



UCF Board of Trustees

Budget and Finance Committee

September 27, 2024

Agenda Item

INFO-4: Stadium Expansion Project Bank Loan Provider and Underwriter Selection Update

Proposed Action

This information is being presented for informational purposes only.

Authority for Board of Trustees Action

Florida Statutes s.1010.62, Revenue Bonds and Debt

Board of Governors Debt Management Guidelines

Board of Governors Regulation 9.011(2)(b) - University Direct Support Organizations and Health Services Support Organizations

Supporting Documentation Included

Attachment A: Regions Bank Loan Term Sheet

Attachment B: JP Morgan Underwriter Proposal

Attachment C: JP Morgan Revised Fee Underwriter Proposal

Facilitators/Presenters

Gerald Hector, Senior Vice President for Administration and Finance

Bert Francis, Assistant Vice President for Debt Management and University Treasurer

Summary of Key Observations/Recommendations

Selection Committee Process:

- A selection committee was formed to evaluate bank loan offers for the Stadium Expansion Project and select underwriting professionals for the new bonds.

Bank Loan Provider Selection:

- **Selected Provider:** Regions Bank
- **Key Reasons for Selection:**
 - Regions Bank has a strong history of partnership with UCF, having financed the Burnett Biomedical Sciences Building for the UCF Finance Corporation and the Roth Administration Center for UCF Athletics.
 - The bank provided a competitive fixed interest rate of 5.56%, significantly lower than the 6.5% rate assumed in the original proforma.
 - They met all terms outlined in the ITN, including:
 - An extended amortization schedule to address potential fluctuations in contract Tourist Development Tax (TDT) funding.
 - A no-cost prepayment option at any time from TDT funds, and a no-cost prepayment option from any other external sources after two years.
 - Flexible terms, covenants, and conditions that align with the project needs.

Bond Underwriting Selection:

- **Selected Provider:** JP Morgan
- **Key Reasons for Selection:**
 - JP Morgan offered the lowest overall cost structure:
 - \$2 per bond in takedown fees.
 - Capped underwriting expenses at \$30,608.
 - They have substantial recent experience with similar financing deals:
 - The leading professional with JP Morgan worked on TDT related financings for the Orlando Magic, Dr. Phillips Center for the Performing Arts, and Citrus Bowl.
 - JP Morgan served as the Underwriter for the Florida State Athletics Association revenue bonds issued in June 2024
 - Their expertise and competitive rates were deemed well-suited to the specific requirements of this bond issuance.

Conclusion:

- Regions Bank and JP Morgan were selected as the bank loan provider and bond underwriter, respectively, due to their strong track records, competitive terms, and alignment with the project's financial needs.

Additional Background

In March 2024, the UCF Board of Trustees approved the issuance of up to \$100 million in debt to finance the expansion of the university's stadium. The project, which is estimated to cost \$88 million, will be funded through a combination of a direct placement bank loan and bond proceeds.

Project Funding and Issuance Resolution: The project's funding plan includes a loan issuance of up to \$70 million and a bond issuance of up to \$30 million. While the estimated project cost is \$88 million, the Board approved flexibility in the issuance amount, allowing adjustments to be made based on actual project costs, provided the total par amount does not exceed \$100 million.

Loan and Bond Structure: The loan is structured as a fixed-rate taxable loan with a maximum maturity date of 2039, following a level debt service schedule after an initial period of capitalized interest. The anticipated taxable market rate for the loan was originally 6.5%. The bond issuance, also fixed-rate and approved for a taxable issuance, will have a maximum maturity date of 2054, with repayment structured on a level debt service schedule after capitalized interest. After further discussions with bond counsel, it is believed that a significant portion of the bonds can be issued as nontaxable, but the final amounts are still being determined. The anticipated average coupon rate for the bonds was originally 6.17%.

Security: The loan will be secured by a first lien on TDT receipts and a subordinate lien on the pledged revenues of the UCF Stadium Corporation.

TDT Funding Approval: In October 2023, the Orange County Board of County Commission approved the allocation of \$90 million in TDT funding for the stadium expansion. This contribution will be made solely from Excess TDT Revenues, with annual contributions of up to \$10 million expected to begin in December 2024 and continue through December 2032. If the full \$10 million is not reached in any given year, UCF is entitled to additional catch-up payments in future years until the full \$90 million contribution is met. In March 2023, the UCF Board of Trustees approved the Funding Agreement between UCF and Orange County and in May 2024, Orange County fully executed the agreement.

Revenue Projections: The expanded premium seating in the stadium is projected to generate over \$2.4 million in new annual revenues, based on a conservative estimate that 80% of the premium offerings will be sold at higher pricing levels. These projections were confirmed by a feasibility study conducted by Legends Project Development.

Approval and Current Status: In June 2024, the Board of Governors approved the debt issuance. Since then, we have solicited offers for a private placement bank loan for a maximum of \$70 million, payable from TDT funds, and for underwriting services to manage the issuance of \$30 million in bonds secured by existing stadium revenues. This memo serves as an update on the selection of the bank loan provider and underwriting professionals.

Implementation Plan

The financing plan for the UCF Stadium Expansion is moving forward as scheduled. The direct placement bank loan is projected to close in October 2024. The final loan documents will be taken to both the UCF Stadium Corporation Board and the UCF Board of Trustees for final approval when they are available. Following the loan closure, the bond issuance, which will be secured by the existing stadium revenues, is expected to be priced and sold shortly thereafter. This timeline ensures that all necessary funds will be in place to support the project's commencement and continued progress.

Resource Considerations

It is projected that the debt incurred for the UCF Stadium Expansion will be fully repaid through a combination of TDT revenues and the new revenues generated from the expanded premium seating offerings. This strategy is expected to prevent any negative cash flow impact on the UCF Athletics Association when the expanded facility is operational, ensuring that the transfer of stadium surplus funds to the UCF Athletics Association is not negatively affected.