The Higher Educational Facilities Financing Authority of Florida

The Higher Educational Facilities Financing Authority of Florida (HEFFA) was formed in 2001 as a result of legislation (attached) sponsored and encouraged by the Independent Colleges and Universities of Florida (ICUF.) It is a state wide tax exempt bond conduit specifically chartered for non-profit institutions of higher education that are domiciled in Florida and that are accredited by the Southern Association of Schools and Colleges.

The goals of the Authority are to provide an economical and efficient conduit for private institutions of higher education to access the tax exempt market. The Authority has contracted for its administrative functions to be performed by ICUF and has appointed Ed Moore its Executive Director and Ben Donatelli, its Secretary/Treasurer.

The Authority has the ability to issue tax exempt bonds on behalf of the ICUF schools. Since its inception, the Authority has issued bonds totaling nearly $900 million on behalf of the state's private tax exempt institutions of higher education. The proceeds of these bond sales may be used for all of the normally expected types of capital projects such as new building construction, for a dormitory or other housing facility, dining hall, student union, administration building, academic building, library, laboratory, research facility, classroom, athletic facility, health care facility, or maintenance, storage, or utility facility and other structures or facilities related thereto, required thereto, or required or useful for the instruction of students, the conducting of research, or the operation of an institution of higher education. The term includes parking and other facilities or structures, essential or convenient for the orderly conduct of such institution of higher education and includes equipment and machinery and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended. Building renovations, land and building acquisitions, and equipment are also eligible projects

These bonds are dependent on the borrowing school's credit worthiness. The bonds may be publicly sold or privately placed. They may be rated by one of the national rating agencies or they may be sold without rating. It is expected that some of our institutions will issue credit enhanced debt (with a letter of credit or other similar enhancements) or with some type of credit insurance, while others will secure a rating that will allow a more public or wide spread offering.

The Authority may also facilitate pooled tax exempt issues and also has the ability to sponsor Revenue Anticipation Notes on behalf of the private colleges and universities. These Revenue Anticipation Notes (RANs) may be used as working capital and are especially useful when used in conjunction with a school's individually negotiated line of credit with a lending institution. There is a federally mandated formula for determining the maximum amount of funds available to each institution using the Authority's RANs. This formula involves the use of annual accumulated monthly cash negative positions of the institution as a basis of the borrowing. The borrowing is short term, under one year, but may be repeated on an annual cycle. The institution may use these borrowed funds during its cash negative months and then return the funds to the RANs pool where they are invested to yield an offset revenue stream to reduce the total cost of borrowing.

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Experienced borrowers will find the Authority to be a very efficient, timely and economic conduit to the tax exempt markets that has experience working with the institution and its bond counsel, underwriters and financial advisors. The Authority is also prepared to help schools examine the appropriateness of tax exempt financing by working with a school's administration and discussing potential projects and offering preliminary opinions. We can help schools find and retain appropriate financial advisors and we can introduce them to experienced bond counsel if they are not already working with these professionals. We can also, if requested, supply the school with an Authority appointed bond counsel and financial advisor for a fee in addition to the Authority's normal issuance fees.

The Authority's issuance fee is a minimum of $15, 000 or ten (10) basis points of the school's borrowing for issues up to $50 million dollars. For issues larger than $50 million dollars, the issuance fee steps down to: five (5) or fewer basis points for the portion of the issue that is larger than $50 million. The issuance fee generally covers the Authority's out of pocket expenses, including issuer's counsel fees, as well as, any other special or specific administrative fees associated with the borrowing such as meeting costs. For large or complex transactions the issuer's fee may be removed from the Authority's issuance fee and assessed directly. Each funding begins with an application to the Authority and a non-refundable $1,000 application fee. There is an additional fee of approximately $2,500 per year while the bond is outstanding to cover the Authority's annual accounting and audit costs associated with each issue.

The Authority usually uses at least two meetings to complete a market sale for a borrowing institution. The first meeting is convened to consider the eligibility of the proposed project, the borrowing conditions and proposed structure of the financing, the financial strength of the borrower, the proposed form of the required documents and any other issues relevant to the borrower or the deal. A second meeting is then required to review final documents, financing arrangements and to issue the bonds. Since HEFFA is a quasi-governmental agency, public notice for each meeting (as well as mandatory TEFRA hearings) is required and must be published in the official state administrative weekly publication. The meeting notification process as required by statute can require up to twenty-one days.

The Authority was established to help the private non-profit Florida institutions of higher education and it takes great pride in its assistance to our states' private institutions. We do what we can to be the most economical and efficient conduit for our institutions' bond financing.

I would be pleased to provide further explanations and to explore the role that the Authority may fill within your financing plans.

Ben Donatelli
HEFFA Secretary/Treasurer
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