

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FACILITIES COMMITTEE
CONFERENCE CALL
January 5, 2022

*Video or audio archives of the meetings of the Board of Governors
and its Committees are accessible at <http://www.flbog.edu/>.*

Governor H. Wayne Huizenga Jr., Chairman, convened the Board of Governors Facilities Committee meeting at 1:03 p.m. (ET) on January 5, 2022. The following members were present: Steven Scott, Aubrey Edge, Edward Haddock, Charles Lydecker, William Self, and Eric Silagy. Other Board members present included: Brian Lamb, Timothy Cerio, Patricia Frost, Nastassia Janvier, Ken Jones, Alan Levine, and Kent Stermon.

1. Call to Order and Opening Remarks

Chairman Huizenga called the meeting to order.

2. Minutes of Committee Meetings

Chairman Huizenga moved that the committee approve the minutes of the Facilities Committee held on November 4, 2021, at Florida Atlantic University, Boca Raton. Governor Silagy moved to approve, Governor Lydecker seconded the motion, and the motion carried.

3. \$800M Amendment to 2022-2023 Fixed Capital Outlay Legislative Budget Request for Deferred Maintenance and Deferred Capital Replacement

Chairman Huizenga introduced the amendment to the Fixed Capital Outlay Legislative Budget Request and recognized the Director of Finance and Facilities, Kevin Pichard, to discuss the amendment and associated plan.

Mr. Pichard advised that in November, the Board had approved an amendment to the Fixed Capital Outlay Legislative Budget Request seeking additional funding of up to \$800M in general revenue to address deferred maintenance in the system and augment the previously approved \$39 million in funding requested from the Sum-of-Digits. Historically, Sum-of-Digits, has been the source of funding used for these types of requests, but has been absent in recent years. Board staff was also charged with preparing a plan to accompany the request, providing for a definition of deferred maintenance, a plan for allocating funding, and a strategy for avoiding similar backlogs in the future.

Consequently, Board staff provided a definition for deferred maintenance and other related terms, as well as a plan for avoiding backlog in the future, and for the allocation of funds. Board staff also requested universities revisit the lists and identify only deferred maintenance, excluding projects more appropriately categorized as major renovation, remodeling, or other capital needs. Each university provided a list which together totaled approximately \$1.6B in deferred capital needs. Mr. Pichard further explained that while the \$800M will go a long way in addressing the need, it will not eliminate deferred capital need; therefore, funding in the future will need to go beyond historical levels.

Mr. Pichard stated that funding, if received, should be allocated to universities based on Sum-of-Digits methodology. Any excess funds over 100% of stated need, will be distributed to the other institutions and any funding received is to be expended solely on the projects reflected in the lists. Mr. Pichard explained that the universities are provided the latitude to prioritize that project funding based on the most critical needs and circumstances at the time, with periodic progress reports back to the Board. The plan also requests the legislature reinstitute annual Sum-of-Digits appropriations and annual plant operations and maintenance going forward and include amounts not funded from fiscal 2017 to the present. The plan suggests avoiding further bonding of PECO as it will allow the system to benefit from a continued reduction in annual debt service on those bonds. Additionally, the plan recommends establishing new Board regulations providing for an increase in the statutorily required 1% reserve for new projects, including new construction, renovation, and remodeling, to help offset future capital replacement and renewal needs. Lastly, the plan includes process enhancements, including formalizing the definitions, ongoing maintenance or monitoring of capital needs, guidance to the boards of trustees, workshops with the universities, and ongoing accountability.

Chairman Huizenga opened the floor for questions. Both Chancellor Criser and Mr. Pichard responded to questions and comments from Governors Lydecker and Silagy. The Chairman also commented, followed by UF's board of trustees Chairman Hosseini. Mr. Pichard and the Chairman responded to Governor Scott's inquiry. Governor Stermon commented and FSU's board of trustees Chairman Collins also shared some comments.

Chairman Huizenga then recognized Chancellor Criser. Chancellor Criser advised, in short, that our expectation is to go to regulation with very clear definitions. As a part of that process, we also contemplate going forward and developing a tutorial available to all of the universities as well as to our Board as to what these definitions mean, and how the state processes for appropriations would be applied. The Chancellor further stated that he believes to a large extent the universities have worked toward making a differentiation from where they were before in their proposals to where they are now, and then going forward, when there is agreement on what the words mean and what the dollars are, our hope is that the boards of trustees will be the first step in looking at and making sure that these plans are properly characterized. Our Board will continue to watch and to have discussions with the boards and have a sense of accountability that

takes us from not only discussing what plans are but what the execution of those plans looks like, so that on annual basis, if we can create this ongoing conversation with the legislature, they understand that there is a new level of due diligence in this area. The Chancellor explained that in some ways we are plowing ground that is unique in higher education, and that is not unusual for Florida. Additionally, he stated that we do not like to live by the national approach. We like to make sure we do it better. Chancellor Criser advised that we are going to clarify and we are going to run this in a way that anyone looking into the accounting statement would understand it, not just the folks within our system.

