

STATE BOARD OF EDUCATION

Consent Item

March 21, 2006

SUBJECT: A Resolution of the State Board of Education Authorizing the Financing of the University of South Florida Parking Structure IV on the Main Campus of the University of South Florida

UNIVERSITY AFFECTED: University of South Florida

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 the University of South Florida, in an amount not to exceed \$17,600,000 to finance the cost of construction of Parking Structure IV. Agenda item approval by the State Board of Education, and subsequently the Board of Governors, 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

Chapter 2005-70, Section 22, Item 22, Laws of Florida, Section 1010.60(2), Florida Statutes, and proposed legislative action during 2006 Session.

BACKGROUND INFORMATION

The University of South Florida has submitted a proposal for the construction of Parking Structure IV with approximately 2,000 parking spaces. The facility will provide parking accommodations for the engineering and physical science areas and a new proposed 1,000 bed student residence hall facility to be located on the south central side of the University of South Florida main campus. The 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 project will be financed from the net proceeds received from the issuance of bonds in an amount not exceeding \$17,600,000. The total project cost, excluding bond issuance and interest during construction, is estimated to be \$18,000,000 and will be funded from bond proceeds, interest earnings accrued from bond proceeds, and \$1,000,000 of University parking system revenue funds.

The University of South Florida Board of Trustees, at its March 2, 2006 meeting, approved the proposed Parking Structure IV and the financing thereof.

The University of South Florida requested and received approval from the 2005 Legislature to sell bonds for \$12,500,000 to construct a 1,200 – 1,500 space parking

structure (Parking Structure IV). The University's Draft 2005 Campus Master Plan Update proposes a 2,000 space Parking Structure IV project. 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 THE UNIVERSITY OF SOUTH FLORIDA TO FINANCE THE CONSTRUCTION OF A PARKING FACILITY ON THE CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA 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 \$17,600,000 (the "Bonds") for the purpose of financing the construction of a parking facility (Parking Structure IV) on the campus of the University of South Florida (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 the revenues of the parking system of the University, which may include but are not limited to, transportation access fees, parking decal fees, fines, special rental fees or other charges for parking services or parking spaces, 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 22, of Chapter 2005-70, Laws of Florida, or such other parking 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 parking 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 parking 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
University of South Florida
Parking Structure IV

- Project Type:** The proposed multi-level Parking Structure IV project will provide approximately 2,000 parking spaces for faculty, staff, and students on the southwest and south central side of the main campus of the University of South Florida. The project will be financed from fixed rate, tax-exempt bonds issued by the Division of Bond Finance of the State Board of Administration of Florida in an amount not to exceed \$17,600,000. The total project cost, excluding bond issuance and interest earnings during construction, is estimated to be \$18,000,000 and will be funded from bond proceeds, interest earnings, and \$1,000,000 of University parking revenue funds. Construction of the project will be administered by the University of South Florida.
- Facility Site Location:** The proposed project will serve the parking needs of the engineering and physical science areas on the south central side of the campus. A new 1,000 bed student residence hall is planned for the area to supplement the existing 600-bed Magnolia Student Residence Complex.
- Market:** The targeted market for the proposed parking garage will be to serve students, residents, faculty, staff, and visitors in the engineering, physical sciences, and Magnolia Student Residence Complex areas. Users of the parking garage must obtain and use a University of South Florida parking permit/decal.
- Physical Description:** The proposed Parking Structure IV will consist of a multi-level structure with approximately 2,000 spaces and 600,550 gross square feet, and a minimum of maintenance closets/storage, closets/mechanical rooms, and elevator space.
- Pledged Revenues:** The pledged revenues for the payment of debt service obligations will include all unrestricted parking revenues from the Tampa campus. The revenues are derived primarily from faculty/staff permit/decal sales, student permit/decal sales, a student credit hour transportation access fee, parking citation fines, visitor permits and meter sales, and other miscellaneous collections, after deducting operating expenses. Restricted revenues received from the City of Tampa and the University Mall to operate the off-campus shuttle system is not included in pledged revenues. The Series 2006A Bonds will be issued on parity with the outstanding State of Florida, Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2004A, and the State of Florida, Board of Education, University of South Florida Parking Facility Revenue Bonds, Series 2002, with a total outstanding principal balance of \$27,395,000.

