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# I. INTRODUCTION

## The Need for and Purpose of Debt Management Guidelines

The state universities of Florida and their direct support organizations (“DSOs”) have funded significant investments in infrastructure, such as buildings, equipment, land, For purposes of these guidelines:

## III. GENERAL DEBT ISSUANCE GUIDELINES

### Approval Process and Required Information

Timing. The submission of proposed debt for approval by the Board shall be governed by the following process[1]:

a) Following approval by the board of trustees, the university shall transmit to the Board Office a request for debt approval 90 days prior to the next regularly scheduled meeting of the Board. The university shall also provide a copy to the State Division of Bond Finance ("DBF"). The formal transmittal to the Board Office shall be in duplicate, hard copy, and bound in a three-ring binder, and include all the information required by these guidelines. Electronic copies of supporting documentation should be provided to the Board Office and the DBF, to the extent available. The formal letter of transmission must be signed by the official point of contact for the university, and any exceptions to these Debt Guidelines shall be noted and explained.

b) During the review period, the Board Office shall review the information submitted for compliance with these guidelines and state law, analyze general credit issues associated with the proposed indebtedness, and review any analysis provided by DBF staff.

c) Board and DBF staff shall jointly discuss with the university or DSO any issues, concerns or suggestions resulting from the review during the review period. As a result of these discussions, the university may amend the information submitted or explain why the suggestions were not incorporated. The Board Office will advise the university if it believes that any amended information is so significant that re-authorization by the board of trustees and/or DSO is required. During this period, if the debt being requested for approval is to be issued by DBF on behalf of a state university, DBF shall submit to the Board Office a form of a resolution for adoption requesting that DBF issue the debt.

d)

of the issuance of debt. Additionally, the university or DSO shall complete the "Checklist of Information Required for Submission to the Board Pursuant to Debt Management Guidelines," and provide any additional information requested by the Board Office or DBF staff in connection with review of any proposed debt issuance.

a) A resolution of the DSO board of directors approving the debt issuances, if applicable, and a resolution of the university board of trustees approving the debt issuance and authorizing the university to request Board approval of the debt issuance. For debt to be issued by DBF, at the request of the university, DBF staff will work with the university to determine a not-to-exceed amount of debt to be included in the board of trustees requesting resolution to the Board and in preparing required debt service and source-and-use schedules.

b) The project program, feasibility studies or consultant reports (if available), and an explanation of how the project being proposed is consistent with the mission of the university and a

p) If a request is made to employ a negotiated method of sale, an analysis must be provided supporting the selection of this method that includes a discussion of the factors set forth in section IV of these Guidelines.

q) A description of the process used to select each professional engaged in the transaction, showing compliance with the competitive selection process required by these Guidelines. Specific contact information for each selected professional must be included and, at a minimum, should disclose the professional's name, firm name, address,email address, phone number and facsimile number.

r) The most recent annual variable rate debt report.

s) An analysis must be prepared and submitted which provides quantitative metrics justifying the need for the construction or acquisition of the project and explains why the project is essential to the university's core mission. There must also be a detailed assessment of private sector alternatives, and a determination of whether the private sector can offer a comparable alternative at a lower cost. This information may be included as part of a project feasibility study or may be a stand-alone report.

t) An analysis must be prepared which calculates the expected return on investment or internal rate of return for a revenue-generating project or another appropriate quantitative measure for a non-revenue generating project.

Approval. The Board will consider the following factors in connection with its review and approval of university or DSO debt issuance.

a) The debt is to provide funding for needed capital outlay projects of the university for purposes consistent with the mission of the university.

b) The debt is being issued in compliance with the principles and guidelines set forth herein.

c) The project information submitted is reasonable and supportable.

d) The five-year projection of pledged revenues available to pay debt service should provide debt service coverage of at least 1.20x for both outstanding parity debt and for the proposed new debt, combined, for all years within the five-year projection period after giving credit for any capitalized interest and other revenues available for payment.

e) Any requirements for the issuance of additional parity debt can be reasonably expected to be met.

## Purposes for Which Debt May Be Issued

Debt may be issued only to finance or refinance capital outlay projects as defined in these guidelines, including equipment and software; debt may not be approved to finance or refinance operating expenses of a university or a DSO.

Refunding bonds may be issued to achieve debt service savings. Refunding bonds may also be issued to restructure outstanding debt service or to revise provisions of

and DBF. The Board Office and DBF will coordinate with the university and/or DSO on the appropriate level of engagement by the Board Office and DBF for any given call, draft report, site visit, etc., as determined by the Board Office and DBF. The Board Office and DBF must be copied on any communications between the university and/or the DSO and any rating agency. Each university and DSO must provide all information relating to credit ratings or disclosure to the Board Office and DBF and respond timely to requests from the Board Office and DBF for any information necessary to facilitate activities relating to credit ratings or appropriate disclosure.

d) The Board Office will maintain a comprehensive listing of all university and DSO ratings.

## Tax Status

The universities have traditionally issued tax exempt debt which results in significant interest cost savings compared with the interest cost on taxable debt. Accordingly, all university and DSO debt should be issued to take advantage of the exemption from federal income taxes unless the university demonstrates that the issuance of taxable debt is in the university's best interest. With respect to debt which has a management contract with a private entity as part of the security feature, the management contract should comply, to the greatest extent practical, with tax law requirements to obtain tax exemption for the debt.

## Security Features

Pledged Revenues. The debt issued by universities and their DSOs may on ( )]T Q BT /H2 (

to a student housing facility; or shared infrastructure (e.g. water lines, sewer lines, utilities, plaza areas) located within reasonably close proximity to both the Facility and the Supporting Auxiliary Enterprise. While representations that a Facility will provide general benefits to or enhance the experience of the student body are desirable, this factor alone is not determinative in and of itself to establish a functional relationship between the Facility and the Supporting Auxiliary Enterprise's revenues.

