

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FACILITIES COMMITTEE
FLORIDA INTERNATIONAL UNIVERSITY, MIAMI
AUGUST 31, 2021

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and its Committees are accessible at <http://www.flbog.edu/>.*

Governor Steven Scott, Vice Chairman, convened the Board of Governors Facilities Committee meeting at 2:01 p.m. (ET) on August 31, 2021. The following members were present: Aubrey Edge, Edward Haddock, Sydney Kitson, Charles Lydecker, William Self, and Eric Silagy. Other Board members present included: Timothy Cerio, Patricia Frost, Nastassia Janvier, Ken Jones, Brian Lamb, and Kent Stermon.

1. Call to Order and Opening Remarks

Vice Chairman Scott called the meeting to order.

2. Minutes of Committee Meetings

Vice Chairman Scott moved that the committee approve the minutes of the Facilities Committee held on June 22, 2021, at the University of South Florida. Governor Self moved to approve, Governor Lydecker seconded the motion, and the motion carried.

3. University of Florida Supplemental Educational Plant Survey

Vice Chairman Scott introduced the next action item which was a request by the University of Florida for Board approval of the Supplemental Educational Plant Survey. Vice Chairman Scott recognized President Fuchs who discussed the supplemental recommendations concerning both the Architecture Building and the Dental Sciences Building.

Next, the Director of Finance and Facilities, Mr. Kevin Pichard, was recognized to discuss this item further. Mr. Pichard explained that to be eligible for inclusion in the PECO scoring process and PECO funding, a survey recommendation was required for the projects not originally contemplated in 2019. Consequently, UF requested a Supplemental Survey to include the large scale renovation of the Architecture Building and the Dental Sciences Building. The Supplemental Survey was completed and has been approved by the UF board of trustees. Mr. Pichard explained that this survey must be approved by the Board of Governors before the next item concerning PECO scoring is presented to the Board for approval. Mr. Pichard also advised that Supplemental Surveys do occur and will likely happen more frequently in the future.

Vice Chairman Scott opened the floor for questions. Hearing no questions, the Vice Chairman called for a motion to approve and validate the University of Florida Supplemental Educational Plant Survey. Governor Lydecker moved to approve, Governor Kitson seconded the motion, and the motion carried.

4. 2022-2023 Fixed Capital Outlay Legislative Budget Request

Vice Chairman Scott introduced the next item for consideration which was the proposed Fixed Capital Outlay (FCO) Legislative Budget Request (LBR) and the Public Education Capital Outlay (PECO) Preliminary Selection Group. Vice Chairman Scott then recognized, Director of Finance and Facilities, Mr. Kevin Pichard, to discuss the LBR. Mr. Pichard advised that the FCO LBR represents a request for legislative appropriation of funds for continued capital outlay support to renovate, remodel, and maintain the existing facilities at the universities, as well as provide funding for new capital projects that together further the mission and strategic goals of the individual universities in the system as a whole.

Mr. Pichard further explained that the proposed request has been prepared in accordance with the statutory requirements as well as guidelines adopted by the Board, and that all of the universities' individual Capital Improvement Plans, which are the building blocks for the LBR, had been approved by the respective boards of trustees. Mr. Pichard also stated that this year's LBR is comprised of four categories: Public Education Capital Outlay or PECO, maintenance, repair, renovation, and remodeling or Sum of Digits or deferred maintenance funding, Capital Improvement Trust Fund or CITF, and the legislative authorization for certain types of projects that are found in the back of the bill, hence the term back of the bill. Mr. Pichard then discussed in detail each of the four categories.

First, Mr. Pichard explained that Florida Statutes requires the use of a Points Based System for ranking PECO projects into a prioritized list chosen from a preliminary selection group. The resulting list represents an assessment of projects prioritized and deemed potentially eligible for PECO funding. This year's list includes 20 projects. He then stated that we will focus on the 2023 estimate of \$101M in PECO for the university system.

Mr. Pichard also advised that out of that \$101M approximately \$39M in sum of digits or deferred maintenance funding will be carved out leaving about \$62 million to fund six proposed capital projects. Mr. Pichard then compared and discussed this year's request to the request made last year and highlighted the need to address the continued growing problem of deferred maintenance.

Also included in this legislative budget request is the Capital Improvement Trust Fund or CITF. Mr. Pichard explained, that section 1010.86, Florida Statutes requires the Board to administer the Capital Improvement Trust Fund. All funds in the trust fund except those that are used for debt service payments and educational research centers for child development or childcare centers are used to fund certain types of student related projects, such as Student Unions, Wellness Center, recreational facilities and the like.

