ROLL CALL

AUXILIARY FACILITIES SYSTEM REVENUE BONDS,
SERIES 2005A AND 2005B


Funding: Proceeds of the Revenue Bonds

The board previously approved three new Auxiliary Facilities System (AFS) projects with budgets totaling approximately $237.0 million: (1) UIC Campus Recreation Expansion and Renovation ($42.0 million); (2) UIC South Campus Mixed Use Development ($112.0 million); and (3) UIUC Campus Recreation Renovation and Expansion ($83.0 million). Construction of the UIC recreation project and the UIUC recreation projects are well underway, and $60.0 million of those costs were financed with earlier AFS bonds. In addition, four smaller projects have been approved with budgets totaling approximately $15.0 million: (1) UIC Student Residence Hall Renovation ($9.0 million); (2) UIC Chicago Circle Center Illinois Room Renovation ($3.0 million); (3) UIC South Campus Retail Facilities ($1.0 million); and (4) UIC West Side HVAC Modifications ($2.0 million). It is now necessary to provide funds to reimburse the University for expenditures incurred, as previously approved by the board, and to support additional expenditures on the projects. Given the projected cash flows on
these projects it is recommended that the board issue two series of AFS revenue bonds at this time in a combined amount sufficient to support approximately two years expenditures (about $122.0 million). When capitalized interest and cost of issuance are included, this first issue of bonds should approximate $137.0 million. A second set of completion bonds will be required and is likely to be brought forward early in calendar year 2007. Any costs for the projects that are incurred prior to the sale of AFS revenue bonds will be funded initially from AFS operating reserves with anticipated reimbursement from the proceeds of the sale of the AFS revenue bonds.

There are several series of outstanding AFS bonds that are currently eligible to be advance refunded, including all or portions of the Series 1993, 1996, 1999, 2000, 2001B, and 2001C bonds. Although the selective refunding of these bonds could produce some present value savings, current market conditions do not warrant moving ahead with a refunding issue. However, if the market yields on certain bond and U.S. Treasury maturities were to change prior to the issuance of the bonds needed to fund the projects described above, it may be advantageous to supplement the $137.0 million new project issue by an amount required to accomplish such refunding. It is recommended that the board approve the issuance of additional bonds as part of the Series 2005A and/or the Series 2005B issue for such purpose if the refunding savings reach at least 3 percent of the principal amount of the callable bonds refunded and the comptroller deems such refunding to be economically beneficial following consultation with the financial advisor and managing underwriter. The amount of bonds that are so refunded would not exceed $200.0 million.
The Series 2005A bonds would be issued as fixed interest and maturities, while the 2005B bonds would have variable interest calculated periodically. The amount of the variable rate bonds will be determined in the structural analysis of the combined Series 2005A and 2005B bond issues and will be within the parameters for variable rate exposure contained in the board’s debt policy adopted in March 2004.

Accordingly, in order to proceed with the preparation of documents and to take other actions needed prior to the issuance of AFS Revenue Bonds Series 2005A and 2005B, the Vice President for Administration and the University Counsel recommend:

1. Retention of Chapman and Cutler, LLP, as bond counsel.

2. Retention of John S. Vincent & Company, LLC, as financial advisor.

3. Retention of Lehman Brothers, Inc., as managing underwriter for the Series 2005A bonds. Additional co-managers and selling group members may be added to assist in the marketing of the revenue bonds.

4. Retention of Citigroup Global Markets, Inc., as managing underwriter for the Series 2005B bonds. Additional co-managers and selling group members may be added to assist in the marketing of the revenue bonds.

5. Retention of Mayer Brown Rowe & Maw, LLP, as special issuer’s counsel.

6. Appointment of J P Morgan Institutional Trust Services as Bond Registrar.

7. The preparation of the Preliminary Official Statement(s).

8. Negotiation with credit enhancement and liquidity support providers, as needed and deemed economically beneficial following consultation with the managing underwriter and the financial advisor.
9. The analysis of the purchase of bond insurance to determine if such purchase is deemed economically beneficial following consultation with the financial advisor and managing underwriter. Such insurance, if acquired, would be purchased by the managing underwriter.

10. Actions to pursue and obtain a rating or ratings on the revenue bonds.

11. Preparation of additional documents including a Supplemental Bond Resolution, Bond Purchase Agreement, Continuing Disclosure Agreement, and Escrow Agreement.

Prior to the sale and delivery of the AFS Series 2005A and 2005B Revenue Bonds, the Board of Trustees will be asked to approve the substantially final form of the above referenced documents and ratify and confirm all actions taken or to be taken by the officers and members of the board in connection with such sale and delivery.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois Statutes, The General Rules Concerning University Organization and Procedure, and Board of Trustees policies and directives.

The President of the University concurs.