

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FACILITIES COMMITTEE
UNIVERSITY OF SOUTH FLORIDA
TAMPA, FLORIDA
SEPTEMBER 16, 2020

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Governor H. Wayne Huizenga, Jr., Chairman, convened the Board of Governors Facilities Committee meeting at 10:49 a.m. (ET) on September 16, 2020. The following members were present: Aubrey Edge, Sydney Kitson, Charles Lydecker, William Self, and Eric Silagy. Other Board members present included: Tim Cerio, Patricia Frost, Darlene Jordan, Brian Lamb, Alan Levine, Ally Schneider, Kent Stermon, and Norman Tripp.

1. Call to Order and Opening Remarks

Chairman Huizenga called the meeting to order.

2. Minutes of Committee Meetings: Governor Huizenga

Chairman Huizenga moved that the committee approve the minutes of the telephonic Facilities Committee meeting held on July 21, 2020. Governor Kitson moved to approve, Governor Silagy seconded the motion, and the motion carried.

3. 2020-21 Fixed Capital Outlay Legislative Budget Request

Chairman Huizenga advised that the first item on the agenda is the proposed Fiscal Year 2021-2020 Legislative Budget Request (LBR) for Fixed Capital Outlay (FCO), more specifically proposed PECO and CITF funding for the SUS proposed capital projects. The Chairman explained that this year finds us at a relatively unique juncture that has promoted a couple options for the PECO request. The Chairman then recognized Director of Finance and Facilities, Mr. Kevin Pichard to present the options to the Committee.

Mr. Pichard explained that the proposed legislative budget request for fixed capital outlay is comprised of a couple of components - PECO and the Capital Improvement Trust Fund (CITF) with PECO being approximately \$73M and CITF is \$46M. Mr. Pichard provided a brief overview of CITF to the Board and advised that process by which CITF projects are approved and the type of projects that can completed with the funds.

Next, Mr. Pichard discussed PECO and advised that it is approximately \$73M this year. In years past, Mr. Pichard, explained the PECO figure has been greater, however

COVID has impacted this figure. Mr. Pichard advised that this year there are two options being proposed. Option 1 takes a more historical approach to the PECO funding which carves out funds for maintenance, repair, renovation, and remodeling which is referred to as Sum of Digits. This year if the committee decides to go that route there will be \$32.2M applied toward maintenance, repair, renovation, and remodeling leaving approximately \$40M for PECO projects.

Mr. Pichard further explained that given the recent track record where the legislature has not funded Sum of Digits for maintenance as well as the fact that we are working off of quite limited resources there is a second option. The second option is to discuss a request of \$0 for Sum of Digits for maintenance since Senate Bill (SB) 190 opened up the use of carryforward to include repairs and renovation or maintenance on FCO projects. While that may not be ideal, he explained, if we request zero for Sum of Digits there is at least some alternative source for maintenance and repair funding.

Governor Lydecker thanked Mr. Pichard for creating as much optionality as possible and asked Mr. Pichard to expand further on the Sum of Digits and MRR&R as this is a real issue for the universities. Mr. Pichard was asked to explain the impact of each option in regard to completion of the projects.

Mr. Pichard then advised that the first option would complete funding for three of the four projects that have not been completely funded. The fourth on the list, FSU's College of Business, would remain incomplete. The second option completes all four of the projects and fully funds four more renovation and remodeling projects.

Chairman Huizenga then recognized Governor Silagy who then asked about the unfinished project in option 1 and if that would result in additional costs down the road and delay? Mr. Pichard advised that additional costs would be expected. Governor Silagy stated that we if the Board determined somewhere in the past that these were important projects to undertake then we should follow that prioritization and wait before we bring other projects up until we finish these.

Governor Huizenga agreed and stated that unfortunately we have not had any control over the funding and as you saw last year the rules of how things are funded have changed once again. So there have been times that we have had projects that we have wanted to complete, that the legislature saw as fit to fund, projects that either haven't been started or projects that they thought were more important than the Board did, so I agree in a perfect world we would move forward with more important projects, fund them as quickly as possible and get them completed and that is what we have recommended but unfortunately we don't always get our way.

