

Board Meeting  
July 19, 2012

## ROLL CALL

### REPLACE LIQUIDITY FACILITY VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION (UTILITY INFRASTRUCTURE PROJECTS), SERIES 2004

**Action:** Delegate Authority to the Comptroller to Approve a Replacement Liquidity Facility for the Variable Rate Demand Certificates of Participation (Utility Infrastructure Projects), Series 2004

**Funding:** Institutional Funds Operating Budget

At its September 11, 2003, meeting, the Board approved the delegation of authority to the Comptroller to advance refund certain utility-related certificates of participation. This led to the issuance of the Variable Rate Demand Certificates of Participation (Utility Infrastructure Projects), Series 2004 (the “Certificates”). The Certificates were supported by a liquidity facility provided by Bank of America, N. A. (“B of A”). On June 21, 2012, Moody’s Investors Service downgraded B of A’s long-term rating from A2 to A3 and its short-term rating from P-1 to P-2. This downgrade is expected to result in a corresponding downgrade of the short-term credit rating of the Certificates and may affect whether the Certificates remain eligible to be owned by some money market funds, leading to higher interest rates paid on the Certificates. Since the announcement of the potential credit rating downgrade of B of A, the interest rates paid on the certificates have increased by approximately 30 percent, relative to other

certificates of participation issued by the Board. The total impact of the June 21 downgrade on the interest rates paid on the Certificates has yet to be determined.

A competitive request for bid for a replacement liquidity facility was conducted by Public Financial Management, the Board's financial advisor. The Bank of New York Mellon ("BNYM") provided the winning bid. Therefore, it is the recommendation of the Vice President/Chief Financial Officer and Comptroller that a BNYM liquidity facility be procured. It is recommended that the authority be delegated to the Comptroller, or his designee, to negotiate the final terms and conditions of the replacement liquidity facility. In addition, it is further recommended that authority be delegated to the Comptroller, or his designee, to execute and deliver all instruments and documents on behalf of the Board as may be deemed appropriate, including, without limitation, the replacement liquidity facility, any amendment of the existing documents relating to the Certificates as may facilitate the replacement of the liquidity facility or may otherwise be deemed appropriate, any fee agreement with the provider of the liquidity facility and any future renewal or replacement of the liquidity facility for the Certificates as the Comptroller deems advisable.

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.

Funding will be available from the institutional funds operating budget.

The President of the University concurs.