Capital Liability Management Plan

FY 2022 - 2026

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Strategy & Fiscal Affairs Division – Finance Department
Presentation Summary

I. History of USG Alternative Financing Programs

II. Overview of USG Public Private Venture (PPV) Lease Obligations & Liability Ratio

III. Summary of Refinancing Activity and Financial Performance for USG Portfolio

IV. Capital Liability Management Plan FY 2022-2026

V. Update on Multi-Year Leases and Action Item
History of USG Alternative Financing Programs

**Payback Projects**
- Facilities supported by mandatory fees
- Parking, housing and food service facilities
- Financed by State through issuance of General Obligation (GO) bonds
- Annual debt service was paid by USG institutions through reduced appropriation
- Revenue used to replace the institution’s reduced appropriation

**PPV Projects**
- Non-core academic facilities
- Student housing, dining halls, parking lots, recreation facilities, student centers and research buildings
- Institution’s foundation issue bonds
- BOR enters into rental agreement
- Debt is paid in full, project transferred to BOR

**Georgia Higher Education Facilities Authority (GHEFA)**
- Authorized revenue bond issuances for USG & Technical College System of Georgia
- Pooled statewide projects
- Single bond issuance
- Original authorization was $300 million; increased in 2012 to $500 million
- USG Foundation serves as owner
- Facility transferred to BOR once debt paid in full

**P3 Projects**
- Develop, construct, manage, renovate & maintain student housing on 9 campuses.
- Authorized revenue bond issuances for USG & Technical College System of Georgia
- Pooled statewide projects
- Single bond issuance
- Original authorization was $300 million; increased in 2012 to $500 million
- USG Foundation serves as owner
- Facility transferred to BOR once debt paid in full

**U.S. Dept. of Agriculture (USDA)**
- Direct non-recourse loan for rural projects
- No penalty for prepayment
- FVSU – Student Housing/Wildcat Commons I – $40.35 million at 2.5% interest rate
- SGSC – Dining, Student Center, Tiger Village I & II - $35.59 million at 3% interest rate

**Lower Cost Financing**
- Historical low interest rates
- Opportunity to restructure existing debt
- A significant portion of the portfolio has reached 10-year call date.
- $358.7 mil in savings since FY17
PPV Lease Obligations
FYE 2021 $2.86 Billion Outstanding
PPV Lease Payments = $282.41 Million

160 Total PPV Projects
72 Housing, Dining & Bookstores
57 Student/Rec. Centers, Parking, Health & Wellness, Stadiums, Athletic Venues
31 Academic & Research Buildings

New PPV Issuances
Institutions Liability Ratios
June 30, 2021
USG: 2.98%
Public Private Venture Lease Portfolio

FY 2021 Cash Flow Performance

All lease payments paid in full and on time
- 134 projects met or exceeded 1.0X coverage
- 26 projects did not exceed 1.0X coverage
- Three Primary Causes
  - Covid19 related impact
  - Enrollment or occupancy trends
  - Fee exemptions
  - Operating expenses of facility
- Funding gaps typically covered from Project and Auxiliaries Reserves (including Federal Funds)

Portfolio Reserve Fund
- $20.2 Million on deposit
- Projected FY 2023 draw

FY 2021
PPV-Projects Not Achieving 1.0X Coverage

16 Fee Supported Projects
5 are Student Center
9 are Recreation/Athletic Facilities
2 are Parking Facilities

10 Housing Projects
7 Projects are .90 or greater
6 Projects have been refinanced
4 Projects supported by...
Public Private Venture Refinancing Transactions

$358.7 million cash flow savings since FY 2017

- FY 2017 cash flow savings $112.6 million
- FY 2018 cash flow savings $123.9 million
- FY 2019 cash flow savings $32.7 million
- FY 2020 cash flow savings $50.9 million
- FY 2021 cash flow savings $38.6 million
- FY 2022 projected bond refinancing & defeasance transactions
  - Refinancing – 6 projects representing cash flow savings of approximately $28 million
  - Defeasance – 6 projects/$95.8 million in outstanding principal
System-Wide Efficiency Initiatives

