STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
January 27, 2021

SUBJECT: A Resolution authorizing the issuance of Debt by the University of Florida University Athletic Association, Inc. (UAA) to finance Athletic Improvements.

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of Debt by the University of Florida University Athletic Association, in an amount not to exceed $50,000,000 (the "Debt") for the purpose of financing, in part, the cost of (i) construction of the new Bill Heavener Football Training Center and (ii) renovation and expansion of the Soccer and Lacrosse Stadium Complex (collectively, the "Project").

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Florida Board of Governors' Debt Management Guidelines; Section 1010.62, Florida Statutes.

BACKGROUND INFORMATION

The University of Florida (University), on behalf of the UAA, a direct support organization of the University, has submitted a proposal for financing the costs of construction, renovation and equipping of certain athletic facilities on its main campus. Specifically, the Project includes construction of the new 140,000 sq. ft. Bill Heavener Football Training Center as well as the renovation and expansion of the existing Soccer and Lacrosse Stadium Complex. Total Project cost is estimated at approximately $92.5 million, to be funded in part with the proposed $50 million Debt as well as $42.5 million in contributions from private donors and, to a lesser extent, UAA unrestricted cash.

The UAA proposes to issue up to $50,000,000 of tax-exempt debt to finance the Project. The Debt will mature no later than thirty (30) years after issuance and may be issued as a private placement or public offering, or a combination thereof, via competitive or negotiated sale.

The Debt is a general unsecured obligation of the UAA payable primarily from available operating revenues, excluding athletic fees and capital gifts and donations. Operating revenues include ticket sales, SEC and NCAA distributions, royalties/sponsorships and other miscellaneous sources. Non-operating revenues are derived primarily from investment earnings. Projections provided by the UAA indicate insufficient pledged revenues to service the proposed Debt this year and possibly next year, with normalized operations and resulting sufficient revenues projected for FY22-23 forward. UAA unrestricted cash and investments will be used to fund current and projected operating deficits.

The Debt is anticipated to be issued initially with a fixed interest rate, on a 10-year initial term and a 30-year amortization, with annual principal amortization averaging $635,000 during the initial 10-year term. The anticipated short-term structure requires interim renewal/refinancing, resulting in non-level debt service (over the 30-year debt life) and exposes the UAA to interest rate risk (at each subsequent renewal). The UAA's cash and investments totaling approximately $100 million provide a hedge in the event of increased interest rates. However, the effectiveness of that hedge could be diminished by the use of said funds to cover near-term operating deficits.

The Project is included in the University Master Plan. Also, requisite Legislative approval of the Project was obtained last session, effective July 1, 2020. Lastly, the Project and proposed financing was approved by the UAA Board of Directors on December 2, 2020 and the University Board of Trustees on December 3, 2020.

Staff of the Board of Governors, State University System of Florida (the Board) and the Division of Bond Finance, State Board of Administration of Florida, have reviewed this resolution and supporting documentation. Based upon this review, it appears that the proposed financing does not comply with the Debt Management Guidelines adopted by the Board, as follows: 1) projections do not reflect a minimum debt service coverage of 1.20x in all years, and 2) the anticipated Debt repayment structure is not on a level basis; it will not be the same in each year.

Supporting Documentation Included:	Information available in the Facilities Committee materials