University of Central Florida

Procurement Services

ADDENDUM

IMPORTANT DOCUMENT – INVITATION TO BID ADDENDUM

ITB NUMBER: 1701JCPS OPENING DATE & TIME: August 11, 2017 @ 3:00PM

ITB TITLE: Refinancing of the UCF Health Facilities Corp Capital Improvement Revenue Bonds (UCF Health Sciences Campus at Lake Nona, Project), Series 2007

ADDENDUM NUMBER: 1 ADDENDUM DATE: July 31, 2017

The purpose of this addendum is to answer questions asked during the open q/a period.

PLEASE ACKNOWLEDGE RECEIPT OF THIS ADDENDUM AND RETURN IT WITH YOUR BID. FAILURE TO SIGN AND RETURN WITH YOUR BID COULD RESULT IN REJECTION OF YOUR BID.

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PROPOSERS SIGNATURE PRINT OR TYPE PROPOSER'S NAME

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COMPANY NAME EMAIL ADDRESS

Procurement Services

Answers to Questions

Duplicate or similar questions are only listed and answered once.

1. Vendor Question: Could the University provide a detailed breakout of the grant money the University receives? Are any of the grants multiyear grants and is there a concentration of money received coming from large grants? How does the University determine the amount allocated and budgeted for the UCF Finance Corp?
   Response: See Q1-Grants Breakout for detail breakdown for past two year funding by College and type (New vs Incremental). From Q1-Grants Breakout in general all incremental funding is from multiyear contracts/grants. In fiscal year 2016, 25% of overall funding came from top 10 awards. The amount budgeted and allocated to the UCF Finance Corp is based on the debt service projected for the coming fiscal year. Those funds are set aside from reserves before the fiscal year begins.

2. Vendor Question: What is the expiration date of the sublease agreement between the University and the UCF Finance Corporation in regards to the land that the Burnett Biomedical Sciences Building on the UCF Health Sciences Campus at Lake Nona resides?
   Response: The ground lease terminates on July 1, 2037 or when the debt is fully paid, whichever is later.

3. Vendor Question: Is there flexibility in acceleration of the loan as a remedy upon an event of default? Is there any other debt in which acceleration is allowed?
   Response: No, there is not flexibility in acceleration and there is no other debt which allows flexibility.

4. Vendor Question: With the refinancing of the debt, will a support agreement still be available from UCF similar to the one in existence today? If so, can the support agreement be assigned to the Bank? Response: There is no support agreement associated with the current debt. The university will not be issuing support agreements as it has with debt associated with the UCF Convocation Corporation and the UCF Stadium Corporation.

5. Vendor Question: Will the lease between UCF and UCF Finance Corp remain in amended form to support the refinance? If so, can the lease agreement be assigned to the Bank and can we please review a copy of the lease agreement?
   Response: See attached Q22-2007 Bond Documents for copy of lease agreement.

6. Vendor Question: It is our understanding from the ITN, the Note will be secured by a pledge of revenue from the University's indirect cost revenues received by the University from Federal,

7. Vendor Question: State and private grants, which is how it exists today as well, is there a place in the audit that identifies this revenue stream? Based on the spreadsheet included with the RFP, it does not appear this revenue stream is pledged toward any other debt, can you please confirm this fact?
   Response: There is no place in the audit that identifies this revenue stream. This revenue stream is not pledged toward any other debt.

8. Vendor Question: Can you please provide a comprehensive debt report that outlines the University debt, as well as, all the debt to the DSO's?
   Response: See attached Q7-Debt Report

9. Vendor Question: Is there a 5 year operating performance forecast available for our review?
   Response: The pledged revenues are not from an individual operation but from charges to research grants and contracts. Outside of debt services, the funds are used to support research operations as needed. Attached is report that reflects how the remainder of the funds were used and a projection for the future.

10. Vendor Question: Please provide a list of all of the UCF affiliated direct support organizations (DSOs).
    Response: UCF Foundation, UCF Athletic Association, UCF Research Foundation, UCF Convocation Corporation, UCF Stadium Corporation, UCF Finance Corporation, UCF Limbitless Corporation, UCF Academic Health.