Governor Kitson agreed that we should have our eyes wide open and that maintenance renovation and repair issues are not going away and suggested next year working with universities to ensure carryforward funds are being used to take care of these issues, to avoid buildings deteriorating to the point in we have a much more expensive project to bring forward to get them up to speed.

There being no further discussion, Governor Huizenga called for a motion to approve the FY 2021-2022 Legislative Budget Request for Fixed Capital Outlay, representing a \$46 million CITF allocation and the PECO FCO budget reflected in the Preliminary Section Group option #2. Governor Lydecker moved to approve, Governor Self seconded the motion, and the motion carried.

4. FAMU HBCU Loan Payment Deferral

Chairman Huizenga advised that the next item is a request from FAMU for consideration of approval of deferment of payments and a commensurate extension of maturity, on its US Department of Education HBCU loan.

Chairman Huizenga recognized Director of Finance and Facilities, Kevin Pichard, to present this matter. Mr. Pichard stated that in September 2018 the Board approved \$125M in debt for FAMU of which \$55M of that refinanced and restructured FAMU's entire existing housing system debt, and \$70M of the total debt provided some construction financing for a 700 bed housing facility and associated dining hall. That loan was done between the US DOE HBCU Capital Financing Program and it was structured similar to a bond in four series. As a side note the 700-bed housing facility finished construction and is occupied as of this semester and the dining hall is scheduled to complete near year end.

Additionally, the CARES Act authorized the US DOE to modify the HBCU Capital Financing Program loan which provided for a deferment in principal and interest. Mr. Pichard explained that FAMU was approved for the program a couple of weeks ago and subsequently FAMU's board approved it on September 3. Mr. Pichard discussed the terms of the modification and also explained that this modification will provide FAMU with some near-term capital that will allow FAMU to apply it to the housing system to tackle, for example, deferred maintenance.

Chairman Huizenga added that both the Division of Bond Finance and Ben Watkins have reviewed the plan and the only stipulation is that any dollars that FAMU receives in deferral would be maintained in the housing system and used exclusively for housing system projects.

Chairman Huizenga then recognized Governor Silagy who agreed that he could not see a reason why the university should not do this deal and is happy to see the money stay in the housing system. Governor Silagy further explained that given the conversation about deferred maintenance, why would we not be asking to have it applied to deferred maintenance. Mr. Pichard advised that the topic was vetted in the 2018 when the Board originally approved the full \$125M. A third-party report estimated that needed immediate repairs, deferred maintenance, and projected repairs over the next ten years was roughly \$21M, and a specific plan was prepared by FAMU in connection with that report. Governor Silagy expressed his support for this plan and stated that this money will get back into the local economy and ultimately benefit the students with better housing.

Chairman Huizenga asked that Mr. Pichard work with FAMU to determine how the money will be implemented and then provide at the November meeting a preliminary plan on how to use the \$2.1M, a projection if this goes on for another six months, as well as report on how FAMU has been doing since the Board approved the project in 2018 and the progress that has been made.

Governor Kitson also stated his support for this plan and that it was inexcusable to present such an important issue on short notice and expressed appreciation for the Board, the Chancellor and Board staff that were able to get this done.

After further discussion between Governor Levine and Mr. Pichard, hearing no further business, the Chairman called for a motion to approve the deferment and modification of FAMU's housing system loan through the US Department of Education HBCU Capital Financing Program, approve the extension of maturities, and prohibit the transfer of outside the housing system of funds made available by reimbursement or deferment, in accordance with the original approval. Governor Self moved to approve, Governor Silagy seconded the motion, and the motion carried.

5. Concluding Remarks and Adjournment

There being no further business, Chairman Huizenga adjourned the meeting at 10:56 a.m. (ET) on March 25, 2020.

Kevin Pichard, Director of Finance and
Facilities

H. Wayne Huizenga, Jr., Chair