STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
University of Florida
Clinical Translational Research Building

Project Description: The Project will be a College of Medicine facility of approximately 120,000 gross square feet (the "Project" or the "Building"). It will house the University of Florida's (the "University") Clinical Translational Science Institute headquarters, the Institute on Aging, the General Clinical Research Center, and two new academic departments of the College of Medicine, epidemiology and biostatistics. The University's Master Plan has been amended to include the Project as of December 7, 2010. The building is consistent with the University's mission and strategic plan.

Facility Site Location: The Project will be located at the Academic Health Center in the Southeast section of the University's campus.

Projected Start and Opening Date: Construction of the Project is expected to begin in May of 2011 and occupancy is expected by March of 2013.

Demand Analysis: The University has increased its basic science laboratory facilities over the past 12 years, but has not added facilities for clinical research. The University was recently awarded a number of large grants in clinical research, but research space in which to conduct this research is limited and scattered. The University of Florida College of Medicine and the Shands Strategic Planning Cabinet has recommended the Project to provide clinical research space for the newly formed Clinical Translational Science Institute, ambulatory General Clinical Research Center, and space for two new College of Medicine departments, biostatistics and epidemiology. In addition, the Institute of Aging will be located in this facility.

Project Cost and Financing Structure: The Project construction cost is estimated at $32.7 million, with other estimated fees and costs as follows: design and pre-construction fees of $3.3 million, site preparation costs of $4.5 million, furniture and equipment costs of $2.1 million and miscellaneous and contingency costs of $2.1 million, for a total project cost of $44.7 million.

The Project will be financed by a $14.7 million stimulus grant from the National Institutes of Health and with twenty-year fixed rate tax-exempt revenue bonds (the "2011A Bonds"), issued through the

Division of Bond Finance (the "Division") in an amount not to exceed $33 million. The 2011A Bonds will mature not more than twenty (20) years after issuance, including any extensions or renewals thereof. The Project has an estimated useful life of fifty (50) years, which is beyond the anticipated final maturity of the 2011A Bonds. The 2011A Bonds will be structured with level annual debt service payments, with the first anticipated principal payment occurring July 1, 2012. In order to provide flexibility the Board of Trustees Resolution allows for a financing term up to 30 years depending on market conditions.

The 2011A Bonds will be privately placed with a bank through a competitive sale process. The Division will distribute a notice of sale to solicit bids for the 2011A Bonds from financial institutions. The Division will choose a winning bidder from the bids it receives in response to the notice of sale.

The 2011A Bonds will be issued on a tax-exempt basis unless considerations result in a conclusion that all or a portion of the 2011A Bonds should be issued on a taxable basis. For example, it may be necessary to issue taxable bonds and/or for the College of Medicine to provide an equity contribution in order to ensure to compliance with tax laws and to ensure that the tax-exempt bonds retain their tax-exempt status. The College of Medicine has not yet determined the amount of equity or the amount of taxable debt, if any, that will be needed to comply with the federal tax law.

(See Attachment 1 for estimated sources and uses of funds).

Security/Lien Structure: The 2011A Bonds are to be secured by the University's indirect costs revenues received by the College of Medicine from Federal, State and private grants. The University is legally authorized to secure the 2011A Bonds with the revenues to be pledged pursuant to Section 1010.62, Florida Statutes. The 2011A Bonds will be subordinate to the pledge of these same revenues toward debt service on University of Florida Research Foundation, Inc., Capital Improvement Revenue Bonds, Series 2003 (the "2003 Bonds") that were issued for a Cancer/Genetics Building.

The 2003 Bonds were originally issued in an amount of $35 million, and there are currently $31.8 million outstanding 2003 Bonds. The debt service on the 2003 Bonds is internally divided between the College of Medicine, which pays a two third share, and the Institute of Food and Agricultural Sciences (IFAS) and the College of Liberal Arts and Sciences (CLAS). However, in the event IFAS and CLAS did not have funds to pay for their one third share of the internally agreed upon debt service allocation, the UF College of Medicine would be liable for the entire amount. Accordingly, future debt service coverage has been calculated with the conservative presumption that the 2003 Bonds are the sole responsibility of the College of Medicine.

As noted above, the same revenues are pledged as security for the 2011A Bonds and the 2003 Bonds. Therefore, to make the 2011A Bonds marketable, the University's Board of Trustees has covenanted that it will not issue or approve the issuance of any obligations on a parity with or senior to the 2003 Bonds except for refunding obligations that result in annual debt service savings.

Pledged Revenues and Debt Service Coverage:

Over the past five years, total grant revenues from all sources, (Federal, State and other grant awards) for the College of Medicine have ranged from a low of $191 million in 2007 to a high of $270 million in 2010. Currently the College of Medicine has approximately 1,400 active grants, and although the University estimates that the College of Medicine will see some decrease in grant revenues due to the ending of the federal stimulus program (ARRA), information provided by the University indicates that grant revenues will grow to $283 million by 2015.

Indirect costs revenues ("IDCs") are earned when eligible expenditures are incurred on grants. IDCs from College of Medicine grants grew from $26.9 million in 2006 to over $27.3 million in 2010. The University projects that after a 3.3% projected decrease in IDCs during the 2010-2011 fiscal year (due to elimination of ARRA grants), College of Medicine IDCs will increase by 2% annually. While this appears to be a reasonable assumption based on historical information provided by the University, the University did not obtain an independent analysis of this projection. Neither staff of the Division of Bond Finance nor staff of the Board of Governors has the requisite technical expertise to express an opinion on the projections of the IDC revenues.

Debt service for the 2011A Bonds, representing interest only for a partial year, will begin in fiscal year 2010-2011. The pledged revenues for that year are projected at $26,363,309, resulting in coverage of 8.4x for the 2003 and 2011A Bonds, combined. In fiscal year 2011-12, (the first full year of principal and interest payments), the pledged revenues are projected at $26,890,576, and the combined debt service coverage ratio is projected at 5.05x. The projected debt service coverage has been calculated using an assumed interest rate of 6% and level debt service for 20 years.

The Project will be funded by a gross pledge of all College of Medicine IDC revenues, subordinate only to the existing 2003 Bonds. The gross revenues provide coverage far in excess of the 1.2 times coverage required by the Board of Governors' Debt Management Guidelines. As a gross pledge, should the IDC revenue projections fall significantly below the forecast amounts, UF and the College of Medicine will be required to meet any shortfalls from uncommitted IDC reserves or by reducing salaries or operating expenses.

(See Attachment 2 for a table of historical and projected pledged revenues and debt service coverage prepared based upon revenue and expense information supplied by the University).

Type of Sale: A direct placement by the State Division of Bond Finance with a bank based on a competitive sale.

Analysis and Recommendation: Staffs of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University of Florida with respect to the request for Board of Governors approval for the subject financing. The 2011A Bonds appear to be adequately secured by the pledge of the College of Medicine's gross IDC revenues. Staffs of the Board of Governors and the Division of Bond Finance have reviewed the financial projections, and, based on the historical information provided by the University, the financial projections appear reasonable. However, the accuracy of the financial projections and financial information provided is the responsibility of the University. It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and the Board of Governors' Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.