Capital Liability Management Plan

FY 2022 - 2026

Cynthia Robinson Alexander

Associate Vice Chancellor of Finance

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.
- $311 million of USO lease obligation defeased.
- $548 million in capital raised for partnership
- BOR owns the P3 projects
- Corvias is concessionaire with the rights to all revenue
- BOR received ground rent and retained service payments.

## 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

## Timeline

<table>
<thead>
<tr>
<th>Period</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989 - 2000</td>
<td>Payback Projects</td>
</tr>
<tr>
<td>2000 - Present</td>
<td>PPV Projects</td>
</tr>
<tr>
<td>April 2006</td>
<td>Georgia Higher Education Facilities Authority (GHEFA)</td>
</tr>
<tr>
<td>2014</td>
<td>P3 Projects</td>
</tr>
<tr>
<td>2016</td>
<td>U.S. Dept. of Agriculture (USDA)</td>
</tr>
<tr>
<td>2017 - Present</td>
<td>Lower Cost Financing</td>
</tr>
</tbody>
</table>
PPV Lease Obligations
FYE 2021 $2.86 Billion Outstanding
PPV Lease Payments = $282.41 Million

<table>
<thead>
<tr>
<th>Years</th>
<th>PPV Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>4</td>
</tr>
<tr>
<td>1999</td>
<td>160</td>
</tr>
<tr>
<td>2000</td>
<td>72</td>
</tr>
<tr>
<td>2001</td>
<td>57</td>
</tr>
<tr>
<td>2002</td>
<td>31</td>
</tr>
</tbody>
</table>

- Housing, Dining & Bookstores: 72 projects
- Student/Rec. Centers, Parking, Health & Wellness, Stadiums, Athletic Venues: 57 projects
- Academic & Research Buildings: 31 projects

New PPV Issuances
Institutions Liability Ratios
June 30, 2021
USG: 2.98%

Policy Limit 5%
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 Project reserves & auxiliary funds
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

<table>
<thead>
<tr>
<th>Dining Enabling Contract</th>
<th>Pooled Insurance Program</th>
<th>Operation &amp; Maintenance Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling Contract for Dining Services</td>
<td>Group insurance for PPV, USDA, and other non-state financed projects</td>
<td>Enabling Contract for Student Housing Facility Management Services</td>
</tr>
<tr>
<td>Aladdin Food Management Services</td>
<td>Marsh USA, Inc.</td>
<td>CGL Facility Management, LLC.</td>
</tr>
<tr>
<td>Vendor is at risk for any operating shortfalls, not the institution</td>
<td>$2.2 million total Insurable Value, 12.07 million square feet</td>
<td>Facilities operation and maintenance services for approximately 10,000 beds</td>
</tr>
<tr>
<td>17 participating Campuses (meal plans, catering, and retail operations)</td>
<td>20 Campuses have properties insured through the Program</td>
<td>Five participating institutions include Albany, Clayton, Fort Valley, Savannah, &amp; Valdosta</td>
</tr>
</tbody>
</table>
# University System of Georgia
## FY 2022 - 2026
### Capital Liability Management Plan
(in thousands)

<table>
<thead>
<tr>
<th></th>
<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><strong>Total Principal Outstanding - Beginning of Year</strong></td>
<td>$2,951,080</td>
<td>$2,745,638</td>
<td>$2,706,401</td>
<td>$2,656,654</td>
<td>$2,594,230</td>
</tr>
<tr>
<td><strong>Projected New Issuance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPV and/or GHEFA</td>
<td>0</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Multi-Year Lease Contracts</td>
<td>0</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Multi-Year Energy Performance Contracts</td>
<td>0</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Scheduled Retirements</strong></td>
<td>(205,442)</td>
<td>(134,236)</td>
<td>(144,748)</td>
<td>(157,424)</td>
<td>(168,167)</td>
</tr>
<tr>
<td><strong>Total Principal Outstanding - End of Year</strong></td>
<td>$2,745,638</td>
<td>$2,706,401</td>
<td>$2,656,654</td>
<td>$2,594,230</td>
<td>$2,521,062</td>
</tr>
<tr>
<td><strong>Total PPV Liability Payments (includes USDA, MYL &amp; EPC)</strong></td>
<td>$291,353</td>
<td>$291,987</td>
<td>$297,433</td>
<td>$306,303</td>
<td>$314,977</td>
</tr>
<tr>
<td><strong>USG Budgeted and Projected Operating Revenues</strong></td>
<td>$9,771,964</td>
<td>$9,522,547</td>
<td>$9,756,281</td>
<td>$10,007,493</td>
<td>$10,255,681</td>
</tr>
<tr>
<td><strong>PPV Liability Payment Ratio (System Policy Limit of 5%)</strong></td>
<td>2.98%</td>
<td>3.07%</td>
<td>3.05%</td>
<td>3.06%</td>
<td>3.07%</td>
</tr>
</tbody>
</table>
## USG/BOR Multi-Year Leases

<table>
<thead>
<tr>
<th>Year</th>
<th>Multi-Year Transactions</th>
</tr>
</thead>
<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>
</tr>
</tbody>
</table>

- 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

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

- **Under Construction**
  - Phase II Completion – May 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