

Proposal for Creating a Separate Financing Direct Support Organization for the University of North Florida

The University of North Florida proposes the creation of a new Direct Support Organization (DSO) for the primary purpose of financing those capital projects on campus, which cannot be funded solely from State appropriations. In the process of accomplishing this change, the existing bonds now carried on the Foundation's books would be refunded by debt issued by the new DSO.

Some of the principal advantages of this change for the UNF Foundation are listed below.

- Allow the UNF Foundation to concentrate on its mission – fundraising in support of the University.
- Present financial statements that more clearly and accurately portray the operations of the Foundation. Currently, the assets of parking and housing are less than the remaining debt; therefore, the foundation's fund balance reflects a lower amount. As of 6/30/05, the amount "Invested in Capital Assets net of Related Debt" is (\$8.2million).
- Reduce the amount of total liabilities reported for the Foundation with the elimination of the bonded indebtedness.
- Remove concerns relating to the possibility of the Foundation's having any liability in connection with the outstanding bonds.
- Potentially lower the fee for audit and tax work, as the Foundation's auditors would no longer audit bond transactions and operations.
- Allow the presentation of the financing corporation's operations as a blended component of the University rather than the discrete presentation currently required of the Foundation's operations. This would strengthen the University's position toward the issuance of general obligation bonds (excluding appropriated funds).
- The revenue stream for the financing of the student union is not flexible. There is no ability to respond to dips in the revenue as there is with housing and parking. With housing and parking, the University has the opportunity to increase rates. Increases to student fees are restricted by statute. The ability to strengthen the revenue stream by combining student fees with other revenue streams may increase the rating of the bonding and decrease insurance.
- The University President will appoint two members from the Foundation.