

STATE BOARD OF EDUCATION

(Consent Item)

March 21, 2006

SUBJECT: A Resolution of the State Board of Education Requesting the Division of Bond Finance of the State Board of Administration of Florida to Issue Revenue Bonds on Behalf of Florida Atlantic University to Finance the Construction of a Housing Facility on the Campus of Florida Atlantic University and Providing an Effective Date

UNIVERSITY AFFECTED: Florida Atlantic University

PROPOSED BOARD ACTION

Approve the financing plan and adopt a resolution authorizing the issuance of fixed rate, tax-exempt revenue bonds by the Division of Bond Finance of the State Board of Administration of Florida on behalf of Florida Atlantic University, in an amount not to exceed \$31,095,000 to finance the cost of construction of a 600-bed Student Residence Hall. Agenda item approval by the State Board of Education will be contingent upon approval by the 2006 Legislature. Approval by the Legislature, if granted, will be effective July 1, 2006.

AUTHORITY FOR STATE BOARD OF EDUCATION ACTION

Section 1010.60(1), Florida Statutes, and proposed legislative action during 2006 Session.

BACKGROUND INFORMATION

Florida Atlantic University has submitted a proposal for the construction of a new 600-bed Student Residence Hall on the University's Boca Raton campus. The University does not have adequate housing in terms of both quantity and quality to meet the current demand for housing of incoming residential students. Currently, the University enrolls approximately 19,000 students on the Boca Raton Campus, and a total of 26,000 students on all campuses. Ten year enrollment projections for the University include approximately 28,000 students on the Boca Raton campus, and 38,000 students university-wide. The most current housing need is for full-time, traditional undergraduate students. The construction program for the new Student Residence Hall includes the demolition of Algonquin Hall and Timucua Hall, (176 beds) built in the 1960's, resulting in a net gain of 424 beds to accommodate current student demand. The new facility is scheduled for occupancy during the fall 2007, semester. At that time, the Florida Atlantic University housing system will have a designed capacity for 2,331 beds, which represents approximately 12 percent of the Boca Raton Campus student enrollment.

The proposed financing plan includes the issuance of fixed rate, tax-exempt revenue bonds through the Division of Bond Finance of the State Board of

Administration of Florida. The estimated total project cost, excluding bond issuance costs and interest during construction, is \$25,958,000 and will be funded from revenue bond proceeds and interest earnings accrued from bond proceeds.

The Florida Atlantic University Board of Trustees, at its June 29, 2005 meeting, approved the proposed Student Residence Hall project and the financing thereof.

Florida Atlantic University requested and received approval from the 2005 Legislature for \$21,000,000 to construct a 600-bed Student Residence Hall on the Boca Raton campus. The Board of Governors has provided the revised information in the 2006-2007 legislative budget.

Supporting Documentation Included: Requesting Resolution provided by the Division
of Bond Finance of the State Board of
Administration of Florida
Project Summary
Financial Plan

Facilitator/Presenter: Linda Champion

A RESOLUTION REQUESTING THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA TO ISSUE REVENUE BONDS ON BEHALF OF FLORIDA ATLANTIC UNIVERSITY TO FINANCE THE CONSTRUCTION OF A HOUSING FACILITY ON THE CAMPUS OF FLORIDA ATLANTIC UNIVERSITY AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by the State Board of Education:

Section 1. The State Board of Education (the "Board") hereby authorizes and requests the Division of Bond Finance of the State Board of Administration of Florida (the "Division") to issue bonds in an amount not exceeding \$31,095,000 (the "Bonds") for the purpose of financing the construction of a housing facility on the campus of Florida Atlantic University (the "University"). Proceeds of the Bonds may also be used to pay the costs of issuance of such Bonds, to provide for capitalized interest, if any, to provide for a municipal bond insurance policy, and to fund a reserve account or provide debt service reserve insurance, if necessary. The Bonds are to be secured by revenues of the University's housing system, and may additionally be secured by other revenues that are determined to be necessary and legally available. The Division shall determine the amount of the Bonds to be issued and the date, terms, maturities, and other features of a fiscal or technical nature necessary for the issuance of the Bonds. Proceeds of the Bonds and other legally available monies shall be used for the project, authorized by the

2005 Legislature in Section 22, item 43, of Chapter 2005-70, Laws of Florida, or such other housing facility project at the University as may be hereafter authorized by the Legislature.

