

Capital Liability Management Plan

FY 2019 - 2023

Cynthia Robinson Alexander

Strategy & Fiscal Affairs – Finance Division

Executive Finance Director



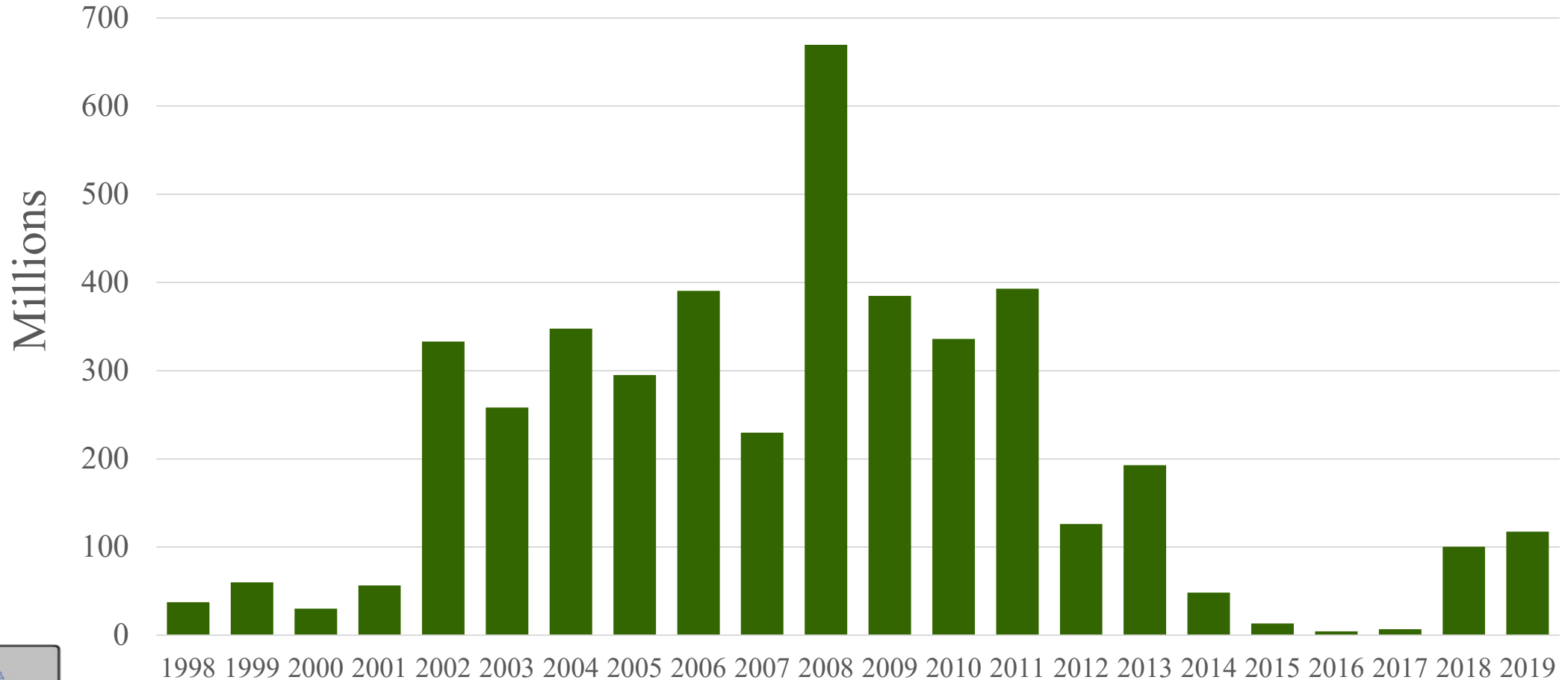
Presentation Summary

- I. FY 2018 Overview of USG Capital Lease Obligations & Capital Liability Ratio
- II. New Activity
- III. Summary of Financial Performance and Refinancing Activity for USG Portfolio
- IV. Capital Liability Management Plan
- V. Update on Energy Performance Contracts
- VI. Action Item: Multi-Year Leases