### Dining Enabling Contract
- Enabling Contract for Dining Services
- Aladdin Food Management Services
- Vendor is at risk for any operating shortfalls, not the institution
- 17 participating Campuses (meal plans, catering, and retail operations)

### Pooled Insurance Program
- Group insurance for PPV, USDA, and other non-state financed projects
- Marsh USA, Inc.
- $2.2 million total Insurable Value, 12.07 million square feet
- 20 Campuses have properties insured through the Program

### Operation & Maintenance Contract
- Enabling Contract for Student Housing Facility Management Services
- CGL Facility Management, LLC.
- Facilities operation and maintenance services for approximately 10,000 beds
- Five participating institutions include Albany, Clayton, Fort Valley, Savannah, & Valdosta
University System of Georgia  
FY 2022 - 2026  
Capital Liability Management Plan  
(in thousands)  

<table>
<thead>
<tr>
<th>Fiscal Year 2022</th>
<th>Fiscal Year 2023</th>
<th>Fiscal Year 2024</th>
<th>Fiscal Year 2025</th>
<th>Fiscal Year 2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Principal Outstanding - Beginning of Year</td>
<td>$2,951,080</td>
<td>$2,745,638</td>
<td>$2,706,401</td>
<td>$2,656,654</td>
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</tbody>
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- Projected New Issuance
  - PPV and/or GHEFA: 0, 75,000, 75,000, 75,000, 75,000
  - Multi-Year Lease Contracts: 0, 10,000, 10,000, 10,000, 10,000
  - Multi-Year Energy Performance Contracts: 0, 10,000, 10,000, 10,000, 10,000

- Scheduled Retirements: (205,442), (134,236), (144,748), (157,424), (168,167)

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<th>Total Principal Outstanding - End of Year</th>
<th>$2,745,638</th>
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<th>$2,594,230</th>
<th>$2,521,062</th>
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- USG Budgeted and Projected Operating Revenues: $9,771,964, $9,522,547, $9,756,281, $10,007,493, $10,255,681

- PPV Liability Payment Ratio (System Policy Limit of 5%): 2.98%, 3.07%, 3.05%, 3.06%, 3.07%
## USG/BOR Multi-Year Leases

<table>
<thead>
<tr>
<th>Year</th>
<th>Multi-Year Transactions</th>
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<tbody>
<tr>
<td>FY 2015 - 2019</td>
<td>$280 million authorized, $125.2 million utilized primarily at GIT</td>
</tr>
<tr>
<td>FY 2020 - 2022</td>
<td>$50 million authorized; $0 utilized</td>
</tr>
<tr>
<td>FY 2023</td>
<td>$10 million request</td>
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- Georgia Public Library Service Facility
- CODA Computing Center
**Action Item**

**Recommended**: That the Board approve by resolution a request to the Georgia State Financing and Investment Commission (GSFIC) for contract value authority of $10 million for multi-year office leases for FY 2023.
QUESTIONS?

Capital Liability Management Plan
FY 2022 - 2026
Public Private Venture New Construction Activity

**Completed**
- Georgia Institute of Technology – Campus Center
  - Phase I Completed – May 2020

**Under Construction**
- Kennesaw State University – Student Housing
  - Started Construction – Dec. 2020
  - Completion Date – July 2022
- Under Construction

**Under Construction**
- University of Georgia – Student Housing
  - Started Construction – December 2020
  - Completion Date – June 2022

• Construction Status – March 2022

• Construction Status – March 2022
Public Private Venture Renovation Activity

Completed

Kennesaw State University – Howell Hall
• Opened – Fall 2021

Georgia Southern University – Kennedy Hall
• Opened – Fall 2021

Under Renovation

Clayton State University – Laker Village
• Started Renovation – May 2021
• Completion Date – July 2022

Georgia College & State University – Student Housing
• Started Renovation – June 2021
• Completion Date – July 2022

Under Renovation

Georgia Southern University – Freedom Landing
• Started Renovation – August 2020
• Completion Date – July 2022

Savannah State University – University Village
• Started Renovation – November 2021
• Completion Date – October 2022