STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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J. BEN WATKINS III
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MEMORANDUM

To: Chancellor Marshall M. Criser III
Wayne Huizenga, Jr., Chairman, Facilities Committee
Tom Kuntz, Chairman, Board of Governors

From: J. Ben Watkins III

Date: September 29, 2017

Re: Proposed Changes to Public-Private Partnership Guidelines

Set forth below are our comments on the BOG staff's recommended changes to the Public-Private Partnership Guidelines ("PPP Guidelines"). The Division of Bond Finance ("DBF") agrees with the BOG staff's proposals to eliminate the advance approval process, to require notice of the release of ITNs, and to require draft agreements for the review and analysis of public-private partnership proposals. However, DBF also proposes changes to the PPP Guidelines that differ from the draft circulated by the BOG staff. DBF recommends the following additional changes:

- **Eliminate the LLC exception in Paragraph II(c)**
  Any development of a project by a university, through ownership in an LLC or any other entity, should be reviewed and approved by the Board of Governors.

- **Require notice to BOG and DBF staff if a university conducts a pre-solicitation conference or uses a request for information (Section IV)**
  Universities should be required to notify the BOG and DBF staff of contemplated projects so all parties can begin communicating and coordinating on project development and subsequent review. The notice would not trigger a review but would facilitate discussions early in the planning process.

- **Amend Paragraph VII(f) to require Board of Governors review and approval for material changes to a project – or PPP agreement**
  If there is a material change to a project or concessionaire agreement previously approved by the Board of Governors, the material change should return to the Board for consideration. This requirement is consistent with the Debt Management Guidelines and provides on-going oversight of public-private partnership projects by the Board.

- **Amend Paragraph VI(k) to limit length of lease term and evaluate private partner's return on investment.**

  Limits on lease terms should be established to ensure the term of the concessionaire agreement does not exceed the economic useful life of the project being financed to avoid functional obsolescence or substandard buildings that cannot be demolished or replaced. Reasonable limits on lease terms will also help ensure university campus property is not tied-up with private parties any longer than necessary. The private partner's return on investment should also be reviewed and evaluated to ascertain that the investment return is reasonable relative to the business risk they are taking and to ensure that the overall cost of the project is the most cost-effective alternative.

DBF will submit language to the Board of Governors Facilities Committee for all of its proposed changes, along with an explanation for such changes. In the meantime, we are happy to discuss the foregoing and explain our reasoning. Thank you for your consideration.

Cc: Members, Board of Governors Facilities Committee