

FAU FINANCE CORPORATION

Item: 1

BOARD OF DIRECTORS

Thursday, December 9, 2010

SUBJECT: ROLL CALL AND APPROVAL OF THE MINUTES OF THE AUGUST 12, 2010 FAU FINANCE CORPORATION BOARD OF DIRECTORS MEETING.

PROPOSED BOARD ACTION

Initiate roll call to document member participation to ensure that appropriate quorum numbers are achieved and to approve the minutes of the August 12, 2010 Board of Directors meeting.

BOARD MEMBERS

Mr. Dennis Crudele, Chair	___
Mr. Scott Adams, Vice Chair	___
Mr. Peter LoBello	___

FAU FINANCE CORPORATION
BOARD OF DIRECTORS MEETING
Thursday, August 12, 2010
President's Conference Room – Room 340, Boca Raton Campus
Call-in Number 1-888-537-7715 / Passcode 59289651#

DRAFT MINUTES

1. ROLL CALL AND APPROVAL OF MINUTES OF THE JUNE 29, 2010 FAU FINANCE CORPORATION BOARD OF DIRECTORS MEETING.

Handout: Draft Minutes of the June 29, 2010 FAUFC Meeting.

The meeting of the FAU Finance Corporation **Board of Directors** (FAUFC **BOD**) was convened by Chairman Mr. Dennis Crudele at 2:31 p.m. Roll call commenced, confirming quorum, with the following board members in addition to Mr. Crudele, present:

Mr. Scott Adams (via teleconference) and Mr. Peter LoBello.

The following University officials were in attendance:

Ms. Stacey Semmel, FAUFC Secretary/Treasurer; Ms. Audra Lazarus, FAU Associate General Counsel; Mr. David Kian, FAU Senior Vice President for Strategic Relations and General Counsel; and, Ms. Linda Elliott.

Upon call, a motion was made by Mr. LoBello and seconded by Mr. Adams to approve the minutes of the June 29, 2010 meeting without change or correction. **The motion passed unanimously.**

2. REVIEW OF REVISED PROPOSALS AND SELECTION OF AN AUDITOR FOR FAUFC AUDIT AND TAX SERVICES FOR FISCAL YEAR 2010-11.

Handout: Proposals from McGladrey & Pullen, LLP with New Pricing Information and Gerstle, Rosen & Goldenberg, P.A.

Mr. Crudele reminded members that during the June 2010 FAUFC **Board BOD** meeting, the Board had authorized Ms. Semmel to enter **into** pricing renegotiations with McGladrey & Pullen, LLP. Ms. Semmel advised members that the first proposal charged \$19,200 for audit services and \$1,500 for tax services for a total of \$20,700. The new pricing offer reduces the audit fee to \$15,000 but maintains the tax fee at \$1,500 for a total of \$16,500; a reduction of \$4,200.

Mr. Crudele, recognizing the capabilities of this company, expressed confidence that this company would fulfill the needs of the FAUFC for the next few years. Clarification

was provided that the new pricing quote was limited to a one year only fee commitment.

Discussion ensued with Mr. LoBello recommending that in the future the bidding processes be expanded and more inclusive of other service providers. Agreement was provided to expand bid requests in the future.

A motion was then made by Mr. Adams and seconded by Mr. LoBello to select the auditing and tax services of McGladrey & Pullen, LLP and to delegate to the FAUFC Chair the authority to enter into negotiations and execute or amend related documents and agreements. **The motion passed unanimously.**

3. APPROVAL OF THE FAU INNOVATION VILLAGE STADIUM PROJECT FINANCING PLAN.

Handout: Proposed Resolution, Table of Sources and Uses of Funds, Stadium Operating Pro Forma, C.H. Johnson Consulting, Inc. Football Stadium Market and Financial Analysis.

Mr. Crudele addressed this item providing members with background information on the football stadium phase of the Innovation Village Project. He noted that currently home football games are played at Lockhart Stadium in Ft. Lauderdale in facilities that are not up to standards and needs of a Division 1-A NCAA program. An on-campus stadium not only addresses those issues but will continue the effort to transform the Boca Raton campus to provide students a more traditional university experience and enhance both student recruitment and retention.

