Oregon State Board of Higher Education

Meeting of the Board Committee on Finance & Administration
December 21, 2012
DIRECTIONS TO THE CHANCELLOR’S OFFICE

Driving Directions

From the Eugene Airport: Follow Highway 99 until it becomes West Seventh Avenue. Get in the right lane and follow West Seventh Avenue until it becomes Franklin Boulevard. Get in the left lane and follow Franklin Boulevard toward the UO. Turn left onto Riverfront Parkway and then right into 1600 Millrace (parking is to the left, lot #56).

From Portland and the North: From I-5 South, take Exit 194B onto I-105 West. Take Exit 2, keep left and follow the signs to the UO. Proceed in the left lane over the Ferry Street Bridge, exiting onto Broadway, which becomes Franklin Boulevard. Follow Franklin Boulevard in the left lane and then turn left onto Riverfront Parkway and right again into 1600 Millrace (parking is to the left, lot #56).

From Ashland and the South: From I-5 North, take Exit 191 and turn right onto Glenwood Blvd. Turn left onto Franklin Boulevard. Follow Franklin Boulevard, remaining in the right lane, and then turn right onto Riverfront Parkway and right again into 1600 Millrace (parking is to the left, lot #56).

From Bend and the East: Take Highway 126 West through Springfield which becomes I-105 in Eugene after you cross over I-5. Take Exit 2, the Coburg Road exit ramp; keep left at the fork in the ramp. Go straight onto southbound Coburg Road, which becomes the Ferry Street Bridge. Stay in the left lane on the bridge, exiting onto Broadway, which becomes Franklin Boulevard. Follow Franklin Boulevard in the left lane and then turn left onto Riverfront Parkway and right again into 1600 Millrace (parking is to the left, lot #56).

Parking for Board members and university staff:
Please ensure your “Special Parking Pass” is readily visible on your vehicle’s dashboard while parking in the lot.
Agenda

Open Session (open to the public) .................................................................................. 8:30 a.m. – 9:00 a.m.

1. ACTION ITEM

   a. OUS, Resolution for the Sale of Articles XI-F(1) and XI-G Bonds ................................. 1
      Staff recommends that the Finance and Administration Committee approve a request to the State Treasurer to issue $41,544,570 of new bonds, plus cost of issuance, under the authority of Article XI-F(1) of the Oregon Constitution and $1,522,000 of new bonds under the authority of Article XI-G of the Oregon Constitution for various higher education capital projects.

Executive Session (closed to the public) ....................................................................... 9:00 a.m. – 4:00 p.m.

Pursuant to ORS 192.660(2)(f), the Finance and Administration Committee will meet in executive session to discuss records that are exempt by law from public inspection. Pursuant to ORS192.660(4), representatives of the news media are allowed to attend but the Board requires that the discussions and any reports received in executive session be undisclosed. Pursuant to ORS 192.660(6), no final action will be taken or final decision made in the executive session.
OUS, Resolution for the Sale of Articles XI-F(1) and XI-G Bonds

SUMMARY
The staff recommends the Board’s Committee for Finance and Administration approve a request to the State Treasurer to issue $41,544,570 of new bonds, plus cost of issuance, under the authority of Article XI-F(1) of the Oregon Constitution and $1,522,000 of new bonds under the authority of Article XI-G of the Oregon Constitution for various higher education capital projects. Prior to the sale, the Board’s bond counsel may advise that a portion of the bonds be sold on a taxable basis due to the expectation that a substantial portion of expenditures will be used by private parties. All projects included in the sale have received bonding authority from the legislature. Additionally, staff recommends the approval of a standing resolution on refunding bonds under the authority of Article XI-F(1) and Article XI-G of the Oregon Constitution to achieve debt service savings, subject to prevailing market conditions. The sale is expected to close in February 2013.

STAFF REPORT TO THE BOARD

Overview of Action to be Taken
In order for the Committee to approve the resolution for the new money bonds, it needs to determine two things:

1. That the Constitutional authority exists to do so, and
2. That the bonds issued would comply with OUS policy requirements.

Constitutional Authority
The 2011 Legislative Assembly authorized the State Board of Higher Education to request that the State Treasurer issue general obligation bonds, with the proceeds to be used to finance capital projects that the Legislative Assembly determined will benefit higher education. These bonds are authorized under two sections of the Oregon Constitution, Articles XI-F(1) and XI-G.

