December 1, 2005

MEMORANDUM

TO: District Board of Trustees

FROM: William D. Law, Jr., President

RE: Capital Improvement Financing

Tallahassee Community College plans two major capital improvement projects in the next couple of years. The largest project is a parking garage with an estimated cost of $16 – 17 million. Another major project relates to storm water drainage improvement at a cost of approximately $2 million.

TCC plans to finance the parking garage through participation in a statewide bond offering. The statewide bond offering pledges the capital improvement fees from all of the Florida community colleges. Combining the pledged fees from all Florida community colleges spreads bond issuance costs, increases the bond rating, and lowers the interest rate of the bonds. The current bonding capacity for all Florida community colleges combined is $198,500,000. This amount is based on a capital improvement fee of $3.00 and a FTE average over the past 3 years.

In Fall 2006, Florida community colleges will charge a $5.00 capital improvement fee. This will result in the total bond capacity rising significantly, allowing for greater use of the bond proceeds. For example, the current bond capacity for TCC based on the current 3 year FTE average and a capital improvement fee of $3.00 is $6.6 million. The projected FY06-07 bond capacity for TCC based on projected enrollment growth and a capital improvement fee of $5.00 is $15 million.

TCC will participate in the FY06-07 bond offering, use existing funds in the capital improvement fee account (approximately $600,000), and use funds to be collected over the next 12 months ($1 million) to fund the parking garage. A short term construction loan is being considered to allow the project to begin in Spring 06, with the bond proceeds paying off the short term loan.

TCC also receives capital outlay and debt service revenues through a license tag fee appropriation. The current balance of the fund is $564,000. The annual revenues associated with these funds are also eligible to be bonded and currently have a current bonding capacity of $1,560,000. TCC plans to use this source to fund the storm water drainage improvements.

Staff Resource: Glendon Forgey

RECOMMENDED ACTION: none