**Illinois State**

**University**

**Board of**

**Trustees**

**Resolution No. 2016.02/01**

Authorization to Issue Auxiliary  
 Facilities System Revenue Bonds  
 Series 2016

## Resolution

Whereas, the Board of Trustees of the University (the “Board”) has the authority to issue Auxiliary Facilities System Revenue Bonds, and

Whereas, Auxiliary Facilities System Revenue Bonds, Series 2006 (the “Series 2006 Bonds”), were issued to finance rehabilitation of residence hall complexes, construction of the South University Street parking deck, and the planning and site development of the Student Fitness Center, and

Whereas, the Series 2006 Bonds have a final maturity date of April 1, 2031, with an optional early redemption date of on or after April 1, 2016, and

Whereas, current interest rates provide the University an opportunity to realize substantial savings by issuing Auxiliary Facilities System Bonds in 2016 to replace the Series 2006 Bonds:

Therefore be it resolved by the Board of Trustees of Illinois State University in regular meeting assembled, that:

1. The Board authorizes issuance of Auxiliary Facilities System Revenue Bonds, Series 2016 (the “Bonds”) to refund the outstanding Auxiliary Facilities System Revenue Bonds, Series 2006 if such refunding generates a positive present value savings versus the debt service of the Series 2006 Bonds refunded and the Treasurer of the Board determines that such refunding is in the best interests of the Board.
2. The Bank of New York Trust Company, N.A., is hereby authorized to serve as Bond Registrar and Paying Agent for the Bonds.
3. Pursuant to the Board’s existing contract, the law firm of Chapman and Cutler LLP is hereby retained as Bond Counsel and Disclosure Counsel to the Board.
4. Pursuant to the Board’s existing contract, the firm of Blue Rose Capital Advisers, LLC, is hereby retained as Financial Advisor for the preparation of the Preliminary Official Statement and the final Official Statement and other matters related to the sale.
5. The Board approves a competitive public sale of the Bonds, subject to the following conditions: (a) the Bonds to be issued shall not exceed an aggregate principal amount of $40,700,000 ; (b) the Bonds will have a final maturity of no later than April 1, 2031; (c) the price at which the Bonds will be sold will not be less than 97% of the par amount thereof (exclusive of any original issue discount or premium); and (d) the Bonds have a true interest cost of borrowing not to exceed 4.10%.
6. The Board approves the preparation and distribution of a Preliminary Official Statement, Official Notice of Sale and Official Bid Form in connection with of the sale of the Bonds. The Board approves the form of such documents, copies of which are on file with the Secretary of the Board for recording. The Treasurer of the Board (or his designee) is hereby authorized and directed to execute the Official Bid Form in the name of and on behalf of the Board in substantially the form presented to this meeting, or with such changes as may be approved by the officer of the Board executing the same, his/her execution thereof to constitute conclusive evidence of the Board’s approval of all changes from the form thereof presented to this meeting. The Treasurer is further authorized and directed to execute a final Official Statement in the name of and on behalf of the Board in substantially the form of the Preliminary Official Statement presented to this meeting but with final terms of the Bonds set forth therein, and with such other changes as may be approved by the officer of the Board executing the same, his/her execution thereof to constitute conclusive evidence of the Board’s approval of all changes from the form thereof presented to this meeting.
7. The Board approves the forms of the Eleventh Supplemental System Revenue Bond Resolution and Continuing Disclosure Agreement. Copies of such documents are on file with the Secretary of the Board for recording. The Chairperson, Secretary and Treasurer of the Board (or their designees) are hereby authorized and directed to execute such documents in the name of and on behalf of the Board in substantially the forms presented to this meeting, or with such changes as may be approved by the officer or officers of the Board executing the same, his/her or their execution thereof to constitute conclusive evidence of the Board’s approval of all changes from the forms thereof presented to this meeting.
8. If required by the successful bidder for the Bonds, the Board agrees to comply with the terms and provisions of bond insurance for the Bonds, if such terms are approved by the Treasurer of the Board.
9. The Chairperson, the Secretary and the Treasurer of the Board and the members, officers, agents and employees of the Board are hereby authorized and directed to do all such acts and to execute all such documents as may be necessary to carry out and comply with the provisions of this resolution and with the actions of the members, officers, agents, and employees of the Board which are in conformity with the intent and purposes of this resolution, whether heretofore or hereafter taken or done, which actions shall be and are ratified, confirmed and approved.

Board Action on: Postpone:

Motion by: Amend:

Second by: Disapprove:

Vote: Yeas: Nays: Approve:

ATTEST: Board Action, February 19, 2016

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Secretary/Chairperson

Supplemental Information

Board of Trustees

Illinois State University

Auxiliary Facility Revenue Bonds, Series 2016

The Auxiliary Facility System (the *“AFS”*) at Illinois State University is comprised of facilities that either (i) were constructed with proceeds from revenue bonds issued within the authority delegated by the State to the Board, or (ii) now produce revenues that are used to operate and maintain AFS facilities. All revenues received in conjunction with the operation of the AFS facilities are pledged towards the payment of outstanding revenue bonds and the operation and maintenance of the facilities.

The University issued AFS bonds in 2006 (the *“2006 Bonds”*) in the principal amount of $45,595,000 to finance rehabilitation of the residence hall complexes as part of the Long Range Housing and Dining Plan, construction of the South University Street Parking Garage, and the planning and site development for the Student Recreation Center. A portion of the proceeds were also used to refund some of the Series 1996 AFS Bonds with the remainder of that issue to be fully retired on April 1, 2016. As of April 1, 2016, there will be three outstanding AFS bond issues, the Series 2008, Series 2012 and Series 2016 with outstanding principal totaling approximately $81.5 million and annual debt service of approximately $7.5 million.

Interest payments are made on these bonds semi-annually, with a certain portion of the bonds maturing every April 1st, with final maturity on April 1, 2033.

As is typical with the University’s debt issues, the 2006 Bonds were issued with a ten year call date to provide the University the option to refinance that debt at lower interest rates if feasible. April 1, 2016, is the first call date on the 2006 Bonds which will have a remaining outstanding principal balance of $39.6 million and interest rates on these bonds ranging from 3.9% to 4.4%. Based on current interest rates, a replacement 2016 AFS bond issue can be issued with interest rates ranging from 1.20% to 3.45% depending upon year of maturity that is projected to provide present value savings of approximately $3.5 million net of issuance costs.

To further increase potential savings and enhance the market attractiveness of the new 2016 debt issue, the University intends to supplement the 2006 Bonds refunding with cash reserves of $3,480,000 for payment of principal of the longest term bonds. This is also expected to reduce the final maturity date of the 2016 Bonds to April 1, 2029, and expand the University’s future debt capacity.

The University’s annual debt service will be approximately $12.3 million of which $7.5 million is for AFS bonds and $4.8 million is for COPs related debt. The University total long term debt will be approximately $132.5 million of which $81.5 million is AFS related debt and $51 million COPs related debt.