Section 2. Authority is further granted for the issuance of bonds for the purpose of refunding all or a portion of any bonds secured by the revenues described in Section 1 hereof, if it is deemed by the Division to be in the best financial interest of the State. The limitation on the amount authorized for the Bonds in Section 1 above shall not apply to such refunding bonds. Other terms of this resolution shall apply to any such refunding bonds as appropriate.

Section 3. The Board will comply, and will require the University to comply, with all requirements of bond counsel and the Division as evidenced by a "Certificate as to Tax, Arbitrage and Other Matters" or similar certificate to be executed by the Board prior to the issuance of the Bonds and advice and directions in implementing such certificate.

Section 4. The Board will comply, and will require the University to comply, with all other requirements of the Division with respect to compliance with federal arbitrage law, pursuant to Section 215.64(11), Florida Statutes, including the payment of fees to the Division in connection therewith.

Section 5. The Board will comply, and will require the University to comply, with all requirements of federal law, state law or the Division, relating to continuing secondary market disclosure of information regarding the Bonds, the University, and the operation of the University's housing system, including the collection of the revenues pledged to the Bonds. Such requirements currently provide for the continuing disclosure of information relating to the Bonds, the University, and the University's housing system, including the collection of the revenues pledged to the Bonds, on an annual basis and upon the occurrence of certain material events.

Section 6. As provided in Section 215.65, Florida Statutes, the fees charged by the Division and all expenses incurred by the Division in connection with the issuance of the Bonds (except for periodic arbitrage compliance fees, if any, which shall be paid from other legally available funds) shall be paid and reimbursed to the Division from the proceeds of the sale of such Bonds. If for any reason (other than a reason based on factors completely within the control of the Division) the Bonds herein requested to be authorized are not sold and issued, the Board agrees and consents that such fees, charges and expenses incurred by the Division shall, at the request of the Division, be reimbursed to

the Division by the Board from any legally available funds of the Board.

Section 7. The Division is hereby requested to take all actions required to issue the Bonds.

Section 8. The Board or the University may cause to be purchased a debt service reserve credit facility and/or municipal bond insurance policy issued by a reputable and recognized provider.

Section 9. The Chair; the Vice Chair; the Commissioner of Education and the Deputy Commissioner, Finance and Operations of the Department of Education (or his/her successor by whatever title); and other authorized representatives of the Board are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds and to obtain a debt service reserve credit facility and a municipal bond insurance policy. Any action taken pursuant to this Section 9 shall be valid if such action is taken by at least one person authorized to take such action.

Section 10. This Resolution shall take effect immediately upon its adoption.

Adopted this 21st day of March, 2006.

STATE BOARD OF EDUCATION
Project Summary
Florida Atlantic University
Student Residence Hall

- Project Type:** Construction of new student housing facilities to provide on-campus housing at the Boca Raton campus of Florida Atlantic University. The project will have a designed capacity of approximately 600 beds, and include 536 double bedrooms, 48 single bedrooms, 20 resident assistants, and 2 support staff. There will be a net gain of 424 beds to the housing system after the demolition of Timucua Hall and Algonquin Hall (176 beds). The project will be financed from fixed rate, tax-exempt revenue bonds issued by the Division of Bond Finance of the State Board of Administration of Florida, in an amount not to exceed \$31,095,000. The total project cost, excluding bond issuance costs, is estimated to be \$25,958,000 and will be funded from bond proceeds and interest earnings accrued from bond proceeds. Construction of the project will be administered by Florida Atlantic University.
- Facility Site Location:** The proposed Student Residence Hall will be located on the Boca Raton campus of Florida Atlantic University on the north side of Florida Atlantic University Boulevard and east of Dade Avenue. The facilities will encompass approximately 20 acres designated for student housing in the Master Plan.
- Student Market:** The primary targeted market for the proposed facilities will be first year, first-time-in-college students.
- Demand Analysis:** The immediate housing need at the Florida Atlantic University is estimated to be approximately 646 beds of traditional housing for underclassmen. The occupancy rate during the fall 2005 semester in the residence halls was 100 percent, with a waiting list exceeding 300 students. While freshmen receive priority in the assignment of on-campus accommodations, transfer students, upper level students, and undergraduate students are consistently notified that there is little chance they will be offered on-campus housing. To accommodate students who are unable to attain on-campus housing, the Office of Student Development and Activities maintains an off-campus housing website used by hundreds of students seeking roommates and off-campus dwellings.
- Florida Atlantic University has a goal of providing on-campus housing accommodations for 2,300 incoming first-time-in-college students. Over 60 percent of the enrolled freshmen come from nearby Broward, Palm Beach, Martin, and Indian River counties. During the 2004-2005 academic year, 2,380 first-time-in-college students were enrolled at the University with 1,900 beds available. Headcount enrollment for the fall 2005 semester was 25,704, with approximately 2,478 first-time-in-college students.