Lien Status. All bonds of a particular program should be secured by a first lien on specified revenues. Additionally, bonds should generally be equally and ratably secured by the revenues pledged to the payment of any outstanding bonds of a particular bond program. However, the creation of a subordinate lien is permissible if a first lien is not available or circumstances require.

Reserve Fund. Debt service reserve requirements may be satisfied by a deposit of bond proceeds, purchase of a reserve fund credit facility, or funding from available resources over a specified period of time. In the submission of a request for debt issuance, it is preferred, though not required, that the bond size for the proposed debt include provisions for funding a reserve from bond proceeds. This will ensure that in the event the university is unable to obtain a reserve fund credit facility it will still have an authorized bond amount sufficient to fund its needs. Debt service reserve requirements may also be satisfied with cash balances.

Credit Enhancement. Credit enhancement is used primarily to achieve interest cost savings. Accordingly, the state universities and their DSOs should consider the cost effectiveness of bond insurance or other credit enhancements when evaluating a debt issuance and the overall cost thereof. Any bond insurance or credit enhancement should be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings to result from their use. The primary determinant in selecting insurance or other credit enhancement should be price financing. Debt issued to finance equipment and software may not be longer than five years or the useful life of the asset being financed, whichever is shorter. Lastly, the final

iii) the amount of variable rate debt in relation to the amount of the university's and/or DSO's short-term investments, and any other strategies used to hedge interest rate risk.

## Other Types of Financings

Refunding Bonds. Generally, refunding bonds are issued to achieve debt service savings by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no similar limitation for tax-exempt current refunding bonds. The following guidelines should apply to the issuance of refunding bonds, unless circumstances warrant a deviation therefrom:

a) Refunding bonds should be structured to achieve level annual debt service savings.
b) The life of the refunding bonds should not exceed the remaining life of the bonds being refunded.
c) Advance refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 5% of the par amount of the bonds being advance refunded. The 5% minimum target savings level for advance refundings should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-

# IV. METHOD OF SALE AND USE OF PROFESSIONALS

## Analysis of Method of Sale

It is in the best interests of the universities and their DSOs to use the method of sale for their debt that is expected to achieve the best sale results. Based upon the facts and circumstances with regard to each individual financing, it may be more appropriate to sell debt through either a competitive sale or through negotiation. Accordingly, the universities and their DSOs may utilize either a competitive or negotiated sale. If, however, a request is made for a DSO to sell debt using a negotiated sale, the university must provide the Board with an analysis showing that a negotiated sale is desirable. The analysis should include, but not necessarily be limited to, a consideration of the following factors:

a) Debt Structure
   i) pledged revenues – strong revenue stream vs. limited revenue base;
   ii) security structure – conventional resolution, cash flow, rate and coverage covenants vs. unusual or weak covenants;
   iii) debt instrument – traditional serial and term bonds vs. innovative, complex issues requiring special marketing; and
   iv) size – a smaller transaction of a size which can be comfortably managed by the market vs. a large size which the market cannot readily handle.

b) Credit Quality
   i) ratings – “A” or better vs. below single “A”; and
   ii) outlook – stable vs. uncertain or “ A int(a)2e((4 0 r-2.91 DC 0.0D 10a(2)2 (iu) (a)2 (n)6gm

## Report on Sale of Bonds / Debt

The university or DSO shall prepare a report on the sale of bonds or anytime it incurs debt. The report shall be prepared and provided to the Board as soon as practicable but in no event later than one month after closing the transaction, in the format and manner provided by the Board, which at a minimum shall include the following:

a) The amount of the debt.
b) The interest rate on the debt.
c) A final debt service schedule or estimated debt service schedule if a variable rate debt or the interest rate is subject to adjustment.
d) Any aspect of the transaction that was different from the transaction submitted for approval.
e) Itemized list of all fees and expenses incurred on the transaction, including legal fees.
f) For negotiated sale of bonds:
    i) the underwriters' spread detailing the management fee;
    ii) takedown by maturity and aggregate takedown;
    iii) any risk component and an itemized list of the expense component;
    iv) orders placed by each underwriter and final bond allocation;
    iv) total compensation received by each underwriter; and
    vi) any report or opinion of the financial advisor.
g) Final official statement for publicly offered bonds.
h) Bond insurance or any other form of credit enhancement and the terms thereof.
i) Credit rating reports.

# V. DISCLOSURE

## Primary Disclosure

Universities and DSOs shall use best practices in preparing disclosure documents in connection with the public offer and sale of debt so that accurate and complete financial and operating information needed by the markets to assess the credit quality and risks of each particular debt issue is provided.

Changes in pledged revenues
Debt acceleration
Cross default
Changes to remedies provided to investors
Variable rate refundings
Other actions that may reduce debt service coverage or credit ratings
Termination or modification of swap agreements
Use of derivatives

## VII. EFFECT

The foregoing guidelines shall be effective immediately and may be modified from time to time by the Board as circumstances warrant. The Board has the authority to approve deviations from these Guidelines after considering the facts and circumstances of each case, but any such exception shall comply with state law requirements and shall not establish a precedent applicable to these guidelines or any other financing transaction. The guidelines are intended to apply to all university and DSO debt, and not to adversely affect any university or DSO debt currently outstanding or projects approved by the Board or board of trustees prior to, or existing, as of January 26, 2006.

Authority: Section 7(d), Art. IX, Fla. Const., History: New-27-06, Amended 9-16-10, Amended 1-21-13, Amended 9-22-16, Amended 3-23-21, Amended 9-14-22.