



FLORIDA STATE UNIVERSITY  
BOARD OF TRUSTEES

# Finance & Business Committee ACTION ITEM I



# FLORIDA STATE UNIVERSITY

## BOARD OF TRUSTEES

### *Finance and Business Committee*

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#### **ACTION ITEM I**

**November 20, 2024**

**SUBJECT: Request for Approval:** Internal Loan in Support of the Lacrosse Complex

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#### **PROPOSED COMMITTEE ACTION**

1. Approve the University to provide the Athletics Department with an Internal Bank loan up to \$12M.

#### **AUTHORITY FOR BOARD OF TRUSTEES ACTION**

Florida Statutes – Section 1011.42(5) and Section 218.415  
Board of Governors – Regulation 9.013 Auxiliary Operations  
University Policy – 4-OP-D-2-H Investments

#### **BACKGROUND INFORMATION**

Board of Governors Regulation 9.013 provides BOT the authority to consider using unreserved cash from a non-athletic auxiliary for Athletics, with BOG approval. The BOG will consider requests on a case-by-case basis, taking into consideration the unique facts and circumstances surrounding each situation.

The University's Investment policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and to offer an internal funding mechanism as an alternative to external financing, such as accessing capital markets through the issuance of revenue bonds. The University Internal Bank may only invest funds from auxiliary operations, as described in and regulated by Florida Board of Governors Regulations 9.007 and 9.013 and in their Glossary of Budget and Finance Terms. These funds would also include Designated operations, as defined by University Policy 4-OP-D-1, with the exception of certain student fees. Auxiliary enterprise reserves restricted by bond covenants, for which such auxiliary enterprise has currently outstanding bonds, may not be invested in the Internal Bank.

In accordance with BOG regulation, the University shall provide the BOT with the following information.

- a. The specific non-athletic auxiliary the funds are coming from, the amount of the proposed transfer, and the amount of reserves available;

Loan funds will come from miscellaneous administrative auxiliary/designated activity reserves. These funds are generated from various sources, including purchasing card rebates and interest earnings. It is proposed that \$12 million be transferred to Athletics from these funds. As of 10/27/2024, these reserves carried a balance of approximately \$47.2 million.

- b. Justification that the use of unreserved cash from the non-athletic auxiliary will benefit the broader student body or campus community;

Expanding into Women's Lacrosse will benefit the University from a Title IX gender equity in athletics perspective as well as grant access to another NCAA varsity level sport for female student-athletes. Expanding a University's NCAA athletic portfolio increases brand recognition and student involvement for FSU and FSU athletics.

- c. If the supporting non-athletic auxiliary has outstanding debt, verification that the funds to be used are unreserved cash balances and that sufficient current revenues exist to cover all expenditures, including, but not limited to, debt service payments and required reserves;

The supporting non-athletic auxiliaries being considered for this Internal Bank loan do not have outstanding debt.

- d. Assurance by the university, with concurrence of the Division of Bond Finance, that such transfer does not violate any bond covenants;

The University assures the BOT, there are no outstanding bonds secured by the proposed loan funds.

- e. In the event the non-athletic auxiliary revenues to be transferred include student fees or payments, documentation that a disclosure has been made to students that non-athletic auxiliary revenues which include student fees or payments will be transferred to athletics.

The non-athletic auxiliary revenues to be transferred do not include student fees or payments.

### **ADDITIONAL COMMITTEE CONSIDERATIONS**

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**Supporting Documentation Included:** Attachment – Draft Loan Agreement and Annual Debt Service schedule

**Submitted by:** Kyle Clark, Senior Vice President Finance and Administration

# FLORIDA STATE UNIVERSITY INTERNAL LOAN AGREEMENT

**IN CONSIDERATION** of the Lender, **Florida State University Board of Trustees, a Florida public body corporate on behalf of Florida State University** (hereinafter “University”), loaning certain monies (the “loan”) to the Borrower, **Florida State University Athletics** (hereinafter “Athletics”), and Borrower repaying the Loan to the Lender, both parties agree to keep, perform and fulfill the promises and conditions set out in this Agreement.

## **I. Loan Terms**

The University promises to loan \$12,000,000 USD to Athletics and Athletics promises to repay this principal amount to the University over fifteen (15) years, with interest payable on the unpaid principal at the rate of 4.25% per annum, accrued monthly, calculated on a 30/360 basis, for the first 5 years. The interest rate will be reviewed at the end of 5 years to determine if an increase is warranted based on market conditions.

