



UCF Board of Trustees

Budget and Finance Committee

December 5, 2024

Agenda Item

INFO-3: UCF Stadium Tower Expansion Project Debt Update

Proposed Action

This item is being presented for information purposes only.

Authority for Board of Trustees Action

Florida Statutes s. 1010.62, Revenue Bonds and Debt
Florida Board of Governors Debt Management Guidelines

Supporting Documentation Included

Attachment A: UCF Stadium Corporation Regions Bank 2024 Loan Agreement
Attachment B: Preliminary Stadium Series 2024A&B Bond Estimates

Facilitators/Presenters

Gerald Hector, Senior Vice President for Administration and Finance and Chief Financial Officer
Bert Francis, Assistant Vice President for Debt Management and University Treasurer

Summary of Key Observations/Recommendations

On October 30, 2024, the UCF Stadium Corporation successfully closed on a bank loan with Regions Bank to finance the UCF Stadium Tower Expansion Project. The loan carries a fixed interest rate of 5.56% and offers flexibility for prepayment, with no penalty if paid from the Tourism Development Tax (TDT) dollars at any time, and from other sources after two years.

The loan's final principal amount totals \$63,193,917, which provides funding in the following breakdown:

Project Funding: \$57,241,137

Liquidity Reserve Account: \$5,513,582

Capitalized Interest: \$439,198

With the conclusion of the Orange County's fiscal year on September 30, 2024, we have received the final report on Tourism Development Tax (TDT) collections. The total collections for the year amounted to \$359,464,600, reflecting a modest increase of 0.04% over the prior year. Notably, this figure surpassed the ceiling established in our funding agreement of \$338,375,000 by more than \$21 million, ensuring that the first full distribution of \$10 million will be made on December 1, 2024, with substantial excess available to support the project.

In addition to the bank loan, the UCF Stadium Corporation is preparing for the issuance of bonds by the end of the calendar year, with an estimated par value of \$26.4 million. These bonds will provide the remaining funding necessary for the Stadium Tower Expansion Project. The bond issuance will be structured in two series: a Taxable Series with an estimated value of \$15.4 million and a Tax-Exempt Series with an estimated value of \$11 million. We anticipate the final bond pricing will occur at the end of November, with the goal to sell the bonds within the first two weeks of December.

After receiving the final Guaranteed Maximum Price Contract, the total cost of the Stadium Project has been revised from \$88 million to \$90 million. The project still maintains a strong contingency reserve of over 7.5%. Additionally, it was decided to capitalize interest during FY 2025-2026, which will increase the par value of the loan by approximately \$1.9 million. This adjustment will, however, eliminate the out-of-pocket debt service costs initially expected to be covered by athletics reserve funds during the construction period, amounting to the same \$1.9 million.

We fully expect that the debt will be issued in line with the approval authority granted by the UCF Board of Trustees in March 2024 and the Florida Board of Governors in June 2024. Despite the increase in project costs and the decision to capitalize interest, the estimated debt service on the bonds is approximately \$1.9 million, which is less than the original projection of \$2.1 million for the project.

In the event that market conditions do not align with our pricing objectives by the end of November, we may choose to defer the bond issuance to January, ensuring the best possible terms for the project.

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 originally included an estimated cost of \$88 million and will be funded through a combination of a direct placement bank loan and bond proceeds.

Project Funding and Issuance Resolution: The project's original funding plan included a loan issuance of up to \$70 million and a bond issuance of up to \$30 million. While the estimated project cost was \$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 (Approximately \$10 million) of the bonds can be issued as nontaxable. 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.

Implementation Plan

N/A

Resource Considerations

N/A