

Board Meeting
November 16, 2017

ROLL CALL

AUXILIARY FACILITIES SYSTEM REVENUE BONDS

Action: Approve Actions Leading to the Issuance of One or More Series of Auxiliary Facilities System Revenue Bonds

Funding: Proceeds of the Revenue Bonds

The Board has periodically issued Auxiliary Facility Systems (AFS) bonds to facilitate 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 new AFS bonds to repay and restructure certain outstanding bonds and to finance additional renovation and construction projects.

In the present interest rate environment, several of the outstanding issues can be refunded, in whole or in part, to produce debt service savings. Such issues include all or portions of the AFS Series 2010A bonds and AFS Series 2011A bonds. In aggregate, the refunding shall provide a minimum net present value savings in excess of 3.0 percent of the principal amount of the bonds being refunded for savings.

The Board issued the AFS Series 2008 variable rate demand bonds to fund various projects at Urbana, Chicago, and Springfield. Due to the State of Illinois' credit rating downgrades, these variable rate bonds have been repricing above their benchmark. Thus, it is now advisable to restructure the variable rate bonds with fixed rate bonds to

eliminate interest rate risk, remarketing agent fees, and liquidity bank fees. The amount of Series 2008 bonds to be restructured would be approximately \$16.57 million under current market conditions.

In addition, it is recommended that a portion of the AFS Series 2010A 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. The Series 2010A bonds were issued with a final maturity in 2030 due to an interest rate constraint. This created a step up in annual debt service in the years 2021 through 2025. This restructuring will level the future debt service by extending the final maturity to 2040 as originally planned for the Series 2010A bonds. The amount of the Series 2010A and Series 2011A bonds to be refunded or restructured would be approximately \$107.69 million under current market conditions.

At its meeting of November 10, 2016, the Board approved a budget of \$69.76 million for the Renovation and Addition, Dining Facility, Illinois Street Residence Hall, Urbana. In addition, at its meeting of July 13, 2017, the Board approved a budget of \$79.20 million for the Southeast Addition and Renovation, Memorial Stadium, Football Performance Center Phase 1, Urbana. The funding source for both projects was the institutional funds operating budget of the University of Illinois at Urbana-Champaign with anticipated reimbursement from the proceeds of future sale of Auxiliary Facilities System revenue bonds. It is now recommended to issue new AFS bonds for the purpose of funding these projects.

Therefore, the Interim Vice President/Chief Financial Officer and Comptroller (the "Comptroller") requests approval of actions leading to the issuance of

one or more series of Auxiliary Facilities System Revenue Bonds (the “Bonds”) to refund or restructure AFS bonds and to fund the Dining Facility and the Football Performance Center plus capitalized interest and the cost of issuance.

The bonds will be sold via 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 University.

Accordingly, in order to proceed with the preparation of documents and to take other actions needed prior to the issuance of the Bonds from time to time and in one or more series, the Comptroller recommends that the Board approve the following actions:

1. Retain Chapman and Cutler LLP to serve as bond counsel.
2. Retain Katten Muchin Rosenman LLP to serve as special issuer’s counsel.
3. Retain Public Financial Management, Inc. to serve as financial advisor.
4. Retain The Bank of New York Mellon Trust Company, N.A. as bond registrar and trustee.
5. Retain Grant Thornton LLP to serve as verification agent, to the extent required.
6. Prepare the Preliminary Official Statement, Official Notice of Bond Sale and final Official Statement.
7. Take actions to pursue and obtain a credit rating or ratings for each series of the Bonds.
8. Prepare additional documents including the Supplemental Bond Resolution, the Continuing Disclosure Agreement (if needed) and any related documents for each series of the Bonds.

University Counsel concurs with using the above recommended firms, prescribed documentation, and delegation of authority. Prior to the sale and delivery of the Bonds, the Board will be asked to approve the substantially final form of the above referenced documents and ratify and confirm all actions taken or to be taken by the officers and members of the Board in connection with such sale and delivery.

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.