Capital Lease Obligations

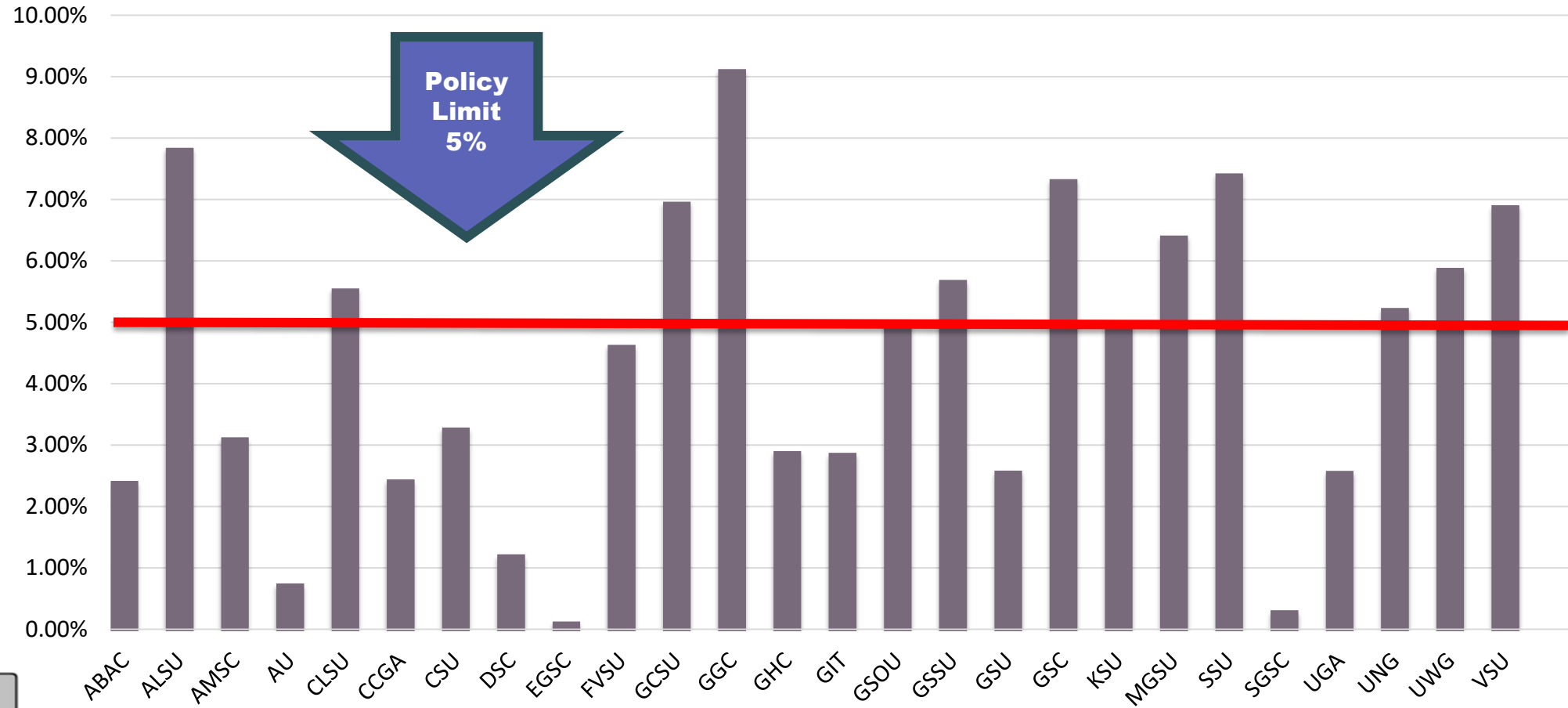
FYE 2018 **\$3.12** Billion Outstanding
Capital Lease Payments = **\$253.06** Million



Institution Capital Liability Ratios

June 30, 2018

USG: 3.28%



FY 2019 New Public Private Venture Activity

Completed in FY2019



- Ga Tech – CODA
- Completed March 2019



- University of West Ga – Health Center
- Completed November 2018

Under Construction



- Ga Tech – Dalney Office Bldg & Parking
- Construction Status – 75%
 - Completion Date – August 2019



- Ga Tech – Lockheed
- Construction Status – 80%
 - Completion Date – June 2019

New Projects



- Ga Tech – Campus Center
- Started Construction – April 2019
 - Phase I Completion – May 2020
 - Phase II Completion – May 2022



- Middle Georgia – Student Housing
- Started Construction – April 2019
 - Completion Date – June 2020



Capital Lease Portfolio

FY 2018 Cash Flow Performance

All lease payments paid in full and on time

- 19 projects did not meet a 1.0X coverage ratio
- Funding gaps typically covered from other auxiliaries
- Causes
 - Enrollment or occupancy trends
 - Expenses
 - Fee exemptions