11. Vendor Question: "The bond is secured solely by the University's indirect cost revenues received by the University from Federal, State and private grants." Please explain how the C&G/overhead pledged revenues are calculated in Appendix A of the ITN.
    Response: Pledged revenue represents the aggregate of all indirect charges on contracts/grants expenditures during the fiscal year.

12. Vendor Question: Projected C&G revenues are forecast to grow by 5% each year beginning in 2018 until 2021. Please explain the underlying assumptions behind this growth forecast in Appendix A. In addition discuss the fluctuations in these revenues from 2014 through 2016.
    Response: Projected growth is based on university strategic plan and underlying assumptions would be additional faculty hires, institutional investment in research and other factors. The fluctuation in these revenues are best explained by the Federal ARRA stimulus package ramping down.

13. Vendor Question: On the final page of the RFP the estimated debt service schedule is labeled as: "Option 2: Refinancing Bank Loan 2.55% (7 Year Put) - Terminate SWAP" – is there an Option 1? If so, please include.
    Response: See attached Q12-10 Yr DS Amortization

14. Vendor Question: Please provide a current listing of the outstanding grants/contracts; including their original amounts and origination dates, amounts remaining and expiration dates, and their specific source (state/federal agency). If readily available, please also include a brief description of the respective grants-contracts.
    Response: See appendix C for requested data except for amount remaining on currently open contracts/grants (Note: Original amount is cumulative)

15. Vendor Question: Please provide a brief synopsis of the typical grant-contract structure, specifically the billing/collections process.
    Response: The university enters into contract and grant agreements with external sponsors to fund research activities. Contained in these agreements are invoicing terms and conditions that define how (cost reimbursable, fixed price, etc.) and when (monthly, quarterly, etc.) the university can recoup their cost to perform the agreed upon research. A large majority of our agreements are cost reimbursable and the sponsor is billed monthly for the prior month's cost. A smaller portion of our agreements are fixed price and are billed based upon agreed upon schedules and amounts with the sponsor. The university uses PeopleSoft financial software to record and monitor Billing, Accounts Receivable and collection activities. Invoices are generated based on the individual award's terms and conditions and is recorded as Accounts Receivable. The invoices are submitted to the sponsors via email or through online billing/draw systems. Payments received are applied against outstanding invoices and reduce the Accounts Receivable balance owed by the sponsor. Accounts Receivable reports are run periodically throughout the month to monitor the sponsor balances owed to the university. The sponsor is contacted monthly regarding overdue Accounts Receivable items and collection efforts are documented within PeopleSoft. Other university personnel may provide assistance in resolving circumstances, such as unmet deliverables, agency disputes, etc., that may be delaying payment from the sponsor. Monthly Accounts Receivable Reports containing the age and collection efforts are generated and distributed to the campus unit management teams for review, discussion and further action, as needed. All bad debt write-offs are approved periodically by senior management.

16. Vendor Question: Please discuss the grant-contract acquisition process/operation: specifically the process of identifying applicable grants-contracts, applying, general timelines, and key figures involved.
    Response: See attached Q15-Research Lifecycle.

17. Vendor Question: Please provide a copy of a sample grant-contract, which could assist us with greater understanding of processes, etc.
    Response: See attached Q16 Sample Grants

18. Vendor Question: Please provide historical revenues and coverage ratios for years 2007 – 2011, similar to what was provided in Appendix A of the RFP.
    Response: See attached Q17-Additional Historical Revenues

19. Vendor Question: Please provide the amount of revenue generated from the single largest grant-contract source for years 2012 – 2016 (specific to the state/federal agency).
    Response: The contract/grant with the largest revenue generated from fiscal years 2012 - 2016 is called Trauma Management Therapy for Oef/OIF Veterans (Federal agency US Army Medical Research Acquisition Activity) which totaled approximately $1 million in pledged revenue generation.