This year's proposed request is \$44.7M. It is a pro rata distribution to the universities based on actual remittances of CITF fees. If it is legislatively appropriated, the universities' proposed CITF projects will be brought back to the Board early next year for consideration and approval.

The last section in the LBR this year is legislative authorization for certain types of projects. Statute requires that certain types of projects, i.e., those that will be funded by debt, public private partnerships, be brought to the legislature for legislative authorization. Mr. Pichard advised that statute has language that provides pre-authorization, i.e., it doesn't have to come to the legislature for projects such as parking, housing, research, and healthcare type facilities, but facilities, like a hotel, a conference center, a grocery store on the campus has to obtain legislative authorization, particularly if it is going to be debt financed or it is a public private partnership. A list of the proposed developments and descriptions of the proposed projects will be submitted to the legislature. Once authorized by the legislature, the authorization is found in the back of the General Appropriations Act, hence the term back of the bill. Any legislative authorization of these projects, does not supersede the requirements of Board of Governors' review and approval as required.

The floor was then opened for questions. After further discussion regarding deferred maintenance with Governor Lydecker, Vice Chair Scott, and Chair Kitson, Mr. Pichard added that records reflect an attempt to deal with deferred maintenance for decades and emphasized that the sum of the digits request is not sufficient to address deferred maintenance on an ongoing basis.

Vice Chairman Scott advised on potential solutions to assist the university system in tackling this issue including taxes or a committee or taskforce. Governor Silagy questioned what is needed to address the deferred maintenance and added that as part of the approval process of new buildings, operation and maintenance funds must be included along with a capital investment so the deferred maintenance is related to legacy buildings.

Chair Kitson advised that we have an opportunity this year as the state has received extra federal funding and asked Mr. Pichard to take a look at that and be aggressive in identifying what we need to do to avoid the disaster of crumbling infrastructure and buildings. Both Chair Kitson and Governor Silagy emphasized the opportunity to provide the legislators with information regarding state assets. Governor Lydecker stressed a unified message from the universities.

Vice Chairman Scott opened the floor for questions. Hearing no questions, the Vice Chairman called for a motion to approve the FY 2022-23 State University System Fixed Capital Outlay Legislative Budget Request, including the Preliminary Selection Group of PECO eligible projects. Governor Lydecker moved to approve, Governor Haddock seconded the motion, and the motion carried.

5. Project List for Coronavirus State Fiscal Recovery Fund, \$350M Deferred Building Maintenance Program

Vice Chairman Scott recognized Director of Finance and Facilities, Mr. Kevin Pichard, to discuss the next informational item.

Mr. Pichard explained that the 2021 General Appropriations Act, specifically section 152 authorizes funding of federal resources, awarded to the state as part of the American Rescue Plan Act of 2021 also known as ARPA. More specifically, section, 152 provides the allocation of certain non-recurring appropriations, which are currently in general revenue for 2021 for the purpose of responding to the negative economic impact from the COVID-19 public health emergency. Mr. Pichard added that within section 152 there are a lot of appropriations. One such appropriation is the deferred building maintenance program, to which \$350M was appropriated and subsequently prorated to approximately \$286M which is available to universities, colleges, as well as all the other state agencies.

Mr. Pichard further explained that the \$286M is for deferred maintenance projects that meet six eligibility criteria as provided in the guidance from the Governor's office and can be used to specifically fund things like ADA compliance, health, critical health safety issues, air quality, and the like. Each university was asked to provide a prioritized list. Mr. Pichard also stated that this deferred maintenance list is not representative of all the deferred maintenance that is needed in our system, instead it's specifically those projects and repairs that fit the eligibility criteria.

Mr. Pichard concluded that there are a total of 65 projects totaling over \$330 million. The list was submitted to the Office of Policy and Budget by the August 2 deadline and the Governor's office has to submit a proposed funding plan to the Legislative Budget Commission.

Governor Silagy commented stating he went through a number of the projects and found them very interesting, informative, and frankly, eye opening. Governor Silagy advised that his thoughts for all university presidents is to take a good hard look at these facilities built in the 20s, 30s, 40s, 50s, and 60s. He advised that older building envelopes are very different compared to what is being built now, and advised that despite new building systems money will still be wasted to maintain these less resilient buildings and to consider if it is better to shut down, tear down, and replace the building, rather than deferring maintenance until it becomes such a problem, it's not even habitable and becomes an emergency.

Vice Chairman Scott opened the floor for further discussion and questions. Hearing none, Vice Chairman Scott introduced the next action item.

6. Florida Polytechnic University P3 Research Facility

Vice Chairman Scott advised that the next action item was the Florida Polytechnic University P3 Research Facility, a public private partnership. Vice Chairman acknowledged President Avent to discuss the project.

