

Approved by the Board of Trustees,
November 11, 2004

Board Meeting
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ROLL CALL

UNIVERSITY-WIDE FACILITIES RENEWAL PROGRAM

Action: Program and Project Approval for University-Wide Facilities Renewal

Funding: Institutional Funds and Future Sale of Certificates of Participation

In May 2003, the board received a report and presentation by the Vice President for Administration on the assessment of the condition of facilities at the University campuses. The assessment report by the University's consultant, Vanderweil Facility Advisors (VFA), identified approximately \$617.0 million of deferred maintenance projects parsed into five categories of physical and functional severity. The report identified three major deferred maintenance areas of concentration: electrical systems, HVAC systems, and exterior enclosures.

The proposal presented to the board was to arrest further growth of deficiencies and to reduce the level of deferred maintenance identified in the audit by increasing facility-related expenditures steadily from the \$18.0 million expended in Fiscal Year 2002 to a target level of \$75.0 million by FY 2022. The report identified the need for new resources in both capital and operating budgets, and it proposed the use of Certificates of Participation to finance an approximately \$110.0 million "jump start" to the program. Two million dollars were added to the operating budget for FY 2005 via internal reallocation, and expanded deferred maintenance capital requests to the State

have been proposed for both the pending FY 2005 capital budget and the upcoming FY 2006 budget cycles. A request to the State for another \$2.0 million in incremental operating funds for FY 2006 has also been submitted in support of the program.

Consistent with the earlier presentation, the Vice President for Administration now recommends initiating the “jump start” effort to address deficiencies identified in the facilities condition audit program. This initial effort would focus primarily on the facilities envelope of roofs, skins, windows, and doors to stop further deterioration of the facilities and provide a solid basis to begin interior remediation as funds, time, and program scope allow. The deficiencies of the building enclosures identified in the audit are estimated at \$102.0 million and closely approximates the \$110.0 million program for borrowing recommended in the previous report to the board.

The Vice President for Administration recommends that Certificates of Participation be issued in an amount necessary to fund such facility enclosure projects and necessary costs and reserves not to exceed \$110.0 million and that the board enter into an installment purchase agreement for such amount for a period of approximately twenty years with respect thereto. It is anticipated that the financing will occur in two phases of roughly equal proportions and that final board approval to issue the Certificate of Participation to provide funds for the first phase of the selected projects will be requested in the spring of 2005. Such final approval will include the approval of the necessary documents and will set parameters for the issuance of the certificates. Timing of the second phase of the program will depend on progress achieved in completing projects in the initial phase, with current expectations that a second phase would be

brought to the board for approval two to three years following the beginning of phase one.

In order to proceed toward such an issuance, the Vice President for Administration and the University Counsel recommend that the board approve:

1. The program and the necessary project phases not to exceed \$102.0 million to address facility envelope deficiencies on the campuses of the University of Illinois;
2. Issuance of Certificates of Participation not to exceed \$55.0 million;
3. Retention of John S. Vincent & Company, LLC, as financial advisor;
4. Retention of Chapman and Cutler, LLP, as bond counsel;
5. Retention of Amory Cummings as special issuer's counsel;
6. Retention of A. G Edwards & Sons, Inc., as managing underwriter. Additional co-managers and selling group members may be added to assist in the marketing of the certificates;
7. Retention of J P Morgan Institutional Trust Services as trustee;
8. Preparation of a Preliminary Official Statement, an Installment Purchase Contract, an Indenture of Trust, a Certificate Purchase Agreement, an Acquisition Agreement, a Continuing Disclosure Agreement by the board with respect to the certificates and other necessary documents;
9. Actions to pursue and obtain a credit rating or ratings on the certificates; and
10. Negotiations with bond insurer and other credit enhancement and liquidity support providers, as needed.

Final actions required to issue such Certificates of Participation will be brought to the board for each phase at subsequent meetings.

The program will be funded from the proceeds of future Certificates of Participation. Planning of the program expenditures for the first phase will be submitted to the board for review prior to any specific project expenditures. Any project planning costs incurred prior to the sale of the certificates will be funded initially from other University institutional operating funds with anticipated reimbursement from the subsequent proceeds of the Certificates of Participation sale.

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.