

UNF Finance and Audit Committee

June 17, 2008

Issue Approve Transfer for Cash

Proposed Action Approval

Background Information

At the Finance and Audit Committee's May 15 meeting, Vice President Shuman advised the Committee that, as a result of the credit downgrade of FGIC, the insurer of the revenue bonds on the Student Union and new housing, the UNF Financing Corporation was required by the trust indenture either (1) to increase the Reserve Fund by \$10 million or (2) to post a letter of credit to further assure the bond obligations. Permitting the Financing Corporation to use \$10 million in University funds to increase the Reserve Fund was determined to be more cost-effective than posting a letter of credit.

The Board is authorized by statute to permit the Financing Corporation, a direct-support organization of the University, to make use of University property. Commerce Bank, the trustee, will receive and invest the University's funds. Earnings on that investment are used to reduce the debt service on the bonds. The amount by which the debt service is reduced determines the rate of return on the University's investment.

The University administration seeks Board approval to permit the UNF Financing Corporation to utilize \$10 million of University funds for the purpose of increasing the reserve fund, as required to comply with the requirements of the trust indenture.

Supporting Documentation

- None