Article XI-F(1) of the Oregon Constitution was amended in May 2010. As amended, Article XI-F(1) authorizes bonds to be issued to finance higher education projects if the Board conservatively estimates that the Board will have sufficient revenues to pay the bonds and operate the projects financed with the bonds. Article XI-F(1) allows the Board to consider all funds available to the Board except amounts appropriated by the legislative assembly from the State’s General Fund. In addition, the Board’s Policy on Debt, as adopted on March 1, 2010, requires that Article XI-F(1) funded projects must be self-supporting and self-liquidating. The policy permits consideration of total available unobligated revenues of the university benefitting from the project or the System when making this determination.

Article XI-G of the Oregon Constitution was also amended in May 2010. As amended, Article XI-G authorizes bonds to be issued to finance higher education projects if the amount of bonds to be issued is matched by an equal or greater amount of funds available to the Board. The matching amount must be used for the same or similar purposes as the bond proceeds and may consist of any funds except proceeds of state general obligation bonds.
House Bill 5005, as approved by the 2011 Legislative Assembly and amended by House Bill 5201, authorizes a maximum issuance of $166,722,070 of Article XI-F(1) bonds and a maximum issuance of $17,608,000 of Article XI-G bonds in the 2011-2013 biennium. OUS institutions are now seeking authorization from the Board to issue a total of $41,544,570 of Article XI-F(1) bonds and a total of $1,522,000 of Article XI-G bonds, plus issuance costs, pursuant to ORS 286A.132(4), as part of a sale currently planned by the State Treasurer to close in February 2013. The remaining authorization of $125,177,500 and $16,086,000 for Articles XI-F(1) and XI-G bonds, respectively, may be carried over in the next bond bill approved by the Legislative Assembly.

In addition to meeting the requirements above, a new money bond sale needs to meet the “Constitutional Test” outlined in Article XI-F(1) section 2, which states that there must be “sufficient revenues to pay the indebtedness and operate the projects financed with the proceeds of the indebtedness”:

<table>
<thead>
<tr>
<th>Operating Revenues</th>
<th>OUS 2012</th>
<th>Project Operating Expense</th>
<th>Proposes Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonoperating Grants</td>
<td>167,684</td>
<td>Debt Service</td>
<td>3,074</td>
</tr>
<tr>
<td>Investment Activity</td>
<td>31,385</td>
<td>Total Annual Expenses</td>
<td>3,130</td>
</tr>
<tr>
<td>Capital Grants &amp; Gifts</td>
<td>33,875</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Annual Revenues</td>
<td>1,890,269</td>
<td>Is the Constitutional Test satisfied?</td>
<td>YES</td>
</tr>
</tbody>
</table>

Sources: 2012 Audited Financial Statement and project proformas

**OUS Policy Requirements**

The Board's policy on debt (see part V. Debt Affordability and Capacity) states that, "All projects using self-generated revenues to repay the debt will be carefully reviewed to ensure that they are financially viable based on reasonable and prudent estimates of the revenues and expenses associated with each project or combination of similar projects." Typically, both the Chancellor's staff and the Board or an authorized Committee of the Board reviews the financial proformas of all such projects to determine project viability and then determines whether to issue the debt. For this issuance, for projects whose total cost is expected to be less than $5 million, the Director of Treasury Operations has reviewed the projects’ financial proformas and has made a determination that the projects are viable in accordance with the Board’s debt policy. For projects whose total cost is expected to be $5 million or above, the Board or an authorized Committee will make the determination of project viability based on the proformas included in the docket. Exhibit 1, at the end of this docket, provides additional information on each of the proposed capital construction projects including the university-prepared proformas. It is intended to be used by the Committee to demonstrate that the projects are financially viable as prescribed by the Board’s policy.
Board policy also requires each OUS institution to maintain a debt burden ratio of less than 7 percent. The table below displays existing debt for each OUS institution along with its associated annual debt service, the estimated annual debt service relating to the new bonds to be sold, and a pro forma estimate of the resulting debt burden ratio including the new debt service. This table demonstrates that each OUS institution is in compliance with the OUS debt burden policy limit after taking into account the new indebtedness.

