

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
Facilities Committee  
June 21, 2012**

**SUBJECT:** A Resolution of the Board of Governors Authorizing the Issuance of Debt by the Florida Atlantic University Finance Corporation to Finance the Construction of a Student Residence Facility on the Boca Raton Campus of Florida Atlantic University.

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**PROPOSED COMMITTEE ACTION**

Adoption of a resolution approving the issuance of fixed rate debt by the Florida Atlantic University Finance Corporation (the "DSO"), in an amount not to exceed \$50,000,000 for the purpose of financing a Student Residence Facility on the main campus of Florida Atlantic University (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; however, the proposed financing deviates from the requirements set forth in the Board of Governors' Debt Management Guidelines. Staff of the Board of governors recommends adoption of the resolution authorizing the proposed financing, subject to the reservations noted.

**AUTHORITY FOR BOARD OF GOVERNORS ACTION**

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

**BACKGROUND INFORMATION**

Florida Atlantic University (the "University") has submitted a proposal for financing and construction of a new student residence facility on the main campus of the University. The Project will be constructed as an apartment style residence hall and will consist of approximately 614 beds. The Project is consistent with the University's Campus Master Plan. The total Project construction cost is expected to be \$41,678,000.

The DSO, a direct support organization of the University, proposes to issue up to \$50,000,000 of fixed rate, revenue bonds (the "Debt"), to finance the construction of the Project, fund a debt service reserve, fund capitalized interest during construction and pay costs of issuance. The Debt will mature thirty (30) years after issuance with level debt service payments after the construction period.

The Debt will be secured by (i) a first lien on the net revenues of the Project; (ii) a **third lien** on the net revenues from the Innovation Village Project after payment of all debt service obligations and any other obligations under the Series 2010A and Series 2010B bond covenants, including annual payments to the R&R Fund; and (iii) a **fourth lien** on the net revenues of the University Housing System after payment of all debt service and any other obligations under the University's Housing Bonds issued by the Division of Bond Finance, including annual payments to the R&R Fund.

The proposed financing varies from the Board of Governors' Debt Management Guidelines in that the Debt is not secured by a first lien on all specified revenues and the Debt is not equally and ratably secured by all revenues pledged. However, the creation of a subordinate lien is permissible if a first lien is not available or circumstances require.

The Debt cannot be issued on a parity with the University Housing Bonds issued through the Division of Bond Finance because the University closed off that lien when it issued the Series 2010A and Series 2010B Bonds. The DSO's Series 2010B Bonds, which are subordinate to the DSO's Series 2010A Bonds, were issued with the intention of providing an incentive for the developer of the Innovation Village Project in the long-term success of that project and there is no benefit to the DSO in issuing debt on a parity with the Series 2010B Bonds.

The DSO could issue the Debt on parity with the Series 2010A Bonds; however, the University would need to wait until financial information is available from the Innovation Village Project to issue debt on parity with Series 2010A Bonds and waiting would delay the Project so that occupancy for Fall 2013 would be unlikely. In addition, the University believes the issuance of the Debt on a subordinate basis is warranted because it will enable the DSO to take advantage of favorable interest rates and costs of construction, which the University believes may become less favorable if they wait to issue the Debt on a parity with the Series 2010A Bonds. The risk of increased construction costs and higher interest rates if the Project is delayed may warrant a deviation from the Board of Governors' Guidelines.

The DSO's Board of Directors, at a meeting held on June 12, 2012, and the University's Board of Trustees, at its June 19, 2012, meeting, approved the Project and the financing thereof.

## STAFF ANALYSIS AND REVIEW

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, has reviewed this resolution and all supporting documentation.

As described above, and further detailed in the Project Summary, the University has provided information describing the circumstances which preclude the issuance of the Debt on a parity basis with existing University and DSO debt.

Based on Board staff analysis, the proposed financing is in compliance with the Florida Statutes governing the issuance of university direct support organization debt, but deviates from the requirements set forth in the Board of Governors' Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing, subject to the reservations noted.

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**Supporting Documentation Included:**

1. Requesting Resolution
2. Project Summary
3. Attachment 1 - Estimated Sources and Uses of Funds
4. Attachment 2 - Historical and Projected Pledged Revenues and Debt Service Coverage
5. Letter from John Temple

**Facilitators/Presenters:** Chris Kinsley