

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
June 23, 2016**

SUBJECT: Proposed Amendment to the State University System Board of
Governors Debt Management Guidelines

PROPOSED COMMITTEE ACTION

Information Only

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The Board adopted Debt Guidelines in 2006 for the state universities and their direct support organizations (DSOs) to confirm that they must engage in sound debt management practices. The Guidelines have proven to be a robust framework for debt management, and with minor modifications, have enabled the System to navigate the credit market crisis in 2007-2008, and ensuing changes in the financial regulatory environment. During this time, the universities and their DSO's have generally enjoyed stable or improving credit profiles, as evaluated by the national rating agencies.

Recent activity relative to university and DSO credit (bond) ratings by a national rating agency led the Chancellor, in consultation with the Division of Bond Finance, to proactively issue a memo to the university presidents. (See Attachment A, Chancellor Memo to Presidents). The Chancellor advised the universities that all communications with the rating agencies would take a coordinated approach moving forward. This will allow the State University System to bring all possible resources, including the universities, DSOs, the Division of Bond Finance, and the Board Office, on the goal of maintaining or improving university and DSO credit ratings.

On May 10th, the Governor and Cabinet, meeting as the Executive Board of the State Division of Bond Finance, requested that the Chancellor and Director of the Division of Bond Finance, work cooperatively to address questions and concerns expressed relative to both ratings and compliance issues of the universities and their DSO's.

The proposed revisions require that:

The Board Office and the DBF coordinate university and DSO engagement with rating agencies.

The Board Office and DBF will develop a schedule for rating agency coordination, with the goal of maximizing efficiency; and the Board Office will maintain a listing of all university and DSO ratings.

Although the Guidelines are not a Board regulation, they fall within the Board's regulatory authority, and will follow a similar process to the consideration of amendments to regulations. The proposed language will be posted on the Board's website, and public comments will be received through August 1st. In addition, a workshop will be held on July 13th, with the Division of Bond Finance Director, Ben Watkins, and key university stakeholders.

These staff actions will position the Committee to consider approving amended guidelines at the meeting in September. The Chancellor's memo remains in effect.

Supporting Documentation Included: 1. Chancellor Memo to Presidents
2. Amended Debt Management Guidelines

Facilitators/Presenters: Mr. Chris Kinsley