

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida Gulf Coast University
Student Residences, Phase XII,
And Associated Infrastructure**

Project Description: Florida Gulf Coast University (the “University” or “FGCU”) currently has 3,173 available beds in North Lake Village and South Village in Student Residences Phase I through X on the main campus. The University also has a 504 bed apartment complex located approximately one mile from the campus center. The proposed Student Residences, Phase XII (the “Project”) will be the fourth student housing facility in the South Lake Village Residence Life Enhancement Project and will provide an additional 520 beds to the Housing System, for a total of 3,693 on-campus rentable beds. The Project will be constructed as a suite style, six story building featuring private bedrooms and baths, offices, a reception area, study, lounge, laundry facilities, and mechanical space.

Facility Site Location: The Project will be located in the south portion of the main campus of FGCU in the same area as student residence Phases VIII, IX and X. This area of campus was recommended in the Master Plan for the development of “undergraduate student housing, a dining center serving the residents of this district, a student recreational facility, intramural play fields, and parking structures to support the residential population.”

Projected Start and Opening Date: It is anticipated that construction of the Project will commence in February 2011 and will be available for occupancy in August 2012.

Demand Analysis: The primary targeted market for the Project will be traditional single, undergraduate students, with particular emphasis on the University’s growing transfer and upper class student population.

The University’s student head count enrollment has increased from 2,584 in 1997-1998 to 11,956 in 2010-2011. The first-time-in-college student head count enrollment has grown from 864 in Fall Semester 2002 to 2,241 in Fall Semester 2010.

Ten phases of student residences have been built over the past eleven years. Since its inception in 1998-1999, the Housing System’s average occupancy rates have ranged from 93% to 102%. As of Fall 2010, the rate stood near the high end of the range at 101.05%.

In Fall Semester 2010, over 200 students seeking on campus housing were turned away because of lack of available housing facilities. The campus is located in an area of Lee County which is not geared to accommodate student residents. Furthermore, Phase X could not fully meet demand and the off-site apartment complex acquired in Fall 2010 by FGCU went from 60-70% occupancy to 100% only a few months after parents became aware that FGCU was operating the facility. The addition of new beds into the Housing System will enable the University to meet the housing needs of a greater number of enrolled students. FGCU believes that Phase XII will be fully subscribed and that a waiting list for campus housing will develop in Fall 2012.

**Project Cost and
Financing Structure:**

The estimated cost of the Project and associated infrastructure, financing and other costs is \$30,000,000. The Project will be financed with fixed rate revenue bonds issued by the Florida Gulf Coast University Financing Corporation in an amount not to exceed \$30,000,000 (the "Series 2011 Bonds"). The 2011A Bonds will be structured with a 30-year final maturity and level annual debt service payments, with the first principal payment occurring on February 1, 2013. The bond size includes capitalized interest during the construction period through July 2012. At this time the University does not plan to fund a debt service reserve fund. The University has approximately \$15,000,000 in housing reserves. Operation of the Project will be administered by the University Residence Life program under the supervision of FGCU, which is consistent with the operation of previous University housing phases. (See Attachment 1 for estimated sources and uses of funds.)

Security/Lien Structure:

Net Housing System revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, damage deposit forfeitures, summer special event rentals, and other miscellaneous collections after deducting operating and maintenance expenses. When the facility opens in Fiscal Year 2012-2013, the projected rental rate for fall and spring semesters will be \$3,228-\$3,451 per bed, per semester, and \$2,277 per bed for the Summer Semester. These rates are consistent with single room rental rates for existing facilities at FGCU.

The 2011A Bonds will be issued on parity with the current outstanding housing debt; namely, the Florida Gulf Coast University Financing Corporation Capital Improvement Revenue Bonds, Series 2003, Series 2005A, Series 2007A, Series 2008A, Series 2010A and

Series 2010B, with a current aggregate principal amount of \$145,485,000. Of this amount, \$28,990,000 is variable rate debt (Series 2005A and Series 2008A). Associated with the housing variable rate debt, the University has prepared a variable rate debt management plan to mitigate the liquidity and interest rate risks over the life of the debt. Variable rate bonds currently comprise 17% of the University's Housing System debt.

To mitigate the liquidity risk, the Corporation has obtained letters of credit from Wachovia, Harris and Bank of America that expire in 2012 through 2015. The letters of credit have a three to five year evergreen provision that requires the University be provided a notice of non-renewal each year or the letter of credit will automatically renew for an additional year. These provisions effectively provide the University with two to four years to secure another letter of credit or other form of guarantee in the event of a non-renewal. With regards to reducing interest rate risks, the University actively manages its variable rate debt by monitoring interest rates on a continuous basis, budgeting conservatively high interest rates (currently budgeted at 4.0%), and providing a hedge with short-term investments. Currently, there is over \$15 million in cash reserves from student residence facility revenues, providing a hedge for approximately one-half of the Housing System variable rate debt and sufficiently supporting at least eight years of variable rate debt service. The University intends to maintain this balance; however, prolonged periods of low interest expense on the variable rate debt portfolio will positively affect the balance. The Corporation's total outstanding long-term debt, which includes debt of the Parking, Housing and Dining Systems, is \$174,410,000, \$48,290,000 of which is variable rate debt (including \$28,990,000 of housing bonds and \$19,300,000 of student union and parking bonds). Variable rate bonds currently comprise 24% of the University's outstanding debt.

The University has not had to amend its budget or draw upon its reserves with regard to fluctuating interest rates on the variable rate debt.

**Pledged Revenues and
Debt Service Coverage:**

From fiscal year 2005-2006 to 2009-2010, pledged revenues for the entire Housing System grew from \$5,255,055 to \$10,059,579, resulting in debt service coverage ranging from 1.63x in 2005-2006 to 1.59x in 2009-2010. Coverage ratios declined during the period because of the increased debt service requirements as additional debt was incurred to finance new housing that was added to the system. For

fiscal years 2010-2011 to 2014-2015, pledged revenues for the Housing System are projected to grow from \$10,172,411 to \$15,758,020, with the lowest coverage of 1.30x occurring in Fiscal Year 2011-2012 and increasing to 1.36x in 2015-2016. It has been assumed that interest on the 2011A Bonds during the construction period through July 2012 will be capitalized. In fiscal year 2012-13, the first year of operation, the debt service coverage ratio for the Housing System is projected to be 1.32x, which includes a full 12 months of principal and interest.

The projected debt service coverages have been calculated using a fixed interest rate of 5.50% on the 2011A Bonds through the maturity date of February 1, 2041. The projected revenues are based, in part, upon a 2% annual rental rate increase through Fiscal Year 2014-2015 for existing housing facilities and the Project. (See Attachment 2 for 5-years historical and 5-years projected pledged revenues and debt service coverage prepared by Florida Gulf Coast University Financing Corporation).

Fixed Rate Debt: Based on current market conditions, the University is planning to issue traditional fixed rate debt.

Type of Sale: The University is planning to sell the 2011A Bonds competitively.

Using a Request for Proposal process, the University has previously selected a qualified financial advisor.

Analysis and Recommendation: Staffs of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University with respect to the request for Board of Governors approval for the subject financing. Based upon the information provided, the University feels that with the current lack of adequate student housing, there will be adequate demand to support the construction of additional student residences. Additionally, the Housing System Revenues have historically generated positive debt service coverage and are projected to continue to provide adequate debt service coverage in the future based on what appear to be reasonable assumptions as to revenue and expenditure growth. Also, 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.