

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 26, 2025

SUBJECT: Authorization to Issue Debt by Florida State University for a University-Affiliated Hospital

PROPOSED COMMITTEE ACTION

Adopt a resolution authorizing the issuance of bonds in an amount not to exceed \$413.9M by the Division of Bond Finance, on behalf of Florida State University, to finance the construction of a new hospital on donated land in Panama City Beach. Adoption of this resolution is conditioned upon the University amending its campus master plan to include the proposed project, as required by Florida Statutes, prior to Bond issuance.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; State University System Debt Management Guidelines.

BACKGROUND INFORMATION

Florida State University ("FSU") is requesting approval to issue up to \$413.9M bonds to finance the construction of a new hospital (the "Project") on to-be-donated land in Panama City Beach.

Bond proceeds will primarily fund \$328M in construction costs for a five-floor, 180-bed facility. The Project is "phase one" of a long-term plan that will eventually expand the hospital's footprint to 600 beds as part of a planned 87-acre medical campus to include additional medical office buildings and parking. In addition to construction costs, Bond proceeds will fund Capitalized Interest (\$54M) and, if necessary, a Debt Service Reserve (\$29.7M).

Market demand for the Project is supported by an assessment report prepared by PYA, a national consulting firm engaged by FSU that specializes in healthcare management services.

Project planning and design has not yet been completed; it will be finalized in the first quarter of 2025. Construction completion is anticipated in December 2027, after which the University will enter into a long-term lease and management agreement with Tallahassee Memorial Hospital (TMH) to operate the facility under the 'FSU Health' brand.

The Bonds will be repaid over 30 years, at a fixed interest rate, with level debt service. Repayment of the Bonds will be secured by a pledge of the University's gross indirect cost recovery (ICR) revenues ("Pledged Revenue"), representing reimbursements received from federal, state, and private research grants to cover overhead costs related to FSU's sponsored research activities. This revenue currently totals over \$50M

annually, providing debt service coverage of at least 2.12x, and exceeding the 1.2x minimum coverage required by the SUS Debt Management Guidelines (Guidelines).

A majority of Pledged Revenue is typically used to pay ongoing overhead costs associated with FSU's research enterprise. If these revenues materially decrease, FSU has indicated that accrued ICR reserves (currently exceeding \$200M) may be utilized to cover costs. A further mitigant to potential fluctuations in Pledged Revenue, and resulting impact to debt service repayment, is TMH's lease payments to FSU; though not pledged to the Bonds, it will be available.

As additional support to the Project, FSU will restrict \$50M in unencumbered assets of its Research Foundation or, alternatively, deposit \$50M in University funds in an account to be held in escrow by the State Board of Administration, to help mitigate any operational disruption.

Lastly, if necessary to obtain favorable credit rating(s) and/or enhanced marketability for the Bonds, FSU will provide a guaranty from the FSU Foundation and/or the FSU Research Foundation.

The Project was Legislatively authorized in the 2024 General Appropriations Act, and it was approved by the FSU Board of Trustees on March 25, 2025.

The proposed financing complies with the SUS Debt Management Guidelines.

The Project is not currently included in FSU's approved campus master plan, as required by s. 1010.62(7)(a), Florida Statutes, but otherwise appears compliant with Statutes governing the issuance of university debt.

Supporting Documentation Included:

1. Authorizing Resolution
2. Project Summary
3. Estimated Source & Uses
4. Historical & Projected Debt Service Coverage
5. Debt Service Schedule
6. DBF Memorandum

Facilitators/Presenters:

1. Mr. Kevin Pichard
2. Florida State University