

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**
November 4, 2020

SUBJECT: Florida Gulf Coast University (FGCU) Financing Corporation refunding of 2011A Bonds and limited exception to the Debt Management Guidelines

PROPOSED BOARD ACTION

Review and approve FGCU Financing Corporation's proposed refunding of its 2011A Bonds, providing for the deferral of principal repayment in FY21 and resulting non-level debt service savings; approve a limited exception to the State University System (SUS) Debt Management Guidelines (Guidelines) for all SUS institutions to allow principal deferral and non-level debt service savings in FY21 solely for COVID-19 relief, with all subsequent periods reflecting level debt service and utilizing a fixed interest rate, subject to all other provisions of the Guidelines.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution and Section 1001.706, Florida Statutes.

BACKGROUND INFORMATION

On September 23, 2020, the FGCU Financing Corporation's board approved the proposed refunding of its 2011A Housing Bonds, with a current principal balance of \$25.6M. As reflected in the refunding analysis (attached, for reference), projected net present value savings is \$4.1M, or 16.4% (the Guidelines minimum is 5%). The proposed structure utilizes a fixed interest rate, with no extension of the final maturity, and results in reduced debt service in all periods as well as level debt service in all periods except the first year (FY21), where the principal payment of \$725,000 is deferred and essentially spread over the remaining years of the bond.

With the uncertainty of the current COVID-19 environment and its impact in future months, the proposed deferral is advantageous, as it increases FY21 budgetary savings while providing level debt service thereafter.

The Division of Bond Finance has reviewed the refunding analysis and, generally speaking, is not concerned with the proposed refunding except for the matter of non-level debt service and, more importantly, precedent.

Technically speaking, the proposed repayment schedule represents non-level debt service (Year 1 only), which is an exception to the Guidelines. More importantly, when combined with the first year principal deferral, the proposed structure could be precedent-setting in terms of other universities attempting to refund debt with deferrals

and non-level debt service, but doing so under different and/or less-advantageous structures. Accordingly, if approved, in terms of precedent, future refundings should mirror the structure and attributes reflected in FGCU's proposed refunding, namely the principal deferral is contained to FY21 only, with level debt service in all subsequent periods and a fixed interest rate. All other governing aspects of the Guidelines apply, including a minimum debt service savings measured on a present value basis equal to 5% of the par amount of the bonds being refunded.

Supporting Documentation:

Information available in Facilities
Committee materials.