

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
September 22, 2016

SUBJECT: Amendment to the State University System Board of Governors Debt Management Guidelines

PROPOSED COMMITTEE ACTION

Approve notice of intent to amend the State University System Board of Governors Debt Management Guidelines

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The Board adopted Debt Guidelines in 2006 for the state universities and their direct support organizations (DSOs) to confirm that they must engage in sound debt management practices. The Guidelines have proven to be a robust framework for debt management, and with minor modifications, have enabled the System to navigate the credit market crisis in 2007-2008, and ensuing changes in the financial regulatory environment. During this time, the universities and their DSO's have generally enjoyed stable or improving credit profiles, as evaluated by the national rating agencies.

Recent activity relative to university and DSO credit (bond) ratings by a national rating agency led the Chancellor, in consultation with the Division of Bond Finance, to proactively issue a memo to the university presidents. The Chancellor advised the universities that all communications with the rating agencies would take a coordinated approach moving forward. The State University System has now brought all possible resources, including the universities, DSOs, the Division of Bond Finance, and the Board Office, to bear on the goal of maintaining or improving university and DSO credit ratings.

The revisions integrate the Chancellor's memo into the Guidelines by requiring that:

- The Board Office and the DBF coordinate all engagement between the rating agency and the university and/or DSO.
- Mortgage financing for housing is required to come to the Board.
- The Board Office and DBF will create and maintain an annual schedule for

rating agency coordination, with the goal of maximizing efficiency; and will maintain a listing of all university and DSO ratings.

On May 10th, the Governor and Cabinet, meeting as the Executive Board of the State Division of Bond Finance, requested that the Chancellor and Director of the Division of Bond Finance, work cooperatively to address questions and concerns expressed relative to both ratings and compliance issues of the universities and their DSO's.

The proposed amendments were presented to the Facilities Committee at its June 22nd meeting. At that time, the Committee was advised that a joint workshop would be conducted at USF, led by Mr. Ben Watkins, Director, Division of Bond Finance and Board staff, including Tim Jones, CFO and Vikki Shirley, GC. A workshop was held on July 13th, and was well attended by appropriate representatives from each university.

Based upon feedback at the workshop, and comments received from the public posting of proposed changes, the Debt Guidelines amendments were modified to provide greater clarity of intent.

If approved by the Committee, the proposed amendment to the Guidelines may be immediately considered for adoption by the Board.

Supporting Documentation Included: Amended Debt Management Guidelines

Facilitators/Presenters: Mr. Chris Kinsley