

Board Meeting
July 13, 2006

ROLL CALL

AUXILIARY FACILITIES SYSTEM REVENUE BONDS, SERIES 2006

Action: Approve Actions Leading to the Issuance of Auxiliary Facilities System Revenue Bonds, Series 2006, to Finance New Projects and Refund Outstanding Bonds

Funding: Proceeds of the Revenue Bonds

The Board previously approved six Auxiliary Facilities System (AFS) projects with budgets totaling approximately \$348.2 million: (1) the Chicago campus South Campus Mixed Use Development (\$124.0 million); (2) the Springfield campus Townhouses Phase 3 (\$5.2 million); (3) the Springfield campus Student Recreation Center (\$16.3 million); (4) the Urbana campus Student Dining and Residential Programs Building and the First Wing of New Residence Hall (\$75.7 million); (5) the Urbana campus Conference Center Project (\$11.0 million); and (6) Phase 1 of the Memorial Stadium Phased Development Plan (\$116.0 million). Project financing details are summarized in the attachment. Construction of the Chicago campus South Campus Mixed Use Development project is well underway, and \$63.4 million of those costs were funded with earlier AFS bonds, leaving \$60.6 million to be financed. A gift of \$1.0 million and prior bond proceeds of \$13.1 million will pay for \$14.1 million of the cost of the Springfield campus Student Recreation Center, leaving \$2.2 million to be

financed. Institutional funds will pay \$6.0 million of the cost for the Urbana campus Conference Center Project, leaving \$5.0 million to be financed. Gift funds will pay \$12.0 million of the cost of Phase 1 of the Memorial Stadium Phased Development Plan, leaving \$104.0 million to be financed. All the cost of the Springfield campus Townhouses Phase 3 (\$5.2 million) and the Urbana campus Student Dining and Residential Programs Building and the First Wing of New Residence Hall (\$75.7 million) will be financed.

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. It is recommended that the Board issue AFS revenue bonds at this time in an amount sufficient to support project costs of approximately \$252.7 million plus capitalized interest and cost of issuance. 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 for advance refunding, including all or portions of the Series 1996 and 2001B bonds. The selective refunding of these bonds could produce present value savings. It may be advantageous to supplement the \$252.7 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 2006 issue for such purpose if the refunding savings reach at least three 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 \$85.0 million.

Accordingly, in order to proceed with the preparation of documents and to take other actions needed prior to the issuance of Auxiliary Facilities System Revenue Bonds, Series 2006, the Vice President for Administration and the University Counsel recommend:

1. Retention of Pugh, Jones, Johnson & Quandt, P.C. as bond counsel and swap counsel, to the extent required.
2. Retention of Katten Muchin Rosenman LLP as special issuer's counsel and tax counsel.
3. Retention of Public Financial Management, Inc., as financial advisor and swap advisor, to the extent required.
4. Retention of Loop Capital Markets, LLC as managing underwriter and Citigroup Global Markets Inc., as co-senior manager. Additional co-managers and selling group members may be added to assist in the marketing of the certificates.
5. Retention of J P Morgan Trust Company, National Association as bond registrar.
6. The preparation of the Preliminary Official Statement.
7. Negotiation with credit enhancement and liquidity support providers, as needed and deemed economically beneficial following consultation with the managing underwriter and the financial advisor.
8. 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.

9. Actions to pursue and obtain a rating or ratings on the revenue bonds.
10. Preparation of additional documents including a Supplemental Bond Resolution, Bond Purchase Agreement, Escrow Agreement, and Continuing Disclosure Agreement. If it is determined that an interest rate swap is the most advantageous based on market opportunities, the preparation of standard ISDA agreements including the Schedule, Credit Support Annex and Confirmation.

Prior to the sale and delivery of the Auxiliary Facilities System Revenue Bonds, Series 2006, the Board 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 Organizations and Procedures*, and Board of Trustees policies and directives.

The President of the University concurs.