Capital Liability Management Reserve

- \$19.55 Million on deposit
- No loans outstanding

Fall 2019 PPV-Related Fee Increases

**Valdosta State University
Student Center, Athletic Fieldhouse,
Parking Deck**

**Fort Valley State University
Student Center**

**Gordon State College
Student Center**

**Middle Georgia State University
Recreation Center**

**Atlanta Metropolitan State College
Student Center**

**Kennesaw State University
Sports & Recreation Park**



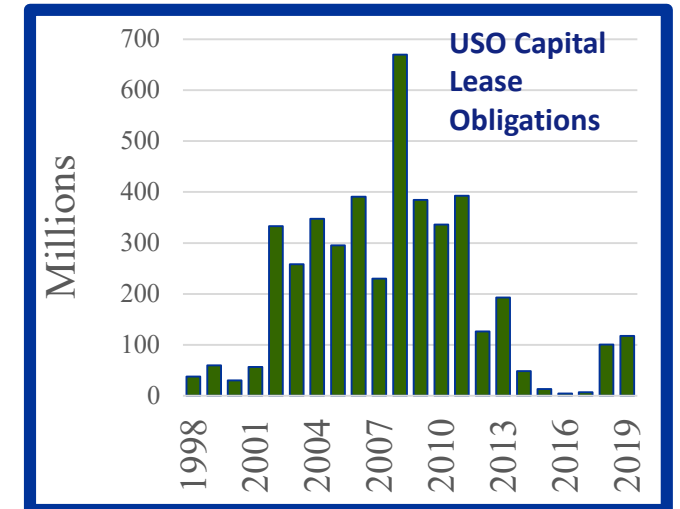
USDA Loan & Refinancing Transactions

USDA Direct Loan Update

- ❑ Fort Valley State University \$40.5 million USDA Loan closed 9/20/18 (savings \$11.2 million) interest rate 2.75%
- ❑ South Georgia State College \$35.59 million USDA Loan scheduled to close on 12/1/19 (savings \$3.7 million) interest rate 3.25%

PPV Refinancing Update

- ❑ FY 2017 cash flow savings **\$112.6 million**
- ❑ FY 2018 cash flow savings **\$123.9 million**
- ❑ FY 2019 cash flow savings to exceed **\$35.1 million**
 - 2 additional pending transaction (Albany and Valdosta)



FY 2020 Projected Bond Financings

	Est. Outstanding Bond Amount	# of Projects
Albany State University	\$51,000,000	4
College of Coastal Georgia (GHEFA)	\$11,600,000	1
Georgia College & State University (GHEFA)	\$27,300,000	1
Georgia Institute of Technology	\$84,200,000	6
Kennesaw State University	\$20,000,000	1
Savannah State University	\$104,000,000	9
University of West Georgia (GHEFA)	\$5,300,000	1
TOTAL	\$303,400,000	23

System-Wide Efficiency Initiatives

Dining Enabling Contract

- Leverage economies of scale to achieve competitive pricing
- 10-year “enabling contract” which allows additional institutions to join
- Aladdin Food Management Services
- Vendor is at risk for any operating shortfalls, not the institution
- No Guarantees or Minimums; fixed Meal Plan Pricing (Institution pays only the fixed meal plan price to vendor)
- 6 Residential Campuses (meal plans, catering, and retail operations)
- 8 Commuter Campuses (retail and catering operations)

Pooled Insurance Program

- Leverage economies of scale to achieve competitive pricing
- Created insurance pool PPV, USDA, and other non-state financed projects
- Arthur J. Gallagher Risk Management Services, Inc.
- \$2,648,907,482 insurable value
- 15,132,165 square feet
- Property and Liability Premiums for FY 2020 is \$3.8 million
- 22 Campuses have properties insured

FY 2019 - 2023 Capital Liability Management Plan

(in thousands)

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Total Principal Outstanding - Beginning of Year	\$3,153,432	\$3,248,286	\$3,266,364	\$3,326,673	\$3,298,481
Projected New Issuance					
PPV and/or GHEFA	117,450	100,000	175,000	100,000	100,000
Multi-Year Lease Contracts	120,470	25,000	15,000	15,000	15,000
Multi-Year Energy Performance Contracts	6,500	20,000	10,000	10,000	10,000
Scheduled Retirements and Refunding Impact	(149,566)	(126,922)	(139,691)	(153,192)	(161,804)
Total Principal Outstanding - End of Year	\$3,248,286	\$3,266,364	\$3,326,673	\$3,298,481	\$3,261,677
Total Capital Liability Payments	\$287,447	\$304,099	\$319,824	\$333,093	\$341,972
USG Budgeted & Projected Operating Revenues	\$8,602,185	\$8,867,443	\$9,075,428	\$9,288,680	\$9,507,338
Capital Liability Payment Ratio (System Policy Limit of 5%)	3.3%	3.4%	3.5%	3.6%	3.6%

Energy Performance Contracts and Multi-Year Leases

	Energy Performance Contracts	Multi-Year Leases
FY 2015	\$10.2 million EPC authorized; \$7.8 million for GIT \$2.4 million for UGA	\$15 million authorized; \$6.5 million utilized for GIT (Technology Enterprise Park)
FY 2016	\$0	\$150 million authorized; \$113.9 million utilized for GIT (commencing in FY 2019)
FY 2017	\$0	\$30 million authorized; \$0 utilized
FY 2018	\$0	\$20 million authorized; \$2.3 million utilized
FY 2019	\$20 million projected; \$6.5 GIT utilized	\$15 million authorized; \$6.5 utilized for GPLS
FY 2020	\$20 million projected	\$25 million requested

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 \$25 million for multi-year office leases for FY 2020.



Questions?