The principal shall be paid annually, beginning in Fiscal Year 2027, and interest shall be paid semi-annually in accordance with the attached Preliminary Schedule. The first interest payment shall be due on May 1, 2025, and the final principal and interest payment shall be due on November 1, 2039.

Pursuant to the FSU Athletics Association covenants, the repayment of this loan shall be subordinate to the repayment of any outstanding FSU Athletic Association Revenue Bonds.

## **II. Default Provisions**

In case of a default, the University has guaranteed the loan with available funds in the priority as follows:

- (a) Future State Appropriations or funds authorized by the Legislature, private gifts, or donations
- (b) Athletics Auxiliary Reserve Funds
- (c) Seminole Boosters, Inc. Reserve Funds

## **III. Purpose of the Loan**

The loan will fund the construction of a lacrosse complex for intercollegiate athletic competitions.

**IN WITNESS WHERE OF** each of the parties has caused this Agreement to be executed on its own behalf by its authorized officers.

The Florida State University,  
acting for, and on behalf of, the FSU Board of  
Trustees

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Richard D. McCullough  
University President

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Michael Alford  
Vice President & Director of Athletics

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Kyle Clark  
Senior Vice President

**FSU Athletics - Lacrosse Complex**  
**\$12,000,000 Loan**  
**15-Year Debt**  
**Estimated Debt Service Schedule**

<u>Date</u>	<u>Principal</u>	<u>Interest @4.25%</u>	<u>Total</u>	<u>Fiscal Year Total</u>
5/1/2025	\$ -	\$ 255,000	\$ 255,000	\$ 255,000
11/1/2025	\$ -	\$ 255,000	\$ 255,000	
5/1/2026	\$ -	\$ 255,000	\$ 255,000	\$ 510,000
11/1/2026	\$ 645,000	\$ 255,000	\$ 900,000	
5/1/2027	\$ -	\$ 241,294	\$ 241,294	\$ 1,141,294
11/1/2027	\$ 670,000	\$ 241,294	\$ 911,294	
5/1/2028	\$ -	\$ 227,056	\$ 227,056	\$ 1,138,350
11/1/2028	\$ 700,000	\$ 227,056	\$ 927,056	
5/1/2029	\$ -	\$ 212,181	\$ 212,181	\$ 1,139,238
11/1/2029	\$ 730,000	\$ 212,181	\$ 942,181	
5/1/2030	\$ -	\$ 196,669	\$ 196,669	\$ 1,138,850
11/1/2030	\$ 760,000	\$ 196,669	\$ 956,669	
5/1/2031	\$ -	\$ 180,519	\$ 180,519	\$ 1,137,188
11/1/2031	\$ 795,000	\$ 180,519	\$ 975,519	
5/1/2032	\$ -	\$ 163,625	\$ 163,625	\$ 1,139,144
11/1/2032	\$ 830,000	\$ 163,625	\$ 993,625	
5/1/2033	\$ -	\$ 145,988	\$ 145,988	\$ 1,139,613
11/1/2033	\$ 865,000	\$ 145,988	\$ 1,010,988	
5/1/2034	\$ -	\$ 127,606	\$ 127,606	\$ 1,138,594
11/1/2034	\$ 900,000	\$ 127,606	\$ 1,027,606	
5/1/2035	\$ -	\$ 108,481	\$ 108,481	\$ 1,136,088
11/1/2035	\$ 940,000	\$ 108,481	\$ 1,048,481	
5/1/2036	\$ -	\$ 88,506	\$ 88,506	\$ 1,136,988
11/1/2036	\$ 980,000	\$ 88,506	\$ 1,068,506	
5/1/2037	\$ -	\$ 67,681	\$ 67,681	\$ 1,136,188
11/1/2037	\$ 1,020,000	\$ 67,681	\$ 1,087,681	
5/1/2038	\$ -	\$ 46,006	\$ 46,006	\$ 1,133,688
11/1/2038	\$ 1,065,000	\$ 46,006	\$ 1,111,006	
5/1/2039	\$ -	\$ 23,375	\$ 23,375	\$ 1,134,381
11/1/2039	\$ 1,100,000	\$ 23,375	\$ 1,123,375	\$ 1,123,375
	\$ 12,000,000	\$ 4,677,975	\$ 16,677,975	\$ 16,677,975

**Note:** Based on level debt service with no principal payment in the first year. Interest rate of 4.25% is equivalent to the 10-year U.S. Treasury on October 28, 2024. Assumes a funding date of November 1, 2024.