The proposed stadium construction and associated soft costs will total approximately \$63.5 million (not including capitalized interest of approximately \$2.8 million, the debt service reserve fund of approximately \$2.6 million and financing costs of approximately \$873,000), for a total project cost of \$69,831,981.

Recognizing that an increased equity investment in this project by the University would lower payments and make the project more viable to the FAU Board of Trustees (BOT), the Board of Governors (BOG), and the Division of Bond Finance (DBF), the University is committing \$20.3 million. This funding is in addition to the \$4.9 million that the university received from the Innovation Village Housing (IVH) financing and has been used for shared infrastructure expenses. Mr. Crudele noted that the additional university funding has been realized by the commitment of available, non-recurring dollars from areas including Facilities, the FAU Foundation, Inc., and Student Affairs, among other entities.

With the loan need reduced to approximately \$44.6 million, the debt service coverage is projected at approximately \$2.6 million. This projected debt service coverage is based on a net interest rate of 4.25 percent. The financing structure includes the FAUFC

issuing Build America Bonds and claiming its federal subsidy of 35 percent for this debt, which if applied to the current market taxable rate would bring the effective interest rate to an estimated 3.84 percent.

For the first year of stadium operations estimated revenues are at approximately \$6.9 million with expenses projected to be \$1.15 million. The projected annual debt service coverage ratio at 2.21 is far above the 1.2 percent coverage required under the debt management guidelines adopted by the BOG, the BOT and the FAUFC BOD.

Mr. Crudele commented on the current favorable market conditions and associated interest rates and on the coordinated efforts of FAU's Financial Affairs and General Counsels Offices with Craig Dunlap (Dunlap & Associates, Inc.) in developing this financing plan. Members were reminded of Mr. Dunlap's efforts in developing the IVH financing and were informed of his association in developing the University of Central Florida and Florida International University's previously approved BOG stadium financing plans.

It was noted that FAU's stadium financing plan is scheduled to be reviewed for approval by the BOG at its September 15-16, 2010 meetings. Upon approval, it is anticipated that the loan will close in September/October 2010 with construction to commence enabling FAU's first home game in the new stadium in 2011.

Discussion followed confirming for members that the additional University funding contribution is cash in hand, not a commitment, and constitutes a one-time non-recurring use of reserve funds (un-appropriated). Additionally, while no funding-raising is necessary to raise this funding contribution, a capital campaign is planned through University Advancement, with the assistance of the Athletics Department, to raise approximately \$6 million for use as a principle reduction reserve fund. Mr. Crudele explained that the loan will be issued as thirty (30) year fixed rate loan but contains a put option whereby the bank has the option to call the note in year seven (7). This feature carries the risk of increased interest rates and the reserve will be built to mitigate that factor. Other mitigation options include renegotiating the interest rate or refinancing the loan.

The put option is the most significant risk in the financing structure. Mr. Kian discussed thoroughly the put option as the right of Regions Bank to call the outstanding principal of the stadium loan after year seven (7). If they Regions Bank exercises the put option right, the FAUFC can pay off the principal if the cash is available, refinance it through the market, issue bonds, or negotiate/reset the interest rate with Regions Bank based on a pre-determined formula.

The plan to mitigate the put option/higher interest rate risk is the creation of a principal reduction reserve fund from the capital campaign plus operating surpluses. The BOT will require the FAUFC to report annually the balance of this fund; it will always be an

amount that is at least as much as is necessary to buy down the outstanding principal to an amount that will keep the debt service level after the interest rate resets.

With no further discussion, a motion was made by Mr. LoBello and seconded by Mr. Adams to approve the adoption of a resolution authorizing the issuance of debt by the FAUFC as a direct support organization of the University and requesting the FAU BOT to approve the issuance of debt in an amount not to exceed \$44,585,000 for the purpose of financing the construction of certain football stadium facilities to be located on the Boca Raton campus of the University and further authorizing the Chair of the FAUFC and other authorized representatives to take all actions and steps, execute all instruments, documents and contracts, and take all other actions as necessary or desirable in connection with the execution, sale and delivery of the debt. **The motion passed unanimously.**

5. **ADJOURNMENT OF MEETING.** With no further discussion issues put forth, **the meeting was adjourned at 2:50 p.m.**