President Avent stated that one of the main reasons for creating the university was to try and help grow the high-tech industry and part of that is growing new firms and attracting firms. President Avent added that Florida Poly offers degrees in high demand low supply areas and that attracts businesses that want to be close to the university. International Flavors and Fragrances (IFF) is the first major company Florida Poly has been able to attract and it is also a Fortune 500 company. Florida Poly has developed a strategic relationship with IFF and IFF is going to build a global innovation center on our campus.

Mr. Pichard was then recognized to discuss this item and advised that in November of last year, Florida Poly issued an ITN for a national scale developer with the experience in constructing and operating research facilities, and that ultimately would preclude any financial support from the university. One response was received, evaluated, and awarded to Ryan Companies USA, Inc. (Ryan), and International Flavors and Fragrances.

Mr. Pichard stated that the proposal submitted calls for entry into a ground sublease for the design, construction and operation of a research facility, as well as a strategic alignment between the facilities' tenant IFF and Florida Poly. The proposed 33,000 square foot research facility will be located on the Lakeland campus on a little over a one-acre parcel. The ultimate cost of the facility is approximately \$14.3M for the design and construction. This is not a financial obligation on the part of Florida Poly's public private partnership with IFF. Rather than using traditional debt, they're going to the developer Ryan that will utilize an equity financing arrangement with Harrison Street Real Estate Capital, another national firm that has done over 180 similar transactions.

Harrison Street is going to create an LLC, that's going to enter into the ground lease with Florida Poly. The LLC, which is Ryan at that point will build the facilities, and upon construction completion will transfer ownership in the LLC to Harrison Street, again the equity provider. Ryan, while they will be through with construction, is going to remain in the transaction, by virtue of Harrison Street's contracting with Ryan to manage, operate and maintain the facilities for the duration of the ground lease. Florida Poly is putting up the land on the campus. The annual rent is a \$1/year. Poly is also estimating \$25,000/year in parking fees.

Mr. Pichard also explained that IFF will pursue a strategic partnership with Florida Poly due to its unique geographical and technical alignment. According to IFF they have identified gaps in the essential skills necessary for engineering programs supporting the citrus industry noting that current citrus related programs at other Florida universities, with whom they partner, only cover the primary industry around citrus and do not address engineering tasks in the secondary industry linked to further processing and the use of byproducts. Mr. Pichard added that IFF wants to transform its operations through engineering, computer science, data science, and improve its research using advanced manufacturing processes, machine learning, and computer modeling. Florida Poly will provide the students and faculty with expertise in these areas. By virtue of a formal affiliation agreement, a collaborative agreement between IFF is expected to benefit Florida Poly by creating additional internships and employment opportunities for

Florida Poly students and graduates, as well as fill the talent pipeline and technical knowledge gaps in the citrus industry, engage in collaborative or sponsored research and development, and enhance the academic program of the university. The project is anticipated to be completed in 2023. The university does not expect needing additional state funding for its operation, maintenance or construction. The Florida Poly board of trustees approved the project and the ground sublease at its May 25, 2021, meeting.

After some brief comments, Vice Chairman Scott opened the floor for questions. Hearing no questions, the Vice Chairman called for a motion to adopt a resolution approving the Florida Polytechnic University board of trustees entering into a ground sublease and related documents with Ryan Companies, USA, an affiliate or an entity providing financing; and further authorizing entering into an Affiliation Agreement with International Flavors and Fragrances, Inc., related to design, construction, financing, ownership, operation and maintenance of a research facility on the campus of the university. Governor Silagy moved to approve, Governor Self seconded the motion, and the motion carried.

7. Public Notice of Intent to Amend Board of Governors Regulation 14.003 Fixed Capital Outlay University Budgeting Procedures

Vice Chairman Scott introduced the request to approve the Public Notice of Proposed Amendment to Regulation 14.003 Fixed Capital Outlay-University Budgeting Procedures. The Vice Chairman further explained that the current language was found to be unintentionally more restrictive than statute, so proposed amendments revise the regulation so that it more closely mirrors statute, clarifies budget amendment approval authority and simplifies the language therein. The proposed revisions were provided to the universities for feedback and modifications have been made as appropriate.

Vice Chairman Scott opened the floor for questions. Hearing no questions, the Vice Chairman called for a motion to approve the public notice of intent to amend Board Regulation 14.003-Fixed Capital Outlay University Budgeting Procedures. Governor Self moved to approve, Governor Lydecker seconded the motion, and the motion carried.

8. Concluding Remarks and Adjournment

There being no further business, Vice Chairman Scott adjourned the meeting at 2:52 p.m. (ET) on August 31, 2021.

Kevin Pichard, Director of Finance and Facilities

Steven M. Scott, Vice Chairman