

## **DRAFT**

### **POLICY - BOARD OF GOVERNORS**

#### **Policy \_\_\_\_\_, Florida Board of Governors**

(1) As used in this section, the term:

(a) “debt” means bonds, except revenue bonds as defined in (d), loans, promissory notes, lease-purchase agreements, certificates of participation, installment sales, or leases, or any other financing mechanism or financial arrangement, whether or not a debt for legal purposes, for financing or refinancing, for or on behalf of a university or a direct support organization, the acquisition, construction, improvement or purchase of capital outlay projects for a period of longer than one year, including any renewal or refinancing periods.

(b) “direct support organization” means any entity supporting the financial or other operations of a university, including, but not limited to, those created pursuant to s. 1004.28, Florida Statutes.

(c) “capital outlay project” means

1. any project to acquire, construct, improve or change the functional use of land, buildings, and other facilities, including furniture and equipment necessary to operate a new or improved building or facility, and

2. any other acquisition of equipment or software.

(d) “revenue bonds” means any obligation which constitutes a revenue bond pursuant to Article VII, Section 11 (d) of the Florida Constitution.

(e) “university” means a university of the state university system of Florida.

(2) (a) A university must receive the approval of the Board of Governors prior to it or any direct support organization of the university incurring debt. The Board of Governors may only approve debt when such debt is used to finance or refinance capital outlay projects which are necessary and desirable to serve the needs and purposes of the university. The debt may not be secured by or be payable from, either directly or indirectly, tuition, the activity and service fee authorized pursuant to s. 109.24 (8), Florida Statutes, the athletic fee authorized pursuant to s. 109.24 (8), Florida Statutes, revenues from grants and contracts, sales and services of educational departments, gifts and donations, or any other operating revenues of a university, and may only be secured by the health fee authorized pursuant to s. 1009.24 (8), Florida Statutes, or those revenues derived from or received in relation to sales and services of auxiliary enterprises, including, but not limited to, housing, transportation, traffic, healthcare, research activities, foodservice, retail sales, athletic activities, student activities or other similar services. The debt of direct support organizations may not be secured by or be payable under an agreement or contract with a university unless the source of payments under such agreement or contract is limited to revenues that universities are authorized to use for payment of debt service, i.e., sales and services of auxiliary enterprises. No debt may be approved to finance or refinance operating expenses of a university or a direct support organization. The maturity of debt used to finance or refinance the acquisition of equipment or software, including any renewal or refinancing period, shall not extend beyond either five years or the estimated useful life of such equipment or software, whichever comes first.

(b) The request of a university for approval by the Board of Governors of debt to be incurred by the university or a direct support organization shall be approved by resolution of the board of trustees of the university prior to submission to the Board of Governors for approval. The

university shall provide such information as is requested by the Board of Governors in connection with the Board of Governors' analysis and review of the proposed debt issuance.

(c) Approval by the Board of Governors of the issuance of debt shall be based upon a determination that the debt:

- (i) is for a purpose consistent with the mission of the university;
- (ii) is structured in a manner appropriate for the prudent financial management of the university;
- (iii) is to be incurred in a manner consistent with policies governing the issuance of State debt;
- (iv) is secured by revenues adequate to provide for all payments relating to the debt;
- (v) has received the affirmative recommendation of the Division of Bond Finance; and
- (vi) is consistent with the requirements of any policies or criteria of the Board of Governors for the approval of debt.

(d) Any university or direct support organization that is approved to issue debt shall be required to file a report with the Board of Governors on the results of the sale of such debt, and the report shall contain such information relating to the debt sale, e.g., true interest cost, underwriter's spread or placement fee, legal fees, other costs of issuance, and any other information as determined by the Board of Governors. Such report shall be filed within such time as is determined to be appropriate by the Board of Governors.

(3) The Board of Governors may request the issuance of revenue bonds pursuant to the State Bond Act and s. 11(d), Art. VII of the State Constitution to finance or refinance capital outlay projects permitted by law. Revenue bonds may not be secured by or be payable from, either directly

or indirectly, tuition, the activity and service fee authorized pursuant to s. 1009.24 (8) Florida Statutes, the athletic fee authorized pursuant to s. 1009.24 (8), Florida Statutes, revenues from grants and contracts, sales and services of educational departments, gifts and donations, or any other operating revenues of a university, and may only be secured by the building fee and the capital improvement fee established pursuant to s. 1009.24 (7), Florida Statutes, the health fee authorized pursuant to s. 1009.24 (8), Florida Statutes, those revenues derived from or in relation to sales and services of auxiliary enterprises including, but not limited to, housing, transportation, traffic, healthcare, research activities, foodservice, retail sales, athletic activities, student activities or other similar services, other revenues attributable to the projects to be financed or refinanced, any other revenue approved by the Legislature for facilities construction or for securing revenue bonds issued pursuant to s. 11(d), Art. VII of the State Constitution, or any other revenues permitted by law.

(4) Approval of the issuance of revenue bonds, except refunding bonds, must be requested by a resolution of the board of trustees of each university involved in the issuance of the revenue bonds. The requesting university should provide the Board of Governors with any information it requests or requires in connection with its review and analysis of the proposed debt issuance.

(5) Revenue bonds or debt approved hereunder may be secured on a parity with prior revenue bonds or debt entered into by or on behalf of one or more universities or a direct support organization.

(6) All university or direct support organization capital outlay projects to be financed with debt shall be subject to review and approval by the Board of Governors. The Board of Governors shall only authorize and approve capital outlay projects to be financed by revenue bonds or debt, if such capital outlay projects have been approved by the Legislature either through approval

of the specific capital outlay project or general approval of the type or category of capital outlay project.

(7) This section provides the sole process for the Board of Governors, a university or a direct support organization to enter into agreements for revenue bonds or debt.

(8) Any legal commitments, contracts, or other obligations relating to the financing of capital outlay projects, which were lawfully entered into prior to the effective date of this policy shall remain in full force and effect. Any such legal commitment, contract or other obligation may be amended without compliance with this policy but only to the extent that such amendment does not extend the term of the underlying obligation or increase the financial obligation of the Board of Governors, a university or a direct support organization.