

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**

June 21, 2012

SUBJECT: A Resolution of the Board of Governors Requesting the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance") to issue revenue bonds on behalf of the University of Florida to finance the expansion of the J. Wayne Reitz Union on the main campus of the University of Florida.

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of fixed rate bonds, by the Division of Bond Finance on behalf of the University of Florida (the "University"), in an amount not to exceed \$50,000,000 (the "Bonds") for the purpose of expanding the J. Wayne Reitz Union (the "Union") on the main campus of University of Florida (the "Project").

Staffs of the Board of Governors, State University System of Florida, and the Division of Bond Finance have reviewed this resolution and all supporting documentation. 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. Accordingly, staff of the Board of Governors recommends adoption of the resolution and authorization of the proposed financing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Florida Board of Governors Debt Management Guidelines; Section 1010.62, Florida Statutes, as modified by Chapter 2012-134, Laws of Florida; and Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The University has submitted a proposal for financing expansion of the Union on the main campus of the University of Florida in Gainesville. The student population and the number of student clubs and organizations have grown significantly since the student union was originally constructed. The expansion will provide additional space for the increased number of activities, meetings and events that take place in the Union.

The Project is included in and is consistent with the University's approved Master Plan. The total Project cost is expected to be \$44 million.

The University's Board of Trustees is requesting approval from the Board of Governors for the Division of Bond Finance to issue up to \$50,000,000 of fixed rate bonds to finance the Project, fund a debt service reserve fund, if necessary, and pay costs of issuing the Bonds. The Bonds will mature not more than thirty (30) years after issuance with level annual debt service payments.

The Bonds will be secured by a first lien on the revenues generated from the activity and service fee (the "Fee") assessed to all students on a per-credit hour basis pursuant to Section 1009.24(9) and (10), Florida Statutes. The University is legally authorized to secure the Bonds with the Fee pursuant to Section 1010.62, Florida Statutes, as modified by Chapter 2012-134, Laws of Florida, which provides an exception to a debt service limitation in Section 1010.62 by permitting the use of revenues from the Fee to secure debt with annual debt service of up to \$3.5 million. There is currently no outstanding debt secured by the Fee, and it is unlikely that parity bonds will be issued in the near term because the 2012 legislation limits annual debt service to \$3.5 million and is only applicable to debt issued for the renovation and expansion of the Union.

Projections provided by the University indicate that sufficient revenues will be generated to pay debt service on the Bonds.

The University's Board of Trustees approved the Project and the financing thereof at its March 28, 2012 meeting.

Supporting Documentation Included: Information is located behind the Facilities Committee agenda