20. Vendor Question: The Fiscal Year Ended 6/30/2016 audit for the University (page 37) references a support agreement provided by the University to fund certain deficiencies that may arise in the event UCF Finance Corporation is unable to make the minimum payments on the bonds. Please briefly explain under what circumstances/parameters this agreement will take effect.
    Response: The footnote listed in the 6/30/16 audit is in error. In 2005 the Board of Governors debt guidelines prohibited the use of Support Agreement as additional security for University Debt. The support agreements referred to in the audit relates to the relates to the UCF Convocation Revenue Ref Bonds, Series 2015, the UCF Convocation Student Housing Refunding Revenue Notes, Series 2014 A & B and the UCF Stadium Revenue Refunding Bonds, Series 2015 which were grandfather in. The Series 2007 Bonds that are being refunding never had a Support Agreement. The proposed refunding notes will not have a Support Agreement.

21. Vendor Question: What is the current mark to market value of the swap issued in connection with the Series 2007 bonds?
    Response: The estimated mark to market of the swap as of 7/24/ 2007 is $12,975,000.

22. Vendor Question: What are the existing financial covenants in the Reimbursement Agreement issued in connection with the Series 2007 bonds?
    The resolution authorized the corporation to reimburse itself for costs association the financing. See attached Reimbursement Resolution.

23. Vendor Question: Please provide copies of the available form of bond documents associated with this transaction.
    Response: See attached 2007 Bond Documents folder.

24. Vendor Question: Related to #19, please provide copies of the bylaws of the UCF Finance Corporation and also the governing operating/support agreements between the University and UCF Finance Corporation.
Response: See attached UCFFC By-Laws and 2007 Bond Documents folder.

25. Vendor Question: Please provide additional insight regarding the specific items/criteria that warranted the presentation of UCF Finance Corporation in the University's audit as a blended component unit, versus presentation as a discretely presented component unit like the other University DSOs (see page 37 of the 2016 University audit).
Response: It was determined that the UCF Finance Corporation should be reported as a blended component unit of the University based on the following items/criteria:

    1. The Finance Corp provides services entirely for the benefit of the University
    2. The Finance Corp's debt is expected to be repaid entirely from resources from the University
    3. The Finance Corp's revenues are derived almost entirely from the University

26. Vendor Question: To your knowledge, are there any other Florida public universities that have pledged solely indirect cost revenues to secure debt issues? Are you also aware of any public universities outside of Florida that have done so?
Response: There are none to our knowledge.

27. Vendor Question: Can a copy of the following Operative Documents be provided:
    a. Indenture;
    b. Letter of Credit Agreement;
    c. Lease Agreement;
    d. Assignment of Leases, Rents, Profits and Contracts.

    Response: See attached 2007 Bond documents folder

28. Vendor Question: Are there any "building use" and "management" agreements between the Borrower and the University? If pledged revenues are ever short of required P&I payments, is the University restricted from occupying the properties or do they freely have access?
Response: No, there are not building use or management agreements in place. If pledged revenues ever become short, the university will not be restricted from occupying the property. The university has plans to increase its research capacity thereby increase the amount of pledged revenues available to cover debt service. The university does not foresee a scenario where pledged revenues will not be sufficient to cover debt service.

29. Vendor Question: How is C&G Pledged Revenues defined, and how does this differ from Overhead Revenue?

a. Is this a gross pledge or a net pledge? How will the Bank verify the amount pledged?
b. Please confirm the C&G Pledged revenues are a part of the following line items in the UCF Audit: (1) Federal Grants & Contracts, (2) State / Local Grants & Contracts, and (3) Nongovernmental Grants & Contracts.

Response: Per the bond documents, C&G Pledged revenues are defined as "Lessor's indirect cost revenues and available fund balance received by the Lessor from Federal, State, and private research and grants contracts." C&G Indirect Cost Revenues is just another name for C&G Overhead revenues

a. This is a gross revenue pledge. The Finance Corp will update the coverage ratio calculations on an annual basis and can provide this information upon request.
b. The C&G Pledged revenues are a part of the items in the UCF Audit as outlined.

30. Vendor Question: Back up data on how C&G Pledged Revenues is calculated (historical and projected)?
    a. What percentage is from Federal, State and private?
    b. What percentage of each grant category, if any, are multi-year grant awards? Or are 100% of all grants applied for each year? What percentage of grants are based on a fixed rate?
    c. What agencies and which private entities are generally providing the grants?
    d. What percentage of the pledged revenues represents the money received for overhead and indirect costs (what % of gross grant revenues are for direct versus indirect)?

