

University and College Debt

Division of Bond Finance

May 24 – 26, 2016



University and College Debt

- **Evolution of university and college system debt**
- **Pre-2006 – University debt issued by Board of Regents through Division of Bond Finance**
- **College system debt funded with State GO Bonds; PECO and Capital Outlay**
- **2005 – Legislature enacts Florida Statute §1009.23 authorizing Capital Improvement Fee Debt for Colleges**
- **2006 – Comprehensive review of policies and process for university debt issuance**
- **Culmination – Legislature enacts Florida Statute §1010.62**
- **Board of Governors adopts companion debt management policies for university debt**



Florida Statutes §1010.62

- **Established governance framework for university debt issuance**
- **Designates revenues that can be used to secure debt and those that can not**
- **University Board of Trustees decides on projects and revenues to secure debt**
- **Board of Governors reviews and approves all debt issues**
- **Debt issued by university direct support organizations or Division of Bond Finance**
- **Division of Bond Finance debt issues require Governor and Cabinet approval**



Governor's Policies/Principles Regarding Debt

- **State debt policies amended to require more rigorous scrutiny when debt issued**
- **Justification for project/facilities required when financed with debt**
 - **Return on investment or appropriate quantitative metric**
- **Enhanced accountability and transparency**
- **Analysis done when project/debt approval presented to Board of Governors for consideration and Governor and Cabinet, when required**



University and College Public Private Partnerships (“PPPs”)

- **What does PPP mean?**
- **Financing mechanism or privatized operation?**
- **Requires review and approval by Board of Governors**
- **Board of Governors guidelines established to provide criteria for review**
- **Justification based on quantitative metrics**
- **No formal framework for colleges**



Examples of University and College PPPs

- **FIU – Student housing with project costs of \$55.6 million on the University’s Biscayne Bay Campus**
- **Poly Tech – Student housing with project costs of \$22 million**
- **UCF – Hotel & conference center with ground lease from the University only – no financial obligation**
- **USF – Grocery store with ground lease from the University only – no financial obligation**
- **USF – \$132.7 million for student housing, dining, fitness center, parking, and retail space**
- **Broward College – Satellite campus adjacent to I-75 financed through sale and lease-back 89,000 square foot classroom building**



Questions to Ask

- **Is project/facility mission critical?**
- **What is impact on cost to students?**
- **Is there a more cost effective way to finance?**
- **What does university or college give up?**
- **Are benefits to using PPP clearly articulated and do they offset additional cost?**
- **Is proposal consistent with Board of Governors PPP guidelines?**
- **Has the university/college negotiated best deal possible?**
- **What are implications for credit rating and university operations of similar facilities?**



Conclusion

- **Have deep experience and expertise in structuring and executing financing, and interacting with rating agencies and market professionals**
- **Being involved on front-end allows opportunity to work cooperatively with universities and colleges to identify issues and formulate solutions**
- **Help us, help you.**

