

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
November 5, 2020

SUBJECT: Florida Agricultural and Mechanical University (FAMU or University) updates regarding their Historically Black College and University (HBCU) Capital Financing Loan (Loan) and, separately, their deferred maintenance plan.

PROPOSED COMMITTEE ACTION

For informational purposes only, updates regarding: a) FAMU's plan to utilize the refund of payments and potential future cash flow savings stemming from their participation in a payment deferral program offered through the U.S. Department of Education (US DOE); and b) the University's progress in addressing deferred maintenance as identified in the original Loan approval.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution.

BACKGROUND INFORMATION

In September 2018, the Board of Governors (Board) authorized the issuance of debt, on behalf of FAMU, in the amount of \$125 million through the US DOE HBCU Capital Financing Program (Loan). The Loan, which was subsequently closed and funded March 6, 2019, refinanced all of FAMU's existing housing system bonds; approximately \$55 million, and provided \$70 million for construction of a new housing facility and dining hall. As a condition of approval, the Board required the following:

- a) The University report its progress in addressing its Housing System Deferred Maintenance needs, as shown in a third-party report prepared February 2018.
- b) Generally speaking, prohibited the transfer housing system funds outside of housing system until all existing Housing System Deferred Maintenance is addressed.
- c) Prohibited the University from requesting approval for additional housing system debt or a housing-related public-private partnership until 1) the proposed housing and dining facilities are completed, and 2) another Facility Condition Assessment is performed evidencing substantial progress in addressing Housing Deferred Maintenance.

On September 16, 2020, the Board authorized FAMU's participation in a payment deferral program offered through the US DOE in connection with the Loan. Specifically, it provided reimbursement of payments made from April 2020 to September 2020, resulting in the University receiving a refund of prior payments totaling approximately \$2.2M. Future payment deferral terminates upon the earlier of a) absence of Congressional appropriation or b) termination of the national public health emergency related to the coronavirus. Each payment deferral equates to approximately \$380K/month in cash flow savings. In accordance with the original Loan approval, the

Board's latest authorization of the payment deferral program prohibited the transfer outside the housing system of funds made available by reimbursement or deferment. The Board also requested 1) an accounting of how the refund and potential debt service savings from the Loan deferral program would be expended within the housing system, and 2) an update as to University's progress in addressing housing system deferred maintenance as identified in the original Loan approval.

FAMU has advised Board staff that the entire \$2.2M refund (of prior Loan payments) will be allocated to offset COVID-related lost revenues within the housing system, projected to total over \$4.0M. Future payment deferrals will be used to further offset ongoing lost housing system revenues, with excess funds, if any, helping to address deferred maintenance needs within the housing system.

FAMU's progress in addressing deferred maintenance is benchmarked against its Housing Facilities Condition Audit Summary and Deferred Maintenance Plan (the Plan) dated June 8, 2018, which was provided in connection with the original Loan approval and attached herein, for reference. The Plan calls for a three prong approach; 1) construction of new housing facilities to replace aging ones; 2) decommission or demolition of some facilities; and 3) a 10-year capital plan for addressing deferred and ongoing maintenance needs.

Construction of new housing is evidenced, to date, by the recent completion of the 700-bed residency hall, funded with Loan proceeds, as previously described. Second, the decommission of existing facilities is evidenced by the removal of Paddyfote, Palmetto North and Truth from the housing system inventory, as well as the demolition of Cropper, Diamond, McGuinn and Wheatley last year at a cost of \$1.7M.

In terms of the University's progress in addressing deferred maintenance, page 3 of the Plan provides a chart reflecting annual objectives over 10 years. To date, FAMU has completed a number of listed projects totaling over \$3.9M; however, some have been completed out of sequence due to the urgency of the repair, such as roof replacement. Furthermore, current resources are focused on the unanticipated emergency structural work required on Gibbs Hall. The current scope of work addresses some of the deferred maintenance issues in the Plan (i.e. HVAC, plumbing, interior and exterior glazing). Once the structural floor repairs are completed, the next phase of Gibbs Hall project will address the remainder of the related Plan items.

Supporting Documentation:

1) FAMU Housing Facilities Condition Audit Summary and Deferred Maintenance Plan, June 8, 2018
2) FAMU Deferred Maintenance Plan progress update and detail

Facilitators/Presenters:

Mr. Kevin Pichard