UNIVERSITY SYSTEM OF GEORGIA

Capital Liability Management Plan FY 2023 - 2027

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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 2023-2027
- V. Update on Multi-Year Leases and Action Item



History of USG Alternative Financing Programs

1989 -2000 2000 -Present April 2006

2014

2016

2017 - Present

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

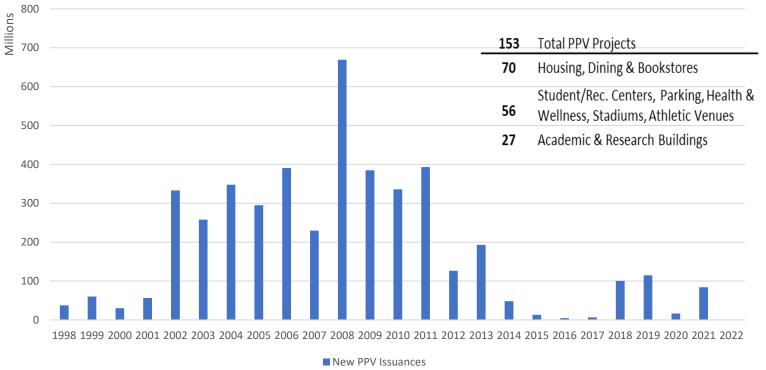
- Historical low interest rates
- Opportunity to restructure existing debt
- A significant portion of the portfolio has reached 10-year call date.
- \$375.3 mil in savings since FY17
- Last two years -\$135.6 mil in defeasance



PPV Lease Obligations

June 30, 2022 \$2.62 Billion Outstanding

Annual Lease Payments = \$283.74 Million

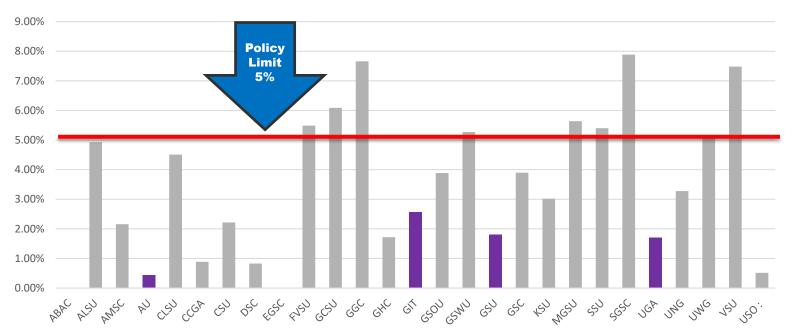




Institutions Liability Ratios

June 30, 2022

USG: 2.95%





Public Private Venture Lease Portfolio

FY 2022 Cash Flow Performance

All lease payments paid in full and on time

- ☐ 130 projects met or exceeded 1.0X coverage
- ☐ 23 projects did not exceed 1.0X coverage
- ☐ Three Primary Causes
 - Enrollment or occupancy trends
 - Fee exemptions (Dual Enrollment & 100% On-line)
 - Operating expenses of facility
- ☐ Funding gaps typically covered from Project and Auxiliaries Reserves (including Federal Funds)

Capital Liability (Portfolio) Reserve Fund

- \$20.2 Million on deposit
- No Projected draw

FY 2022

PPV-Projects Not Achieving 1.0X Coverage

12 Fee Supported Projects

5 are Student Center
4 are Recreation/Athletic
Facilities
2 are Parking Facilities
1 Dining Hall

11 Housing Projects

3 Projects are .94 or greater 8 Projects supported by Project reserves or auxiliary funds



Refinancing/Defeasance Activity

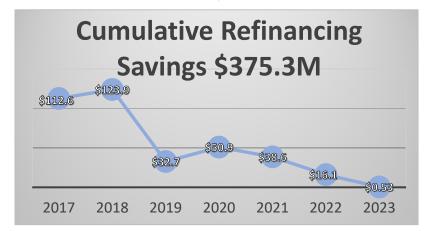
Board Policy 9.7.3.1 Lease Rental Agreement

• USG institution must receive at least 50% of savings **Board Policy Manuel 25.3 Capital Liability Structure**

• 4% present value savings should be considered the floor for refinancing

Refinancing Activity

- Monitor bond market for opportunities for savings
- Meet with financial advisors and underwriters to obtain their assessment of the market
- Evaluate the use of savings to provide funds for renovation or enhancement to a project
- Evaluate whether the term should be extended to maintain affordability for students and campus
- Monitor synthetically fixed interest rate swap termination costs and interest rates for opportunities to convert variable rate to fixed rate
- 13 Projects eligible for Refinancing depending upon interest rates potential projected savings of \$203 million.



Defeasance – \$135.6 million early payoff of bonds outstanding

- ☐ FY 2022 Defeasance 7 projects/\$107.5 million in outstanding bonds (\$28.7 million in net savings).
- ☐ FY 2023 Defeasance 4 projects/\$21.5 million



UNIVERSITY SYSTEM OF GEORGIA

Recently Completed Public Private Projects

Georgia Institute of Technology



Campus Center
Phase I Completed – May 2020



Phase II Completion – May 2022

Kennesaw State University



Student Housing – The Summit (508 beds)

Opened-July 2022

FY2023 Occupancy – 99.6%

University of Georgia



Student Housing – Black Diallo Miller (525 beds)

Opened – June 2022

FY2023 Occupancy – 100.1%



University System of Georgia FY 2023- 2027

Capital Liability Management Plan

(in thousands)

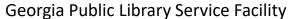
	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Total Principal Outstanding - Beginning of Year	\$2,621,356	\$2,472,029	\$2,526,253	\$2,650,749	\$2,640,733
Projected New Issuance					
PPV and/or GHEFA	0	161,255	245,150	125,000	75,000
Multi-Year Lease Contracts	0	10,000	10,000	10,000	10,000
Multi-Year Energy Performance Contracts	0	15,000	15,000	15,000	15,000
Scheduled Retirements	(149,327)	(132,031)	(145,653)	(160,017)	(169,322)
Total Principal Outstanding - End of Year	\$2,472,029	\$2,526,253	\$2,650,749	\$2,640,733	\$2,571,411
Total Capital Liability Payments (includes MYL & EPC)	\$294,888	\$288,379	\$305,668	\$328,933	\$338,985
USG Budgeted and Projected Operating Revenues	\$9,381,292	\$9,556,254	\$9,798,733	\$10,035,792	\$10,291,702
Capital Liability Payment Ratio (System Policy Limit of 5%)	3.14%	3.02%	3.12%	3.28%	3.29%



USG/BOR Multi-Year Leases

Year	Multi-Year Transactions
FY 2015 - 2023	\$340 million authorized, \$125.2 million utilized primarily at GIT
FY 2024	\$10 million request







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 2024.



QUESTIONS?

Capital Liability Management Plan FY 2023 - 2027