- Debt Service Coverage:** The projected debt service coverage ratio in 2006-2007 for the parking system, including the proposed garage, is 1.27 based on a principal amount of \$17,600,000 for the Series 2006A Bonds. Estimated debt service is calculated at an interest rate of 5.5% through the maturity date of July 1, 2026.
- Summary of Pro Forma:** The proposed Parking Structure IV will not generate significant additional revenue for the parking system through its operations. To compensate for the operating costs and debt service costs to the parking program, a series of permit/decal increases will be implemented. Increases of 20% will be implemented on all student permit/decal fees (from \$105 to \$126) for fiscal year 2006-2007. For the same time period, current annual faculty/staff permit/decal fees ranging from \$155 to \$620 will be increased ranging from \$186 to \$744 for a reserved space. Affiliate permits and gold parking permits will also be increased. Additional expenses assessed the parking system and additional rate increases will be addressed through annual proposals for permit increases.
- Current Parking Facilities:** The parking system at the University of South Florida currently provides approximately 18,759 spaces on the main campus. Included are Crescent Hill Parking Facility with 834 spaces, and Collins Boulevard Parking Facility with 1,557 spaces. Parking Structure III with 1,550 spaces is expected to be completed by the fall of 2006. The proposed Parking Structure IV facility will provide an additional 2,000 spaces for a total parking capacity on the main campus of approximately 20,000 spaces. Additional parking garages are in the pre-planning stages as part of the Campus Master Plan 2006 Update.
- Market Demand:** The University estimates that student demand for on campus parking will increase by 2% annually and faculty/staff demand will increase 4% annually. Demand for visitor parking is also expected to increase at a rate of 3% per year. Additionally, available parking spaces are decreasing due to the construction of academic and student services buildings on existing surface parking lots.
- Planned Opening Date:** It is anticipated that Parking Structure IV will be completed by August 27, 2007.

STATE BOARD OF EDUCATION
Analysis of the Financial Plan for the University of South Florida Parking Structure IV
for Fiscal Year 2006-2007

(Parking System)

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Bond Sale Amount	\$ 17,600,000	Series 2006 Bond amount based on a fixed rate, tax-exempt interest rate of 5.5% for 20 years issued through the Division of Bond Finance of the State Board of Administration of Florida.
Less: Underwriter's Discount	\$ (352,000)	Estimate based on a 2% discount.
Bond Insurance	\$ (220,908)	Estimate based on .75% of total debt service payments.
Cost of Issuance	\$ (215,622)	Estimated by the Division of Bond Finance based upon comparable bond issues.
Plus: Interest Earnings (Construction Trust Fund)	\$ 240,163	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.
Contribution of Funds from University	<u>\$ 1,000,000</u>	These funds are being added to fully fund the project and consist of auxiliary parking reserves.
Total Sources of Funds	<u>\$ 18,051,633</u>	

Uses of Funds

Project Cost (Planning, Construction & Equipment including contingency for construction)	\$ 18,000,000	The construction cost per space is \$9,000 for a 2,000 space parking garage. This is comparable to the USF Parking Garage III with a construction cost per space of \$7,500 for a 1,500 space parking garage.
Debt Service Reserve Surety Premium	\$ 51,633	Equal to 3.5% of the estimated maximum annual debt service payment due on the proposed bonds. If a surety bond cannot be obtained, the reserve account will be funded at the maximum annual debt service of approximately \$1.5 million, resulting in fewer bond proceeds available for the project. The difference would be funded from current parking reserves.
Estimated Interest to be Paid During Construction (Capitalized Interest)	N/A	No capitalized interest will be paid from bond proceeds. Interest during construction is to be paid from revenues or reserves.
Total Uses of Funds	<u>\$ 18,051,633</u>	

Debt Service Coverage - Fiscal Year 2006-2007

Operating Revenue	\$ 10,093,300	Based on projected parking operating revenues for Fiscal Year 2006-2007, the first year debt service will be incurred for the proposed bonds. Revenue projections are based on enrollment growth of 2% and decal fee increases of 20% for Fiscal Year 2006-2007.
Less: Operating Costs	<u>\$ (5,345,841)</u>	Projected operating expenses for Fiscal Year 2006-07. Based on an annual growth rate of 4%. General University administrative overhead charges are excluded.
Revenue Available for Debt Service	<u>\$ 4,747,459</u>	Net revenue available for debt service during Fiscal Year 2006-2007.
Estimated Annual Debt Service 2006-2007	\$ 3,732,830	
Series 2002 Bonds	\$ 963,281	
Series 2004A Bonds	\$ 1,296,549	
Series 2006 Bonds	\$ 1,473,000	
TOTAL	\$ 3,732,830	
Debt Service Coverage Ratio	1.27	

* The financial analysis is based upon information provided by the University of South Florida.