

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS**

June 18, 2015

**SUBJECT:** A Resolution of the Board of Governors Authorizing the Issuance of Debt by Florida State University Financial Assistance, Inc. to Finance Capital Improvements to Doak S. Campbell Stadium on the main campus of Florida State University

---

**PROPOSED COMMITTEE ACTION**

Adoption of a resolution approving the issuance of both taxable debt, in an amount not to exceed \$9,365,000 and tax-exempt debt, in an amount not to exceed \$75,635,000, by Florida State University Financial Assistance, Inc., a direct support organization of Florida State University (the "DSO"), for the purpose of financing or reimbursing a portion of the cost of certain capital improvements to the existing Doak S. Campbell Stadium, including improvements to skybox suites, club seating, and various other enhancements, all on the main campus of Florida State University (collectively, the "Project").

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, 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 and complies with the Debt Management Guidelines adopted by the Board of Governors. Accordingly, staff of the Board of Governors recommends adoption of the resolution and authorization of the proposed financing.

**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 Seminole Boosters of Florida State University has submitted a proposal for financing or reimbursing the costs of certain capital improvements to the existing Doak S. Campbell Stadium on the main campus. The Project includes improvements to the existing skybox suites, construction, installation and equipping of a club seating section

and certain structural improvements, repairs and re-painting of the Stadium. All portions of the Project will be located on the University's main campus. The total Project cost is expected not to exceed \$85,000,000.

The Project is consistent with the Campus Master Plan.

The DSO proposes to issue up to \$85,000,000 of fixed rate debt to finance the Project (the "Debt"). The Debt will be sold in three series: a taxable series of approximately \$9,000,000 with a ten-year repayment period; a tax-exempt series of \$11,140,000 with a ten-year repayment period; and a tax-exempt series of approximately \$57,225,000 with a 30-year repayment period. The combined debt service payments on the three tranches of debt is level, however, the principal amortization on the 30-year series begins in 2028, after the ten-year portion matures. The financing for the Project includes approximately \$4.6 million of capitalized interest to pay the first year's debt service payment in fiscal year 2015-16. The Debt Guidelines allow for the use of capitalized interest to the extent required for Project feasibility. The new debt service on the Project is funded from capitalized interest in fiscal year 2015-16, prior to the net revenues generated from the club seating section in fiscal year 2016-17 being available to pay the associated debt service. Over the last five fiscal years, the Boosters had between \$12.9 million and \$19.5 million available that could offset the use of capitalized interest; however, these amounts must also be available to support the Athletics Department and the Boosters determined preservation of the cash available was preferable to drawing it down to eliminate the capitalized interest from the transaction. There will not be a debt service reserve fund. The taxable series will finance improvements to the skybox suites, which is required due to the IRS prohibition on the use of tax-exempt debt to finance improvements to projects involving "...skybox or other private luxury boxes....".

The Debt shall be secured by a gross revenue pledge of the DSO comprised of revenues from the Seminole Boosters and the University Athletics Department, including but not limited to, conference and suite rental revenues, club seating revenues, athletic department rent (which may be comprised of no more than 5% of student athletic fees pursuant to section 1010.62(3)(a), Florida Statutes), Indicia/trademark royalty revenues, net football ticket sales and such other revenues that may be used, pursuant to section 1010.62, Florida Statutes.

The Debt shall be secured on a parity basis with the outstanding Series 2012A, 2012B, 2012C, 2013A and 2014A debt totaling \$67,145,000 as of June 30, 2015. Projections provided by the DSO indicate that sufficient pledged revenues will be generated to pay debt service on the Debt and outstanding parity bonds. However, when reviewing combined operations of the Boosters and the Athletics Department, which each contribute to the pledged revenues of the DSO, implied coverage has historically fluctuated between negative 0.17x and 3.18x requiring the use of cash reserves in certain years to pay expenses. The need to use cash reserves could occur more frequently in

the future given the volatility in pledged revenues, which are tied to the success of the athletic program, and as debt service payments increase from \$5.2 million to nearly \$10 million beginning in fiscal year 2016-17.

The DSO is legally authorized to secure the Debt with the pledged revenues pursuant to Section 1010.62, Florida Statutes and specific approval has been requested from the 2015 Legislature. It appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines.

The Board of Directors of the FSU Financial Assistance, Inc., at a meeting on February 12, 2015, and the Florida State University Board of Trustees, at its March 6, 2015 meeting, approved the Project and the financing thereof.

- 
- Supporting Documentation Included:**
1. Requesting Resolution
  2. Project Summary
  3. Estimated Sources and Uses
  4. Historical and Projected Debt Service Coverage
  5. Implied Coverage of Seminole Boosters and University Athletics Department Combined Operations

**Facilitators/Presenters:** Chris Kinsley