As part of the enrollment management effort, a high quality academic environment will be offered in all University owned residence halls. With expanded safety services offered by the University and opportunities to utilize all the campus amenities, there will be an adequate supply of students who will desire on-campus housing for at least a portion of their academic studies. Additionally, the University has the authority to require freshman students to live on campus. During the summer, the facilities will house students, summer conference personnel, and children attending summer camps.

The proposed student residence facilities will address the needs of first year, freshmen students, and will have a residence assistant ratio of 1:30. Professional staff will also be assigned to each residence hall. The suite-style residence halls will create an environment that is conducive to orienting first year students to the demands of the academic community and the supportive services available. Ancillary space on the first floor will be used for offices for academic support staff and faculty, classrooms, tutoring, and study areas.

Physical Description: The proposed facilities will consist of two medium density buildings with a small commons area (8,740 gross square feet) to service both towers. Two apartments will be provided for live-in professional staff. The total for both towers consists of 150,000 gross square feet, and 536 double and 48 single bedroom suites. The facility will be constructed of concrete with stucco facing.

Pledged Revenues: Pledged revenues for the payment of debt service obligations include housing system revenues derived primarily from rental income after deducting operating expenses. Other revenues include conference and vending revenues, and late fees. As of June 30, 2005, outstanding issues include the Series 2000 Bonds with a principal balance of \$23,140,000, and the Series 2003 Bonds with an outstanding principal balance of \$33,775,000. Proceeds from these bond issues were used to construct student housing facilities on the Boca Raton campus.

Debt Service Coverage: The debt service coverage ratio in 2007-2008 is 1.23 based on revenues from the proposed project only. The debt service coverage, based on revenues generated by the entire housing system for 2007-2008 is 1.36.

Summary of Pro Forma: The Financial Proforma for the proposed Student Residence Hall is based on a 2007-2008 rental rate for single occupancy of \$3,540 per bed, per semester, and \$3,050 per bed, per semester, for double occupancy. Additional revenue will be generated from conference fees, vending revenues, laundry, and other various fees. Boca Raton off-campus housing rates for facilities built since 2002 start at \$3,000 per bed, based on a required 12 month lease agreement. Occupancy rates for the proposed Student Residence Hall are projected at 95 percent for the fall and spring semesters. It is anticipated that the suite-style accommodations will be used by summer conference groups in both towers. In 2007-2008, total annual

operating revenue from all sources for these facilities is estimated to be \$4,190,980.

Current Housing Facilities: Since the 1960's, the University has constructed nine residence halls and one apartment complex on the Boca Raton campus. Five of the original residence halls were demolished between 2000 and 2003 due to physical and functional obsolescence, as well as fire safety deficiencies. In fall 2001 and fall 2004, new state-of-the-art, suite-style student residence facilities were completed with 604 beds, and 600 beds, respectively. The remaining two of the original halls (Timucua Hall and Algonquin Hall), one of which is currently occupied by students (176 beds), are scheduled for demolition. Additionally, the University Village Apartment Complex constructed in 1993, provides a rental capacity of 510 beds, and a scholarship house provides space for 17 students. The current capacity of on-campus student housing is approximately 1,900 beds, and completion of the proposed Student Residence Hall will provide a total Boca Raton campus student housing of 2,331 beds.

Planned Opening Date: Florida Atlantic University anticipates that the Student Residence Hall will be available for occupancy in fall 2007.

