Capital Liability Management Plan
FY 2024 - 2028

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Fiscal Affairs Division – Finance Department

April 16, 2024
Presentation Summary

I. Overview of USG Public Private Venture (PPV) and Financial Performance for USG Portfolio

II. Capital Liability Management Plan FY 2024-2028

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

1989 - 2000
- 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

2000 - Present
- 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

April 2006
- 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

2015
- 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

2016
- 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 2.75% interest rate
  - SGSC – Dining, Student Center, Tiger Village I & II – $35.59 million at 3% interest rate

2017 - Present
- Lower Cost Financing
  - Historical low interest rates
  - Opportunity to restructure existing debt
  - A significant portion of the portfolio has reached 10-year call date
  - $380.53 million in savings since FY17
  - Last three years - $182.6 million in defeasance
Types of Alternative Funded Facilities

- EGSC Student Housing
- KSU Dining Commons
- GCSU Wellness & Recreation Center

- ASU Student Center
- UWG Stadium
- KSU Parking Deck

- UWG Bookstore
- VSU Health Center
- GCSU Theater & Bookstore
Gordon State College PPV’s

Gordon Commons
Student Housing

Gordon Student Activity
& Recreation Center

Gordon Village
Student Housing
Rating Agencies Relationship

Moody’s Investor Services and Standard and Poor’s Rating Agencies rate all PPV Bond Issues

- Proactive Engagement, Communication, and Transparency
- Annual System updates with Rating Agencies
- Provide annual reports on the PPV portfolio
- Provide detail information on each institution
- Oversight, Coordinate, and Participate in all rating presentations
- Review and vet all rating outcomes

Fiscal Year 2025 Rating Goals

- Maintain system Aa2 & AA- rating
- Annual System Rating update with Moody’s & S&P
- Obtain ratings for new PPV’s and any refinancings

### University System of Georgia Outstanding Credit Ratings by Institution

<table>
<thead>
<tr>
<th>Institution</th>
<th>Moody's</th>
<th>S&amp;P</th>
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</thead>
<tbody>
<tr>
<td>University System of Georgia</td>
<td>Aa2</td>
<td>AA-</td>
</tr>
<tr>
<td>Augusta University</td>
<td>-</td>
<td>A+</td>
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<tr>
<td>Georgia Institute of Technology (Housing &amp; Research)</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td>Georgia State University</td>
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<tr>
<td>University of Georgia</td>
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<td>University of West Georgia</td>
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<td>Valdosta State University</td>
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<td>Fort Valley State University (USDA Loan)</td>
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<td>Georgia Gwinnett College</td>
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<td>Savannah State University</td>
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<td>University of North Georgia</td>
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<td>A+</td>
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<tr>
<td>Abraham Baldwin Agricultural College</td>
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<td>Atlanta Metropolitan State College</td>
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<td>Dalton State College</td>
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<td>East Georgia State College</td>
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<td>Georgia College &amp; State University</td>
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<td>Georgia Highlands College</td>
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<td>Gordon State College</td>
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<tr>
<td>South Georgia State College (USDA Loan)</td>
<td>N/A</td>
<td>N/A</td>
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N/A - Currently No Public Rated Debt Outstanding
PPV Lease Obligations
Fiscal Year 2024 $2.43 Billion Outstanding
Annual Lease Payments = $262.03 Million
Institutions Liability Ratios

June 30, 2023
USG: 2.86%

Policy Limit 5%
Public Private Venture Lease Portfolio

FY 2023 Cash Flow Performance

All lease payments paid in full and on time

- 111 projects met or exceeded 1.0X coverage
- 12 projects .90X but less than 1.0X coverage
- 21 projects fell below .90X coverage

- Three Primary Causes
  - Enrollment or occupancy trends
  - Fee exemptions
  - Operating expenses and facility repairs

- Funding gaps typically covered from Project and Auxiliaries Reserves

Capital Liability (Portfolio) Reserve Fund

- $19.6 Million on deposit
- No Projected draw
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

Defeasance – $182.6 million early payoff of bonds outstanding
- FY 2022 Defeasance – 7 projects/$114.1 million
- FY 2023 Defeasance – 8 projects/$50.7 million
- FY 2024 Defeasance – 1 projects/$17.8 million

Refinancing Savings $380.53 Million
New Construction Activity

Augusta University
Parking Deck $20.64M
• Bond Closing – October 2023
• Delivery Date – Spring 2025

Georgia Tech
Tech Square III $54.06M
• Bond Closing – January 2024
• Delivery Date – January 2026

Middle Georgia State University
University Pointe $18.38M
• Bond Closing – March 2024
• Delivery Date – Fall 2024
# University System of Georgia
## FY 2024-2028
### Capital Liability Management Plan
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2024</th>
<th>Fiscal Year 2025</th>
<th>Fiscal Year 2026</th>
<th>Fiscal Year 2027</th>
<th>Fiscal Year 2028</th>
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<tbody>
<tr>
<td><strong>Total Principal Outstanding - Beginning of Year</strong></td>
<td>$2,532,544</td>
<td>$2,426,893</td>
<td>$2,564,927</td>
<td>$2,563,208</td>
<td>$2,502,205</td>
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<td>Closed/New Projects</td>
<td>84,805</td>
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<tr>
<td><strong>Projected New Issuance</strong></td>
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<tr>
<td>PPV and/or GHEFA</td>
<td>0</td>
<td>272,020</td>
<td>125,000</td>
<td>75,000</td>
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<tr>
<td>Multi-Year Lease Contracts</td>
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<td>10,000</td>
<td>10,000</td>
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<tr>
<td>Multi-Year Energy Performance Contracts</td>
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<td>15,000</td>
<td>15,000</td>
<td>15,000</td>
<td>15,000</td>
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<tr>
<td><strong>Scheduled Retirements</strong></td>
<td>(190,456)</td>
<td>(158,985)</td>
<td>(151,719)</td>
<td>(161,003)</td>
<td>(165,630)</td>
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<tr>
<td><strong>Total Principal Outstanding - End of Year</strong></td>
<td>$2,426,893</td>
<td>$2,564,927</td>
<td>$2,563,208</td>
<td>$2,502,205</td>
<td>$2,436,575</td>
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<tr>
<td><strong>Total Capital Liability Payments (includes MYL &amp; EPC)</strong></td>
<td>$262,035</td>
<td>$267,424</td>
<td>$294,013</td>
<td>$301,419</td>
<td>$310,192</td>
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<tr>
<td><strong>USG Budgeted and Projected Operating Revenues</strong></td>
<td>$10,162,623</td>
<td>$10,364,049</td>
<td>$10,547,597</td>
<td>$10,735,692</td>
<td>$10,925,223</td>
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<tr>
<td><strong>Capital Liability Payment Ratio</strong></td>
<td><strong>2.58%</strong></td>
<td><strong>2.58%</strong></td>
<td><strong>2.79%</strong></td>
<td><strong>2.81%</strong></td>
<td><strong>2.84%</strong></td>
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<tr>
<td><strong>(System Policy Limit of 5%)</strong></td>
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</table>
FY 2025 PPV Projects

Georgia Tech
Curran Street Housing
862 beds

University of Georgia
Freshmen Housing
668 beds

University of Georgia
West Campus Dining,
Learning, Well-Being Center
68,000 sf. Ft.

Kennesaw State University
Summit II Housing
530 beds
USG/BOR Multi-Year Leases
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 2025.

Georgia Public Library Service Facility  
CODA Computing Center
QUESTIONS?