Approved by the Board of Trustees

January 18, 2024

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Board Meeting

January 18, 2024

## ROLL CALL

## AUXILIARY FACILITIES SYSTEM REVENUE BONDS; AMENDMENT OF PROJECTS FUNDED BY AUXILIARY FACILITIES SYSTEM REVENUE BONDS, SERIES 2018

**Action:** Approve Actions Leading to the Issuance of One or More Series of Auxiliary Facilities System Revenue Bonds to Fund Projects and Refund Auxiliary Facilities System Revenue Bonds and Approve the Addition of New Projects to be Financed by Excess Proceeds of Auxiliary Facilities System Revenue Bonds, Series 2018

**Funding:** Proceeds of the Auxiliary Facilities System Revenue Bonds and Proceeds of the Auxiliary Facilities System Revenue Bonds, Series 2018

The Board of Trustees of the University of Illinois (the Board) approves (i) the sale and issuance of auxiliary facilities system revenue bonds and (ii) the addition of new projects to be financed by excess proceeds of the University of Illinois Auxiliary Facilities System Revenue Bonds, Series 2018A and University of Illinois Auxiliary Facilities System Revenue Bonds, Series 2018B (the Series 2018 Bonds). This Board action item authorizes (i) the sale and issuance of bonds to fund projects and refund existing bonds and (ii) the use of excess proceeds of the Series 2018 Bonds for projects at the Pennsylvania Avenue Residence Halls, Florida Avenue Residence Halls, and Orchard Downs Apartments, as further described in Attachment A hereto.

Sale and Issuance of Auxiliary Facilities System Revenue Bonds

The Board has periodically issued Auxiliary Facilities System (AFS) Revenue Bonds to facilitate the renovation and construction of auxiliary facilities at Urbana, Chicago, and Springfield. The actions recommended here pertain to the issuance of one or more series of Auxiliary Facilities System Revenue Bonds (Bonds) to refund certain of the Board’s outstanding bond issues (Outstanding Bonds) and to finance additional renovation and construction projects.

In the current interest rate environment, certain of the Board’s outstanding bond issues can be refunded, in whole or in part, and produce debt service savings. In aggregate, any refunding of 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. Such bonds include, but are not limited to, the Auxiliary Facilities System Revenue Bonds, Series 2014A. It is recommended that the Board authorize the issuance of new AFS bonds in an amount not to exceed $170,000,000 to capture refunding savings (Refunding Bonds) that are available at the time of the sale of such Refunding Bonds. The principal amount of the Refunding Bonds to be issued to accomplish the refunding and the level of savings to be derived from such refunding will depend upon the market conditions at the time of sale.

At its meeting of September 10, 2020, the Board approved a budget of $35,000,000 for the Ubben Complex Expansion Project (Ubben Project) and a subsequent increase to the budget to $39,800,000 at its March 11, 2021, meeting. The funding sources for the Ubben Project were made available from gift funds and the Institutional Operating Budget of the University of Illinois Urbana-Champaign. It is recommended that the Board authorize the issuance of new AFS Bonds, which are expected to be issued as taxable AFS Bonds in an amount not to exceed $30,000,000 to reimburse the Institutional Operating Budget for all or a portion of the costs associated with the Ubben Project.

Additionally, at its March 30, 2023 meeting, the Board approved a budget of $15,035,177 for Illini Union roof replacement (Illini Union Project). The Ubben Project, the Illini Union Project, and any subsequent projects or project budget increases approved by the Board from now until the bonds are issued are collectively referred to as the “Project.” The funding sources for the Illini Union Project are from the Auxiliary Facilities System Repair and Replacement Reserve Funds and Institutional Operating Funds of the University of Illinois Urbana-Champaign, with the anticipated reimbursement from the proceeds of a future sale of AFS Bonds. It is recommended that the Board authorize the issuance of new AFS Bonds, which are expected to be issued as tax-exempt AFS Bonds, in an amount not to exceed $35,000,000 for the purpose of funding the Illini Union Project and any additional projects subsequently approved for financing and/or reimbursement with bond proceeds. The new AFS Bonds issued for the Illini Union Project, subsequently approved projects,, together with the new AFS Bonds issued for the Ubben Project, are referred to herein as the “Project Bonds.”

By this action, the Board is authorizing the issuance of one or more series of Bonds to refund Outstanding Bonds and fund the Project in an aggregate principal amount not to exceed $235,000,000.

