Approved by the Board of Trustees

May 18, 2023

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Board Meeting

May 18, 2023

ROLL CALL

# DELEGATE AUTHORITY TO THE VICE PRESIDENT/CHIEF FINANCIAL OFFICER AND COMPTROLLER TO REFUND OUTSTANDING HEALTH SERVICES FACILITIES SYSTEM REVENUE BONDS

**Action:** Delegate Authority to the Vice President/Chief Financial Officer and Comptroller to Refund Outstanding Health Services Facilities System Revenue Bonds

**Funding:** Proceeds of the Health Services Facilities System Refunding Revenue Bonds

The Board of Trustees of the University of Illinois (the “Board”) approves (i) the sale and issuance of auxiliary facilities system refunding revenue bonds. This Board action item authorizes the sale and issuance of bonds for the refunding of existing bonds.

In the current interest rate environment, several of the Board’s outstanding bond issues can be refunded, in whole or in part, and produce debt service savings. Such bond issues include, but are not limited to, the Health Services Facilities System Revenue Bonds, Series 2013 (all currently outstanding Health Services Facilities System Revenue Bonds being referred to as the “Outstanding Bonds”). By this action, the Board is authorizing the issuance of one or more series of Health Services Facilities System Refunding Revenue Bonds (the “Refunding Bonds” or the “Bonds”) to obtain refunding savings 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.

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 Bonds in the third quarter of 2023 to realize and optimize refunding savings benefits for the Health Services Facilities System of the University (the “System”). 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 $76,000,000. The final maturity of such issue (or issues) shall not be later than October 1, 2042.

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 (i) the Net Revenues of the System, (ii) all charges, income and revenues of the University of Illinois College of Medicine Medical Service Plan in an amount not to exceed in any fiscal year annual debt service on the Outstanding Bonds and the Bonds and mandatory transfers pursuant to the Bond Resolution, (iii) College of Medicine student tuition in an amount not to exceed in any fiscal year annual debt service on the Outstanding Bonds and mandatory transfers pursuant to the Bond Resolution, subject to certain prior pledges as more fully described in the Fourth Supplemental Resolution, and (iv) monies in the bond and interest sinking fund account.

A Request for Proposal (the “RFP”) selection process will be held, in which firms will be 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, 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 $76,000,000 of aggregate principal amount of 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 Auxiliary Facilities System (“AFS”) financing 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 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 entered into by the Board on March 8, 2023, in connection with the issuance of AFS Revenue Bonds, 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 not less than par plus accrued interest, if any, (ii) shall have a true interest cost of the Bonds of any series not to exceed 6.25 percent, and (iii) shall have interest rates not to exceed 6.50 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 Fourth 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, in connection with the issuance of AFS Revenue Bonds, and Escrow Letter Agreement (or Escrow Letter Agreements, as applicable), in substantially the same form entered into by the Board on July 8, 2021, in connection with the issuance of AFS Revenue Bonds, 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 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 September 5, 2013, revised to reflect the intervening 2018 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. 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 Fourth 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 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 and escrow agent.
15. Retain Robert Thomas CPA, 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 Fourth 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 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 of Illinois System concurs.