Chairman Lamb, stated that in addition to asking for money, the real push he raised with Board staff is to identify the process improvements that will go a long way in terms of making sure this standard deviation in how we are coming up with the numbers is a lot smaller. Chairman Lamb advised that we also have very different institutions with very different assets and asset classes which is why he expressed support for using the Sum-of-Digits method of allocation. The Chairman stated that a lot of progress has been made, but we are not done, as there is a lot of work coming out of this that the plan is committing to and he stated that he just did not want that to be missed as part of the discussion.

Chairman Huizenga then explained that he understands that everybody desires for there to be accountability on how the funds are allocated. He stated that the Board of Governors has worked hard to build trust with the legislature. He also stated that we have pushed the trustees to be more involved and accountable and acknowledged that the trustees have been involved and approved the numbers submitted to the Board, and ultimately the legislature, with the hope that the right thing was being done as the Board's small staff has no way to inspect and measure how every dollar is being spent, or know who is not doing the recommended annual maintenance to extend the life of the asset. Chairman Huizenga stated that from what he has seen over the past eight or nine years, he believes the universities are doing the recommended maintenance on an annual basis, but there simply is not enough funding to take on the larger projects that were needed.

Chairman Lamb explained that there is a lot in the plan that is required over the next 30 to 60 days and added that we ought to give the staff, the trustee boards, and the university administrations time to do that work. He explained that the goal of this meeting was to approve a plan, not necessarily have all the outcomes of the plan resolved, and that's what's on the table for the committee to decide.

Governor Self commented on the need for a long-term plan to deal with the maintenance and fund it in an appropriate way.

Chairman Huizenga called for a motion to approve the Plan for addressing the State University System's deferred maintenance and deferred capital replacement, as presented. Governor Self moved to approve, Governor Edge seconded the motion, and the motion carried.

As presented and discussed during the meeting, the Plan included the following:

- Funding received pursuant to the approved \$800M amendment to the FCO LBR should be allocated to the universities based on the Sum-of-Digits methodology, with any excess funding (i.e. over 100% of stated need) distributed to the other institutions, as described in the white paper titled “The Issue of ‘Deferred Maintenance’ within the State University System” dated 12/15/21.
- In terms of Accountability: Funding received is to be expended solely on projects reflected in the university’s lists of deferred capital needs previously submitted to the Board. Universities may prioritize project funding based on the most critical needs and circumstances at the time, and will provide periodic progress reports to the Board.
- It requests the Legislature reinstitute annual Sum-of-Digits appropriations going forward.
- It also requests the Legislature reinstitute annual Plant Operations & Maintenance (PO&M) funding going forward, to include the amounts not funding from Fiscal 2017 to present.
- It recommended avoiding further “bonding” of PECO, to allow scheduled reduction in debt service translate to significant increases in PECO revenues to education, as originally intended.
- Develop new Board regulations providing for, among other things, an increase in the statutorily-required 1% reserve for new projects, to help offset future capital replacement/renewal needs.
- Consider revising the current PECO project scoring methodology to place greater emphasis on renovation/remodeling over new construction projects.
- Develop process enhancements that include: formalizing definitions, ongoing monitoring via third party (of capital needs), guidance to boards of trustees, workshops with the universities, and reporting.

4. Concluding Remarks and Adjournment

Chairman Huizenga advised that we need to strengthen our definitions and come up with a way that we can hold our universities accountable for what they are requesting and then how they are spending their dollars. He further stated that we need a long-term solution where our universities can count on the funding that will be available to them, either through Sum-of-Digits, or another solution, but we need to know how we are going to fund our universities going forward. Lastly, he advised that we should be looking at between 3 and 4% that we that we put aside for our new facilities that we are building, as opposed to the 1%.

There being no further business, Chairman Huizenga adjourned the meeting at 2:19p.m. (ET) on January 5, 2022.

Kevin Pichard, Director of Finance and
Facilities

H. Wayne Huizenga, Jr., Chairman