The decision as to the timing and size of the issue (or issues) will rest with the vice president/chief financial officer and comptroller (comptroller). The current intention is to sell and issue the Bonds in the first quarter of 2024. The authorization provided by the Board pursuant to this resolution will be effective for one year from the date hereof and may be renewed at a subsequent meeting of the Board. In no event will the aggregate principal amount of the Bonds exceed $235,000,000. The final maturity of such issue (or issues) shall not be later than thirty (30) years from their respective dates of issuance thereof.

The Bonds will be sold from time to time via (i) a public competitive bidding process to the bidder or syndicate submitting the offer to purchase one or more series of the Bonds determined by the comptroller to be in the best financial interest of the Board or (ii) a negotiated sale to the underwriter or underwriters appointed as described below, all as determined by the comptroller. Depending on market conditions, certain series of the Bonds authorized hereby may be sold competitively, while others may be sold on a negotiated basis. 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 or (ii) subject to federal income taxation. 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 Auxiliary Facilities System (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.

Following a prior Request for Proposal (RFP) selection process, 12 firms were approved to serve as senior managing underwriters for University debt offerings. The comptroller will select any one or a combination of these firms to serve as senior manager on a negotiated sale of the Bonds. Other co-managing underwriters, previously approved by the same RFP process for such a role, will be assigned on an issue-by-issue basis.

Accordingly, 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 $65,000,000 of Project Bonds and up to $170,000,000 of Refunding Bonds in an aggregate principal amount of Bonds not to exceed $235,000,000.
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 System financing competitively sold by the Board modified, if and as necessary, to reflect the terms of the Bonds and (ii) the Preliminary Official Statement in substantially the form of the Preliminary Official Statement used in the most recent fixed rate System financing 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 System financing 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. Approve the form of the Bond Purchase Agreement, in substantially the form presented to the Board at the March 11, 2021 Board meeting, to be used in connection with a negotiated sale of a series of the Bonds. Whether sold competitively or on a negotiated basis, 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 principal amount thereof plus accrued interest, if any, for any Project Bonds and not less than par plus accrued interest, if any, for any Refunding Bonds, (ii) shall have a true interest cost of the Bonds of any series not to exceed 7.25 percent, and (iii) shall have coupon interest rates not to exceed 7.50 percent. Any agreement entered into with the purchasers of Bonds sold competitively shall have terms and conditions no less favorable to the Board than those contained in the form of a Bond Purchase Agreement.
4. Delegate to the comptroller the authority to (i) determine the particular Outstanding Bonds to be refunded with proceeds of the Bonds, (ii) determine the method of sale of any series, competitive or negotiated, (iii) for a competitive sale, direct the publication of the Notice of Sale in such locations as shall be determined by the comptroller to provide a competitive sale of Bonds on terms most favorable to the Board, and (iv) for a negotiated sale, approve the firm(s) from the pool qualified under the RFP to serve as the senior managing underwriter and appoint co-managers and selling group members from the pool qualified under the RFP to assist in the marketing of the Bonds.
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 changes in the forms of the documents authorized herein necessary or appropriate in connection herewith.
6. Approval of the Twenty-Eighth Supplemental System Revenue Bond Resolution in substantially the form 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 March 11, 2021, and Escrow Letter Agreement (or Escrow Letter Agreements, as applicable), in substantially the same form as the Escrow Letter Agreement entered into by the Board on July 8, 2021, 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. Approve 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 July 8, 2021, with respect to the Bonds to be executed and delivered in connection with the sale of each series of the Bonds.
9. Ratify and confirm 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 Bond Purchase Agreement, the Twenty-Eighth Supplemental System Revenue Bond Resolution, the Escrow Agreement or Escrow Letter Agreement, and the Continuing Disclosure Agreement, including a Tax Exemption Certificate and Agreement in a 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 PFM Financial Advisors LLC 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 and escrow agent.
15. Delegate to the comptroller the authority to negotiate for the services of a 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-Eighth Supplemental System Refunding Revenue Bond Resolution, the Escrow Agreement or Escrow Letter Agreement, the Bond Purchase 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 sale results of each series of Bonds authorized hereby.

Funding will be available from the proceeds of the Bonds.

