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**MEMORANDUM**

To: Board of Governors  
From: J. Ben Watkins III  
Date: September 7, 2018  
Re: University of Central Florida Lake Nona

Section 1010.62 (3)(b)4, Florida Statutes, requires the Division of Bond Finance ("DBF") to review and analyze information regarding proposed university financings prior to consideration by the Board of Governors ("BOG"). The University of Central Florida (UCF) plans to finance construction of a new building for the College of Nursing at Lake Nona and lease the Sanford Burnham building. Neither of these transactions have been included on the BOG agenda for a vote. It is the position of BOG staff that these projects are exempt from BOG review and approval. We disagree with this interpretation of the law and application of the BOG Debt Management Guidelines (the "Debt Guidelines"). Although DBF has not been provided with documentation for either of these transactions, we believe that they are required to be considered by the BOG before being executed by UCF or its DSOs.

We believe that the review and approval of these projects is clearly within the BOG's authority and that such review is necessary for properly discharging its oversight responsibilities. The policy framework set forth in Section 1010.62, Florida Statutes, for universities and their direct support organizations ("DSOs") to engage in financings requires the BOG's review and approval. Circumventing the review and approval process sets a dangerous precedent for university debt. Such bypassing of BOG review and approval is inconsistent with the purpose of the law and Debt Guidelines, which were adopted to promote transparency and accountability for using debt to finance university facilities. In fact, the BOG amended its Debt Guidelines to require greater justification when financing university facilities by requiring universities to justify the need for the facility based on quantitative metrics and to demonstrate the return on investment so performance can be evaluated. Exempting these projects from review and approval also thwarts these purposes.

Additionally, BOG staff decided that the UCF College of Nursing at Lake Nona would be exempt from BOG review without proper notification or consultation with DBF staff. As the entity responsible for State debt issuance and management, DBF review and analysis of university/DSO financing proposals to the BOG under the requirements set forth in Section 1010.62 (3)(b)(4), Florida Statutes, is both imperative and required. Unfortunately, this is not an isolated occurrence, but can be easily remedied with BOG staff communicating and consulting with DBF prior to providing a university or DSO an exemption from BOG review.

We are eager to serve as a resource in this regard and will be making suggestions for process improvements related to exemptions to the Debt Guidelines and Florida Statutes to ensure that both BOG and DBF have the information and time needed to coordinate on these determinations. It is not our aim to derail this or any other project. We are simply striving for a more collaborative relationship where we can share concerns earlier in the development of these projects to help us all meet our shared objectives.

cc: Marshall M. Criser, Chancellor, Board of Governors  
Chris Kinsley, Assistant Vice Chancellor, Board of Governors