    Response: Liz

    a. See Q29a-% of Grant by Source
    b. See Q1-Grants Breakout
    c. See Q29c-Agencies Providing Grants
    d. Pledged revenues represent 100% of indirect costs which included overhead.

31. Vendor Question: Is there currently a Debt Service Reserve account? If so, what amount and what will happen with the cash upon refunding?
    Response: No, there is no debt service reserve fund.

32. Vendor Question: What are the Transfers-out to UCF related to?
    Response: The transfers out to UCF in prior years were related to the transferring of bond proceeds to the University for the construction of the Burnett Biomedical Facility.

33. Vendor Question: The ITN states that "the loan must have the ability to repay the Loan in whole or in part at any time without penalty." Is there a specific reason for this requirement, or is this just a strong preference of the University?
    Response: The University would like the ability to prepay without penalty prior to the reset period due to concerns raised by its regulatory approvers. The University will consider some

prepayment restrictions prior to the reset but proposals that include the ability to prepay without penalty will be given priority?

34. Vendor Question: Does the lease require UCF to make the full amount of the lease payments to cover the bond debt service regardless of the amount of indirect cost revenues received?
Response: See section 6 of the Operating Lease in the Q22-2007 Bond Documents.

35. Vendor Question: Is the University fully responsible for all expenses associated with the facilities? What expenses, if any, is UCF Finance Corp responsible for?
Response: Yes, See Operating Lease in the Q22-2007 Bond Documents.

36. Vendor Question: How is the "indirect cost revenue" determined for the grants? Is it a set % or does it vary depending on the grant? What university expenses are factored into the calculation?
Response: C&G pledged revenue is determined by charging the negotiated indirect rate from the agency on qualifying expenses on contracts/grants. The percentage varies depending on the contract/grant. The expenses that are factored into the institutional indirect rate are: Building depreciation, Equipment depreciation, Interest, Operations & Maintenance, Library, Utility Cost Allowance and Administrative component.

37. Vendor Question: Is this calculation defined in the bond documents for purposes of the revenue pledge? Can this calculation be modified after the bonds are refunded? Were there any historical changes in the calculation after the 2007 bonds were issued?
Response: No, the calculation is no in the bond documents. The calculation can change by granting entity on an annual basis.

38. Vendor Question: Does the indirect cost revenue pledge apply to all University grants or just those associated with Biomedical Sciences?
Response: It applies to all University grants.

39. Vendor Question: Please provide a 5 year history of the total grant dollars received and total # of grants from which these indirect cost revenues are derived?
Response: See attached Q38-Five Yr History of Grants

40. Vendor Question: What is the average length of the grants received?
Response: Currently open contracts/grants average length is 975 days

41. Vendor Question: Are there any grant concentrations larger than 10% of total annual grant funding? If so what is the $ amount of these grants and the length of the grant?

Response: Yes, for fiscal year 2016 the GOLD SALMON project is 10% of annual funding. The amount for fiscal year 2016 is 14.6 million and the length is 2662 days

42. Vendor Question: Is there a risk of loss of any material grants? Are these types of grants able to be renewed and if so, what is the retention rate?
    Response: We put the risk level very low for the loss of grants. Occasionally, Principal Investigators move to other institutions, which can result in the transfer of the remaining funds on their grants to their new employer. That doesn't happen all that frequently, though, and sometimes part of the funding remains at UCF through a subcontract. While we do not have specific data, our sense is that it is high. We have many awards from Florida state agencies that we receive annually to continue the same project, typically the provision of research and program services for the agencies. Two examples are state grants supporting the Center for Autism and Related Disabilities in the College of Health and Public Affairs, and the Florida Alliance for Assistive Services and Technology in Communication Sciences and Disorders. We have been receiving annual contracts for them for many years.