Addition of New Projects to be Financed With the Series 2018 Bonds

The Board, at its meeting on March 15, 2018, authorized the issuance of the Series 2018 Bonds to (i) refund certain outstanding obligations of the Board and (ii) finance the construction of a football performance center and the renovation and addition of a residence hall dining facility and the reorientation and replacement of certain track and field facilities on the Urbana campus (collectively, the “Series 2018 Projects”). Subsequently, through a combination of cost savings, budget transfers and budget reductions, it was determined that the project spending for the Series 2018 Projects, specifically the residence hall dining facility, which was funded with proceeds from the Series 2018 Bonds, would be less than the original budget. The excess proceeds of the Series 2018 Bonds resulting from the reduced project cost must be used for an AFS purpose. The facilities department, with the concurrence of the chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System, has determined that certain proceeds of the Series 2018 Bonds authorized for the Series 2018 Projects are no longer needed and recommends amending the Series 2018 Projects and utilizing such excess Series 2018 Bonds proceeds toward projects at the Pennsylvania Avenue Residence Halls, Florida Avenue Residence Halls, and Orchard Downs Apartments described in Attachment A hereto (Additional 2023 Projects).

The vice president/chief financial officer and comptroller (comptroller) recommends that the Board approve:

1. The revised list of projects as shown in Attachment A hereto.[[1]](#footnote-1)
2. Adoption of a Third Amendment to the Twenty-Third Supplemental System Revenue Bond Resolution (as set forth in the Twenty-Eighth Supplemental Bond Resolution) for the purpose of using the excess Series 2018 Bond proceeds to fund the construction of the Additional 2023 Projects in substantially the form before the Board.
3. Adoption of a Supplemental Tax Certificate (the “Supplemental Tax Certificate”) in substantially the form before the Board in connection with the First Amendment to the Twentieth-Third Supplemental System Revenue Bond Resolution on March 11, 2021, and delegation of authority to the comptroller to approve the final form of the Supplemental Tax Certificate, but with such changes as may be necessary to enable bond counsel to deliver its favorable opinion of bond counsel with respect to the Third Amendment to the Twenty-Third Supplemental System Revenue Bond Resolution.

Funding will be available from the proceeds of the Series 2018 Bonds.

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 of Illinois System concurs.

**Attachment A**

**Revised Project List**

**Football Performance Center, Urbana *(Henry Dale and Betty Smith Football Center)***

Consists of the construction of a new Football Performance Center, immediately east of Memorial Stadium, which will house football team rooms, locker rooms, sports medicine, strength and sports training areas, as well as coaches’ offices and football operations.

**Renovation and Addition, Dining Facility, Illinois Street Residence Halls, Urbana**

Consists of the renovation and expansion of the existing dining services building at the Illinois Street Residence Halls. The location of this complex, close to The Grainger College of Engineering, serves as a tour destination for prospective students, making this facility strategically important to University Housing. The upgrade to this facility will increase the seating capacity as well as provide for Residential Life in the complex.

**Soccer and Track Complex, Division of Intercollegiate Athletics, Urbana   
*(Demirjian Park Stadium)***

Consists of the construction of a new soccer and track complex that will include two new grass soccer fields and a new soccer and track building. The new soccer and track building will provide locker rooms and team facilities for women’s soccer, men’s and women’s track and field, officials’ locker rooms, bleachers for viewing both soccer and track, public concessions and restroom facilities, and will be approximately 16,800 gross square feet.

**Roof Replacement, Atkins Tennis Center, Urbana**

Consists of the replacement of the existing 63,700 square foot roof at the Atkins Tennis Center, which is currently in extremely poor condition. This project requires the complete removal of the existing roof materials and replacement with a new fully adhered single-ply roof system. The existing copings and flashings will be removed and replaced, and the roof insulation may need to be removed and replaced. A new lightning protection system will be installed.

**Renovations and Furniture Replacement, Pennsylvania Avenue Residence (PAR) Halls, Urbana**

Consists of the replacement of existing student room furniture in Babcock, Blaisdell, Carr, and Saunders Halls; the renovation of the PAR front desk and entry lounge area; and replacement of existing chairs, fixtures, and finishes in the PAR Dining Room.

**Roof Replacement, Florida Avenue Residence Halls, Urbana**

Consists of the complete replacement of the existing roof of Oglesby Hall.

**Roof Replacement and Parking Lot Replacement, Orchard Downs Apartments, Urbana**

Consists of the complete replacement of the three existing roofs on buildings in Orchard Downs, as well as the complete replacement of Parking Lots A and L at Orchard Downs.

1. As previously approved by the Board, the Series 2018 Bond proceeds are available to be utilized interchangeably on the separate projects listed in Attachment A or on additional projects if such additional projects were approved by the Board. [↑](#footnote-ref-1)