

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
August 31, 2017**

SUBJECT: A Resolution of the Board of Governors approving the issuance of debt by the University of Central Florida Finance Corporation on behalf of the University of Central Florida to refinance the outstanding Capital Improvement Revenue Bonds, Series 2007

PROPOSED COMMITTEE ACTION

Adoption of a resolution approving the issuance of a bank loan, by the University of Central Florida Finance Corporation (the "Finance Corporation") on behalf of the University of Central Florida (the "University"), in an amount not to exceed \$64,000,000 (the "Debt") to refinance the outstanding capital improvement revenue bonds and terminate the existing swap rate agreement associated with these bonds.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance has reviewed this resolution and all supporting documentation. Based upon this review, it appears that the proposed Financing Plan 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 refinancing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Florida Board of Governors Debt Management Guidelines; Section 1010.62(3), Florida Statutes; and Article IX, Section 7, Florida Constitution.

BACKGROUND INFORMATION

In 2007, The Board of Governors approved the issuance of variable-rate, tax-exempt revenue bonds in an amount not exceeding \$60 million for the purpose of partially financing the construction of the Burnett Biomedical Sciences (the "BBS") Building. The bonds were issued using an interest rate swap agreement to create a synthetic fixed rate on the debt and secured by a lien on the indirect overhead cost portion of the University contract and grant revenues. As the result of increasing letter of credit fees, the University currently has an increased debt service payment of approximately \$4.7 million, which the proposed new loan payment would drop to approximately \$4 million over the next seven - ten years.

Universities have been authorized by the Board to engage in refundings for debt service savings without specific Board of Governors approval. However, in this instance, the University is seeking to increase debt and refinance the existing bonds (which are complex in nature) and the Board is required to review this transaction compared to the current financing.

The debt will be secured by a lien of the indirect overhead cost portion of the University contract and grants revenues ("Pledged Revenues"). The Pledged Revenues are derived from contracts and grants related to University research activities. The University indirect cost revenues are a gross pledge and the payment of debt service will be paid prior to any other payments.

Without the benefit of the projected refunding savings, the University would continue to pay a higher annual debt service payment, and increasing associated costs of the existing bonds.

The University's Board of Trustees approved the Project and the financing thereof at its July 20, 2017 meeting. The Finance Corporation Board approved the Project and the financing thereof at its July 20, 2017 meeting.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Estimated Sources and Uses of Funds
4. Historical and Projected Pledged Revenues and Debt Service Coverage

Facilitators/Presenters: Mr. Chris Kinsley