Approved by the Board of Trustees

September 19, 2024

**09**

Board Meeting

September 19, 2024

## 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 to Fund Projects and Refund Auxiliary Facilities System Revenue Bonds

**Funding:** Proceeds of the Auxiliary Facilities System Revenue Bonds

The Board of Trustees of the University of Illinois (the Board) approves the sale and issuance of auxiliary facilities system revenue bonds. This Board action item authorizes the sale and issuance of bonds to fund projects and refund existing bonds.

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 Refunding Revenue Bonds, Series 2015A. It is recommended that the Board authorize the issuance of new AFS bonds in an amount not to exceed $85,000,000 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 March 30, 2023, meeting, the Board approved a budget of $15,035,177 for Illini Union roof replacement (Illini Union 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 $20,000,000 for the purpose of funding the Illini Union Project for reimbursement with bond proceeds. Such new AFS Bonds were previously authorized at the Board’s January 18, 2024, meeting, but have not yet been issued. The new AFS Bonds issued for the Illini Union 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 Illini Union Project in an aggregate principal amount not to exceed $105,000,000.

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 fourth 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 $105,000,000. 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 (AFS), student tuition and fees (subject to prior payment of operating and maintenance expenses of the AFS, 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 $20,000,000 of Project Bonds and up to $85,000,000 of Refunding Bonds in an aggregate principal amount of Bonds not to exceed $105,000,000.
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 entered into by the Board on May 14, 2024, 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 6.25 percent, and (iii) shall have coupon interest rates not to exceed 6.5 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-Ninth 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 June 11, 2024, 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 June 11, 2024, 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-Ninth 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-Ninth Supplemental System 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 vice president/chief financial officer and 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.

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.