

Board Meeting
March 14, 2019

ROLL CALL

DELEGATE AUTHORITY TO THE VICE PRESIDENT/CHIEF FINANCIAL OFFICER AND COMPTROLLER TO FUND A NEW PROJECT AND REFUND OUTSTANDING AUXILIARY FACILITIES SYSTEM REVENUE BONDS

Action: Approve Delegation of Authority to the Vice President/Chief Financial Officer and Comptroller to Fund a New Project and Refund Auxiliary Facilities System Revenue Bonds

Funding: Proceeds of the Revenue Bonds

The Board of Trustees of the University of Illinois (the “Board”), from time-to-time, approves the sale and issuance of auxiliary facility system revenue bonds. This Board action item authorizes the sale and issuance of bonds for new money projects and the refunding and/or restructuring of existing bonds.

At its meeting of January 18, 2018, the Board approved the Project for Renovation, Townsend Hall and Wardall Hall, Illinois Street Residence Halls, Urbana (the “Project”). The approved funding source for the Project is the institutional funds operating budget with anticipated reimbursement from the proceeds of a future sale of auxiliary facilities system revenue bonds and the auxiliary facility system repair and replacement reserve budget. It is now recommended that the Board, at a future date, issue one or more series of Auxiliary Facilities System (the “System”) revenue bonds (the “Project Bonds”) to fund the Project and any additional projects approved by the Board prior to the issuance of the Project Bonds plus capitalized interest and cost of issuance.

The Board has periodically issued System revenue bonds to facilitate renovation and construction of auxiliary facilities at Urbana, Chicago, and Springfield. One such issuance, the Series 2010A bonds, was initially issued with a final maturity in 2030 due to an interest rate constraint at the time of issuance, resulting in a step up in annual debt service in the years 2021 through 2025. It is recommended that the portion of the Series 2010 bonds maturing in the years 2021 through 2025 be restructured to extend the maturities to include the years 2026 through 2040 to better meet the needs of the borrowing units. This restructuring will level the future debt service by extending the final maturity to 2040 as originally planned for the Series 2010A bonds. In addition, in the present interest rate environment, several of the outstanding issues (such issues being referred to as the “Outstanding Bonds”), including all or a portion of the Series 2010A bonds and Series 2011A bonds, can be refunded, in whole or in part, to produce debt service savings. In aggregate, any refunding of the Series 2010A bonds and the Series 2011A bonds or other Outstanding Bonds for savings shall provide a minimum net present value savings in excess of 3 percent of the principal amount of the bonds being refunded for savings. It is now recommended that the Board, at a future date, issue one or more series of System refunding revenue bonds (the “Refunding Bonds”) to capture certain refunding savings of the Series 2010A bonds and the Series 2011A bonds and to restructure certain Series 2010A bonds. The principal amount of the Refunding Bonds to be issued and the level of savings to be derived therefrom will depend upon market conditions at the time of sale.

The decision as to the timing and size of the issue (or issues) will rest with the Vice President/Chief Financial Officer and Comptroller (the “Comptroller”). The

current intention is to sell and issue the Refunding Bonds and the Project Bonds (collectively, the “Bonds”) as separate series. In no event will the aggregate principal amount of the issue (or issues) of Bonds exceed \$225,000,000 nor will the final maturity of such issue (or issues) exceed 30 years from the respective dates of issue thereof. In any event, this authorization will be effective through June 30, 2021 and may be renewed at a subsequent meeting of the Board.

The Bonds will be sold either in a single sale or from time to time as determined by the Comptroller via a public competitive bidding process to the bidder or bidding syndicate submitting the offer to purchase one or more series of the Bonds so offered and determined by the Comptroller to be in the best financial interest of the Board.

The Bonds will be issued as fixed-rate bonds. Each series of Bonds may be issued as Bonds the interest on which is (i) exempt from Federal income taxation (the “Tax-Exempt Bonds”) or (ii) subject to Federal income taxation (the “Taxable Bonds”). The Bonds will be fully registered and will be special, limited obligations of the Board, payable only from and secured by the net revenues of the System, student tuition and fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and the bond and interest sinking fund account.

Accordingly, in order to proceed with the preparation, sale, and issuance of the Bonds, the Comptroller recommends that the Board approve the following actions:

1. Authorization of the sale and issuance of up to \$225,000,000 of the Bonds.
2. For the Bonds of each series, as applicable, approval of the forms of (i) the Official Notice of Sale and Bid Form (the “Notice of Sale”) in substantially the form of the Official Notice of Sale and Bid Form used

in the most recent issue competitively sold by the Board and (ii) the Preliminary Official Statement in substantially the form of the Preliminary Official Statement used in the most recent fixed rate issue sold by the Board and approval of the final Official Statement in substantially the form of the final Official Statement used in the most recent fixed rate issue sold by the Board, each updated to include current disclosure information respecting the University and its financial condition and the terms of the Bonds.

