FAU FINANCE CORPORATION

Board of Directors

Minutes

Monday, January 27, 2025, 11:30 AM.

1. **ROLL CALL AND APPROVAL OF THE MINUTES OF November 15, 2024, and December 17, 2024, OF FAU FINANCE CORPORATION (FAUFC) BOARD OF DIRECTORS.**

   Chair Roland Valdivieso convened the FAUFC BOD meeting in person and via Teams at 11:30 a.m. The roll call commenced, confirming the quorum, with the following members participating in addition to Mr. Valdivieso: Mr. Pablo Paez, Mr. Scott McCleneghan, and Mr. Joseph Ambrosio.

   No public comments.

   The following officers were in attendance:
   Mr. Jayson Iroff, Executive Director and VP of Financial Affairs & CFO

   The following university participants attended:
   Dr. Larry Faerman, Vice President of Student Affairs; Ms. Elizabeth Rubin, Associate General Counsel. Dr. Brian Fisher, Associate VP for Student Affairs and Operations; Mrs. Azita Dotiwala, Director of Budget and Planning; Mrs. Milena Alban, Director of University Budget; Mr. Matt Eisner, Associate Director of Financial Strategy and Analytics; Ms. Louisa Kelly, Associate VP of Financial Operations and University Controller; and Mrs. Henri Padron, Executive Assistant.

   The following guests were in attendance:

   Mr. Will Milford, Bryant Miller, Oliver P.A Mr. Ken Artin, CPA, James Moore Company.

   A motion was made and seconded to approve the November 15, 2024, and December 17, 2024, minutes without change or correction. **The motion passed unanimously**.

2. **<u>Reduction of Outstanding Stadium Bonds</u>:**

   Mr. Jayson Iroff provided an update on the review of Mr. Will Milford's recommendation. During our previous meeting, we identified a computational error, indicating that private business use was approximately 9.99%, just below the 10% threshold that necessitates remedial action. Initially, we recommended taking such action. However, after revisiting our analysis with more nuanced assumptions, we've revised the private business use estimate to 8.47%, providing a comfortable margin below the threshold. Further, by incorporating guidance from the naming rights consultant, who advised that only a portion of the $1.2 million annual sponsorship pertains to stadium naming rights, our estimate decreases to 1.9%. In the event of an IRS audit, we would present the 1.9% figure, supported by the consultant's analysis, and retain the 8.47% calculation as a fallback. We are confident that the naming rights agreement will not adversely affect the tax status of the bonds. Mr. Jayson Iroff, we request approval to rescind the last board action on this, not to reduce the 3.2 million outstanding principles. Mr. Pablo Paez, you're representing that you have a legal opinion that's been executed. It has been thoroughly reviewed, and you feel that you have that in hand and are comfortable recommending that we take that action. Mr. Will Milford said yes. Mr. Pablo Paez, I move to rescind the prior action by the board.

A motion to approve the rescission of the prior action by the board not to reduce the 3.2 million outstanding principal. It was made, seconded, and approved. **The motion passed unanimously.**

Mr. Jayson Iroff explains that this year's budget approach is different due to a requirement from the Division of Bond Finance (DBF). In past years, the operating and capital budgets for housing had to be separated because DBF finances some housing debt and requires an operating budget by February 28th. To comply, the budget process was accelerated instead of following the usual timeline through May and June. The goal was to meet DBF's February deadline and present it to the BOT next week. This accelerated process will only be necessary for two more cycles, as the debt will likely be refinanced under the Finance Corporation in 2027, eliminating the need for separate budgets. The finance and housing teams worked hard under tight deadlines, starting in early January when second-quarter books hadn't even closed, to complete projections and the budget quickly. While the process was challenging, it is expected to improve next year and become unnecessary after 2027.

3. **FAU Finance Corporation FY 25-26 Housing Budget:**

Mr. Jayson Iroff presents the FAUFC FY 25-26 housing budget. The presentation focused on key slides summarizing the housing system's performance and budget plans. The budget format aligns with the legal and audited financial structure, which should improve consistency and understanding over time.

Current Year Performance (FY25 Projection):

- Operating revenues are projected to miss the budget by $52,000 (0.1%) due to conservative estimates related to enrollment fluctuations and fees.
- Operating expenses are primarily under budget, except for repairs and maintenance, which exceeded due to unplanned costs like emergency projects, fire sprinkler issues, water intrusion repairs, and non-capitalized minor repairs (e.g., roofing, A/C). A $350,000 cleaning expense will be reclassified to other operating expenses.
- Non-operating revenue is down $1.1M due to lower athletic revenues (game day guarantees), though stadium naming rights will improve this in future years.
- Interest income is performing significantly better than budgeted due to reserve growth and the $128M housing project drawdown.
- Despite higher repairs and lower athletic revenue, overall net revenues are expected to outperform the budget by $1.3M.

Capital Projects:

- $12.6M in capital projects is planned across FY25 and FY26, with a total of $14.6M projected through FY27.
- Major focus on repairs and improvements at University Village Apartments, Indian River Towers, Glades Park Towers, and Innovation Village Apartments.
- A detailed 5-year capital and maintenance plan is being developed based on an external facility evaluation, to be presented later.

Next Year's Budget (FY26 Proposal):

- Operating revenue is expected to increase by 3.2% ($1.5M), with rental rates rising 5%, but a conservative approach to other fees and enrollment.
- Operating expenses have been adjusted to reflect better actual trends, including increasing the repairs and maintenance budget to $3.6M.
- Non-operating revenue is projected to rebound to $6.4M due to stadium naming rights.
- The transfer to athletics includes $320,000 earmarked for stadium capital maintenance.
- Interest expenses will rise due to new housing project debt.
- Capital project spending will be $7M, with $6.4M in principal debt payments.

Overall Outlook:

- Performance is strong, with future budgets aligning more closely to actual spending patterns.
- Capital and maintenance investments are being prioritized with a long-term planning approach in place.

The outstanding debt schedule confirms that all coverage ratios are being met. The 2017 senior debt (2.61% interest) will require refinancing in October 2027, with a 5% placeholder rate used for projections to ensure covenant compliance. The goal is to transition this debt under the Finance Corporation umbrella for simpler management. Interest earnings projections estimate $3.2 million, assuming a 4% return from January to June 2025 and 3% thereafter, reflecting a conservative approach. Reserves and balances show $55 million combined, restricted, and unrestricted (excluding $128 million for a housing project). Balances have remained stable over six months, indicating operations are funding activity without depleting reserves. The 5-year capital plan and reserve levels are sufficient for future operational and capital needs. Lastly, the FY26 budget is formally presented for board approval.

A motion to approve the FAUFC FY 25-26 budget was made, seconded, and approved. **The motion passed unanimously.**

ADJOURNMENT OF MEETING. With no other issues to discuss, a motion was made and seconded to adjourn the meeting. The meeting adjourned at 12:07 pm.