STATE BOARD OF EDUCATION
Analysis of the Financial Plan for Florida Atlantic University Student Residence Hall
for Fiscal Year 2007-2008

(FAU Student Residence Hall Project)

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Bond Sale Amount	\$ 31,095,000	Series 2006A Bond amount based on a fixed rate, tax-exempt interest rate of 6.0% for 30 years issued through the Division of Bond Finance of the State Board of Administration of Florida.
Less: Underwriter's Discount	\$ (621,900)	Estimate based on a 2% discount.
Bond Insurance	\$ (477,509)	Estimated by the Division of Bond Finance based on comparable issues.
Cost of Issuance	\$ (200,000)	Estimated by the Division of Bond Finance based on comparable bond issues.
Plus: Interest Earnings (Construction Trust Fund)	\$ 321,345	Estimate is based on net bond proceeds on deposit in the Construction Trust Fund invested for 12 months at a rate of 2.5%, considering equal monthly draws.
Total Sources of Funds	\$ 30,116,936	

<u>Uses of Funds</u>		
Project Cost (Planning, Construction & Equipment including contingency for construction)	\$ 25,958,000	The construction cost per bed is approximately \$43,263, and is consistent with the FAU New Hall Student Facility built in 2004-2005 at an approximate construction cost of \$33,950 per bed.
Debt Service Reserve Surety Premium	\$ 2,290,400	Equal to 2.8% of the estimated maximum annual debt service payment due on the proposed bonds.
Estimated Interest to be Paid During Construction (Capitalized Interest)	\$ 1,865,700	Capitalized interest will be paid from bond proceeds.
Rounding/Contingency Amount	\$ 2,836	
Total Uses of Funds	\$ 30,116,936	

Debt Service Coverage - Fiscal Year 2007-2008

Total Revenue - FAU Student Residence Hall	\$ 4,190,980	Based on projected rental fees and other revenues generated by the Student Residence Hall during 2007-2008. This represents the first full year of operation.
Less: Operating Costs	\$ (1,383,393)	Projected operating expenditures for the Student Residence Hall during 2007-2008.
Revenue Available for Debt Service	\$ 2,807,587	Net revenue available for debt service during Fiscal Year 2007-2008.
Estimated Annual Debt Service 2007-2008	\$ 2,286,000	Series 2006A Bonds
Debt Service Coverage Ratio	1.23	

* The financial analysis is based upon information provided by Florida Atlantic University.

STATE BOARD OF EDUCATION
Analysis of the Financial Plan for Florida Atlantic University Student Residence Hall
for Fiscal Year 2007-2008
(FAU Housing System)

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Bond Sale Amount	\$ 31,095,000	Series 2006A Bond amount based on a fixed rate, tax-exempt interest rate of 6.0% for 30 years issued through the Division of Bond Finance of the State Board of Administration of Florida.
Less: Underwriter's Discount	\$ (621,900)	Estimate based on a 2% discount.
Bond Insurance	\$ (477,509)	Estimated by the Division of Bond Finance, based on comparable bond issues.
Cost of Issuance	\$ (200,000)	Estimated by the Division of Bond Finance based upon comparable bond issues.
Plus: Interest Earnings (Construction Trust Fund)	\$ 321,345	Estimate is based on net bond proceeds on deposit in the Construction Trust Fund invested for 12 months at a rate of 2.5%, considering equal monthly draws.
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 Total Uses of Funds	 <u>\$ 30,116,936</u>	

Debt Service Coverage - Fiscal Year 2007-2008

Total Operating Revenue - FAU Housing System	\$ 14,413,449	Based on projected housing system operating revenues for Fiscal Year 2007-2008, the first year of operations, and the first year of debt service incurred for the proposed bonds.
Less: Operating Costs	<u>\$ (5,698,268)</u>	Projected housing system operating expenses for Fiscal Year 2007-2008. General University administrative overhead charges are excluded.
Revenue Available for Debt Service From Housing System Revenue	<u>\$ 8,715,181</u>	Net revenue available for debt service during Fiscal Year 2007-2008.
Estimated Annual Debt Service 2007-2008	\$ 6,410,899	
Series 2000 Bonds	\$1,658,205	
Series 2003 Bonds	\$2,466,694	
Series 2006A Bonds	\$2,286,000	
TOTAL	\$6,410,899	
Debt Service Coverage Ratio	1.36	

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