

MINUTES
Board of Trustees of Illinois State University
December 16, 2017

Donahue: I will now call this meeting of the Board of Trustees of Illinois State University to order. I note for the record that notice of today's meeting was posted in accordance with the Illinois Open Meetings Act and that the public has been notified of the date, time and location of this meeting.

Board Secretary Louderback, would you call the roll?

Louderback:
Trustee Churney
Trustee Dobski
Trustee Donahue
Trustee Jones
Trustee Louderback – present
Trustee Rauschenberger
Trustee Rossmark
Trustee Schaab
Chairperson Donahue, we have a quorum.

APPROVAL OF AGENDA

Donahue: Thank you Secretary Louderback. You have before you the agenda for today's meeting. Could I have a motion and second to approve the agenda? Trustee Louderback so moved and was seconded by Trustee Rossmark.

Motion made, seconded, and vote recorded as all members voting aye.

PUBLIC COMMENTS

Next on the agenda is Public Comments. The Public Comments procedures can be found on the Board of Trustees website. Seeing that no one has indicated an interest in making a public comment today we will move forward with the meeting.

Thank you everyone for attending today's special meeting of the Board of Trustees. We have a small window of time before the next commencement ceremony; so, we will move directly to the two resolutions on the agenda. President Dietz will you present the two resolutions?

RESOLUTIONS

Dietz: Thank you Trustee Donahue. Included in the major tax reform legislation proposed by both the U.S. House and Senate are key terms that negatively impact the resolution approved at the October Board of Trustees meeting to refinance the debt on the Cardinal Court housing complex in early 2018. The proposed new tax law would require "Advance Refundings" on tax-exempt debt prior to the permitted call date to be issued at taxable rates. Refinancing Cardinal Court debt in 2018 qualifies as an "Advance Refunding" because the permitted call date on the existing bonds with Collegiate Housing Foundation is not until April 2021. The current tax reform proposal permits "Advance Refundings" as tax-exempt debt provided the transaction closes prior to the end of this calendar year, December 31, 2017.

According to our external financial advisors, the additional interest costs incurred over the life of the new 25 year bonds using taxable rates (vs tax-exempt rates) on our Cardinal Court refinancing (approx. \$59 million) is estimated at \$8 million. As such, Vice President for Finance and Planning, Dan Stephens, and his staff have been working with external bond counsel and underwriters to secure a new short-term loan prior to December 31, 2017, and subsequently issue long-term bond debt in early 2018. The lead underwriter in the 2018 Bond Series – which is Bank of America / Merrill Lynch – has offered a flexible and cost effective short term loan proposal that would permit the University to close before year end, ensuring our ability to issue the long term bonds in 2018 using tax-exempt rates.

Today, we are requesting your approval of two resolutions to replace the resolutions you approved at the October Board meeting related to issuing Auxiliary Facilities Revenue Bond Series. The first resolution is:

Resolution 2017.12/38 Authorization to Issue Auxiliary Facilities System Revenue Bonds Series 2017

As a result of proposed legislation in Congress to amend the Internal Revenue Code, advance refundings of outstanding bonds such as the IFA Bonds on a tax-exempt basis may not be allowed after December 31, 2017. Therefore, the University considers it to be prudent to advance refund the IFA Bonds before December 31, 2017 by asking the Board to authorize the issuance of a new series of Auxiliary Facilities System Revenue Bonds in an amount not to exceed \$60,000,000, at an interest rate not to exceed 4.00% until December 2, 2019, with a call date of March 1, 2018. This transaction will permit a future current refunding of the Bonds, beginning in early 2018, with tax-exempt Auxiliary Facilities System Revenue Bonds.

Dan Stephens, our Vice President for Finance and Planning, has spent the past three weeks immersed in the details of this issue and would be happy to respond to your questions.

I ask your approval of this resolution.

Donahue: I would now ask for a motion and second to approve Resolution 2017.12/38. Trustee Rossmark so moved and was seconded by Trustee Dobski.

Is there any discussion?

Louderback: This will not get us into any trouble with the Congress or the IRS?

Stephens: We have had over these last few weeks exhaustive reviews by bond counsel, tax bond counsel, and underwriting firms. If we had closed on our 2018 series in 2017 it would have been the same thing. This allows us to have in advance a current refunding beginning early in 2018. This is what moves that April 2021 to March 1, 2018, which under the IRS law a current refunding is allowed to be tax exempt. The second board resolution is the original resolution just adjusted for new information where it's the Cardinal Court refinancing and also the Student Recreation Center. The Student Rec Center had a call date of April 1 of 2018; what we are doing today is taking this financing in place today to turn it to a current refunding on March 1, 2018 which puts both of them at tax exempt.

Louderback: So then we will have to redo it again?

Stephens: No, the second resolution is very similar to the one you approved in October. We are just closing two loans rather than one. And the one that we will close and that will go to the public market in the January/February timeframe, that is the one that the original analysis was done around the four percent range. What we had to do was create a short term loan with Bank of America for which they are taking 100 percent of the debt, they are offering us an interest rate of 2.5 percent which is even lower than the interest rate on the current bond. At the end of the day the only urgency we have – and we have two years to do it – is the refinancing of this loan and we plan to be doing that in January and February of next year.

Donahue: If your team had not stayed on top of what is going on in DC with the proposed tax bill what would this have cost the university?

Stephens: The resolution adopted in October where it was a savings of \$24 million would have been instead a savings of \$16 million.

Donahue: We would have lost about \$8 million, so this meeting today is worth about \$8 million to the university.

Motion made, seconded, and vote recorded as all members voting aye.

Dietz: Thank you. The next item on the agenda is:

Resolution No. 2017. 12/39 Authorization to Issue Auxiliary Facilities System Revenue Bonds Series 2018

The Series 2017 Bonds are expected to be refunded in early 2018, assuming favorable interest rates at that time. Based on current interest rate estimates, Series 2018 Bonds can be issued to refund all or a portion of the Series 2008 Bonds and the Series 2017 Bonds. If interest rates remain stable, the total cash flow savings is estimated to be at least \$24 million over the remaining life of the Series 2018 Bonds.

Again, Vice President Stephens is here to respond to your questions. I ask your approval of this resolution.

Donahue: I would now ask for a motion and second to approve Resolution 2017.12/39. Motion so made by Trustee Rauschenberger and seconded by Trustee Jones.

Is there any discussion? Hearing none, I will call the vote.

Motion made, seconded, and vote recorded as all members voting aye.

Resolution 2017.12/39 is approved by the Board of Trustees.

That concludes our business for today. I would now ask for a motion and second to adjourn. Trustee Louderback so moved and was seconded by Trustee Rossmark.

Motion made, seconded, and vote recorded as all members voting aye.

The meeting of the Board of Trustees is now adjourned.