43. Vendor Question: Has the University or its DSOs obtained any new debt since FYE 9/30/16 or are there near-term plans for issuance? If so, what are the amounts, terms, debt service requirements, pledged revenues? Has the University proceeded with the line of credit financing for the downtown campus or solar project?
    Response: The University and its DSOs has not obtained any new debt since its 6/30/16 Year end. The university is looking into the feasibility of creating a Solar Farm on campus and the issuance of debt is being considered for that project. If approved, the project cost could reach $14M. However, the solar farm financing will be payable from other sources and not c&g revenues. Proposals for the line of credit financing for the downtown campus will probably be released towards the end of this calendar year.

44. Vendor Question: Are any interim internal financial statements available for the University for FY 2017?
    Response: No. The university is in the midst of its 2017 audit. Draft statements are not available at this time.

45. Vendor Question: Is a FY 2017 and 2018 budget available for the University?
    Response: See attached Q44-UCF 2017-18 Operating Budget.

46. Vendor Question: Please provide a breakdown of Pledged Revenues (indirect cost revenues) with amounts coming from Federal, State and Private grants for the last 10 years. How are the grants awarded?

Response: See attached Q45-10 Year Pledged Revenue Breakdown by Source

47. Vendor Question: What factors negatively and positively impact the pledged revenues? What are the pledged revenues dependent on? Are they contracts with expiration dates? Are they directly related to the medical school only?

    Response: Future funding positively and negatively impacts pledged revenues. Also, institutional indirect rate impacts the pledged revenue. The university is currently evaluating increasing the institutional indirect rate which would positively impact the pledged revenue. Pledged revenues are dependent on expenditures on contracts/grants and institutional indirect rate. Pledged revenues are related to all university research. Refer to appendix B for medical research funding in comparison to overall university funding (Fiscal year 2016 - 6%).

48. Vendor Question: What happens in the event pledged revenues are not sufficient to cover debt service? Will the current support agreement with the University remain in place in which it is obligated to budget and covenant to replenish any deficiencies from legally available funds similar to the UCF Stadium Corp and UCF Convocation Corp. agreements? If so please provide a copy of the support agreement.
    Response: The University has plans to increase its research capacity thereby increase the amount of pledged revenues available to cover debt service. The university does not foresee a scenario where pledged revenues will not be sufficient to cover debt service. The footnote listed in the 6/30/16 audit is in error.

49. Vendor Question: What is the flow of funds of pledged revenues to pay debt service? Please confirm that all C&G revenue ("pledged revenue") is available to first be applied to Debt Service prior to other expenses being paid.
    Response: The University pays its lease rent to the UCF Finance Corporation at the beginning of each fiscal year. The Corporation pays the appropriate debt service when due throughout the fiscal year. Debt Service has priority over any other expenses.

50. Vendor Question: Please reconcile the C&G Pledged Revenues reported in the RFP to the audit.

    Response: See attached Q49-Pledged Revenue Reconciliation

51. Vendor Question: Is the debt service payment subject to a Covenant to Budget and Appropriate?

    Response: Yes.

52. Vendor Question: Please provide a Sources and Uses of the request including swap termination amount.

Response: See attached Q51-Sources and Uses

53. Vendor Question: Will the Swap termination payment qualify for tax exempt financing?
Response: All but a small percentage approximately $150,000 will qualify for tax exempt financing. The University will pay that portion though an equity contribution.

54. Vendor Question: Please provide the following:

a. 2014 audit for UCF Finance Corp

Response: See attached Q51a-2014 UCF Finance Corporation Financial Statements

b. Internal 6/30/17 financials for the University and Finance Corp

Response: The UCF Finance Corporation is currently undergoing its annual audit. Draft financial statements are not available yet.

c. Fiscal year 2017 and 2018 budget for the University

Response: See Q53c-UCF 2017-18 Operating Budget

55. Vendor Question: Please provide the capital improvement plan & plans for additional debt to be secured by same revenue pledge.

Response: There are no plans for additional debt to be secured by the same revenue.

56. Vendor Question: Where do UCF and UCF Finance Corp have their primary depository relationship now?

Response: UCF's primary depository is with Bank of America. The UCF Finance Corp has their funds held with the University.

57. Vendor Question: Will the University accept proposals structured as a club deal with Permitted Lender's?

Response: The University will consider proposal with participation.