3. The Bonds of each series (i) shall be sold to the purchasers thereof at a price, exclusive of net original issue discount or premium, not less than 98 percent of the par amount thereof, (ii) shall have a true interest cost, for Bonds sold as Tax-Exempt Bonds, of not to exceed 5.75 percent and, for Bonds sold as Taxable Bonds, of not to exceed 6.75 percent, (iii) shall have coupon interest rates not to exceed 6.00 percent and (iv) with a final maturity not to exceed 30 years from the respective dates of issue thereof.
4. Delegate to the Comptroller the authority to (i) determine the particular Outstanding Bonds to be refunded with proceeds of the Bonds and (ii) direct the publication of the Notice of Sale in such locations as shall be determined by the Comptroller to provide one or more competitive sales of Bonds on terms most favorable to the Board.
5. Delegate to the Comptroller the authority to determine the number and timing of sales of the Bonds, as well as the principal amount, final terms and terms of the sale of the Bonds within the limits expressed in this Board action and to ratify, approve and confirm any and all changes in the forms of the documents authorized herein necessary or appropriate in connection herewith.
6. Approval of the Twenty-Fourth Supplemental System Revenue Bond Resolution, Twenty-Fifth Supplemental System Revenue Bond Resolution and Twenty-Sixth Supplemental System Revenue Bond Resolution in substantially the forms before this meeting to authorize the sale and issuance of the Bonds described herein.
7. Approval of the Escrow Agreement (or Escrow Agreements, as applicable), in substantially the same form as the Escrow Agreement entered into by the Board on February 24, 2016, for the deposit of proceeds of any series of the Bonds and such other funds of the Board as shall be deemed necessary by the Comptroller to provide for the refunding of a series of Outstanding Bonds.
8. Approval of the form of Continuing Disclosure Agreement (or Continuing Disclosure Agreements, as applicable), in substantially the

same form as the Continuing Disclosure Agreement entered into by the Board on October 17, 2018, revised to reflect the recent, and any intervening, amendments to SEC Rule 15c2-12, with respect to the Bonds to be executed and delivered in connection with the sale of each series of the Bonds.

9. Ratification and confirmation of all actions taken or to be taken by the officers and members of the Board in connection with the sale and delivery of the Bonds to the initial purchaser.
10. For the Bonds of each series, as applicable authorize the Comptroller and other authorized officers of the Board to do and perform such other acts and things and to make, execute, and deliver all such other instruments and documents on behalf of the Board as may be by them deemed necessary or appropriate in connection with the provisions of the Notice of Sale, the Preliminary Official Statement, the Official Statement, the Twenty-Fourth Supplemental System Revenue Bond Resolution, the Twenty-Fifth Supplemental System Revenue Bond Resolution or the Twenty-Sixth Supplemental System Revenue Bond Resolution, as the case may be, the Escrow Agreement and the Continuing Disclosure Agreement, including a Tax Exemption Certificate and Agreement in form satisfactory to Bond Counsel, University Counsel and the Board's Issuer's Counsel, and ratify, approve and confirm all acts and things whether heretofore or hereafter done or performed by any of the officers of the Board which are in conformity with the intents and purposes of these resolutions.
11. Retain Chapman and Cutler LLP to serve as bond counsel.
12. Retain Public Financial Management, Inc. to serve as financial advisor.
13. Retain Katten Muchin Rosenman LLP to serve as issuer's counsel.
14. Retain The Bank of New York Mellon Trust Company, N.A. to serve as bond registrar, trustee and escrow agent.
15. Retain Arbitrage Bond Consulting LLC to serve as verification agent, to the extent required.
16. Delegate to the Comptroller the authority to negotiate for credit enhancement, as needed and deemed economically beneficial following consultation with the financial advisor.
17. Take actions to pursue and obtain a credit rating or ratings on the Bonds.

Certain legal matters incidental to the authorization and issuance of the Bonds, the forms of the Notice of Sale and the Preliminary and final Official Statements, and the authorization, execution and delivery of the Twenty-Fourth Supplemental System Revenue Bond Resolution, the Twenty-Fifth Supplemental System Revenue Bond Resolution, the Twenty-Sixth Supplemental System Revenue Bond Resolution, the Escrow Agreement and the Continuing Disclosure Agreement will be approved by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and Katten Muchin Rosenman LLP, Chicago, Illinois, Issuer's Counsel.

The Comptroller shall report to the Board the results of the sale of each series of Bonds authorized hereby.

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 proceeds of the Bonds.

The President of the University concurs.