<table>
<thead>
<tr>
<th>Campus</th>
<th>Debt Outstanding as of 12/31/2012(1)</th>
<th>Annual Debt Svc as of 12/31/2012(1)</th>
<th>February 2013 Bond Sale</th>
<th>Average Annual New Debt Svc</th>
<th>Debt Burden Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>$16,843,627</td>
<td>$2,171,562</td>
<td>$3,000,000</td>
<td>$245,857</td>
<td>5.1%</td>
</tr>
<tr>
<td>OIT</td>
<td>$32,257,691</td>
<td>$2,822,738</td>
<td>N/A</td>
<td>N/A</td>
<td>5.4%</td>
</tr>
<tr>
<td>OSU</td>
<td>$255,125,665</td>
<td>$23,717,949</td>
<td>$25,284,570</td>
<td>$1,741,386</td>
<td>3.4%</td>
</tr>
<tr>
<td>PSU</td>
<td>$159,666,049</td>
<td>$15,199,790</td>
<td>$11,000,000</td>
<td>$901,475</td>
<td>4.6%</td>
</tr>
<tr>
<td>SOU</td>
<td>$18,931,689</td>
<td>$2,000,211</td>
<td>N/A</td>
<td>N/A</td>
<td>3.1%</td>
</tr>
<tr>
<td>UO</td>
<td>$476,608,782</td>
<td>$35,573,113</td>
<td>$2,260,000</td>
<td>$185,212</td>
<td>6.4%</td>
</tr>
<tr>
<td>WOU</td>
<td>$58,979,234</td>
<td>$4,066,498</td>
<td>N/A</td>
<td>N/A</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,018,412,737</strong></td>
<td><strong>$85,551,862</strong></td>
<td><strong>$41,544,570</strong></td>
<td><strong>$3,073,930</strong></td>
<td>N/A</td>
</tr>
</tbody>
</table>

Policy Test: Are institutional debt burden ratios less than 7%? Yes

(1) Excludes OHSU debt outstanding, which is paid by OHSU per OUS/OHSU Debt Service Payment Agreement also excludes accreted interest, bond premiums and discounts, and gain or loss on refunding.

Other Information
As part of this bond sale, staff also intends to issue refunding bonds to the extent that savings can be efficiently achieved according to guidelines established by the State Treasurer’s Debt Management Division. As of November 30, 2012, the universe of potential refunding candidates totaled $240 million and offered potential total present value savings of $28 million. For operational efficiency we rarely refund all potential candidates so the realized savings are likely to be less. In addition, interest rates and market conditions can change very quickly and there is no guarantee that the refunding sale will be this large or that it will achieve this level of savings on the actual date the bonds are priced. To illustrate, if rates rise 15 bp the potential refunding savings falls to $20 million and if rates rise 25 bp the potential for savings falls even further. A standing resolution approved by the full Board already exists and can be used to authorize the refunding however bond counsel suggests that it would prefer a new standing resolution be passed that, in their opinion, is more complete.
STAFF RECOMMENDATION TO THE COMMITTEE

Staff recommends that the Committee:

1. Find that the proposed new money bond sale meets the legal requirements of the State’s constitution;
2. Accept the Director of Treasury Operation’s determination that the renovations (or partial renovations) of Hoke Hall (EOU), Parking Structure One (PSU), and Erb Memorial Union West Lower Level (UO), each of which has an expected total cost of less than $5 million, are financially viable without considering any amounts appropriated by the legislative assembly from the State’s General Fund, as defined in the Board’s policy on debt;
3. Find that the other proposed capital projects funded with Article XI-F(1) bonds, whose total cost is expected to be $5 million or more, are financially viable based on the attached proformas without considering any amounts appropriated by the legislative assembly from the State’s General Fund;
4. Find that the resulting debt burden ratios for each institution comply with Board policy based on the analysis above;
5. Adopt a standing resolution to authorize refundings when sufficient savings are present (see below); and
6. Adopt a resolution authorizing the sale of new Articles XI-F(1) and XI-G bonds to fund the projects shown in Tables A and B (detailed below), based upon estimates that sufficient revenues exist to pay the debt service of the XI-F(1) bonds and operate the projects financed with the XI-F(1) bonds, without considering any amounts appropriated by the legislative assembly from the State’s General Fund.

(Committee action required.)
STANDING RESOLUTION FOR THE SALE OF REFUNDING BONDS

A RESOLUTION OF THE FINANCE AND ADMINISTRATION COMMITTEE, A STANDING COMMITTEE OF THE STATE BOARD OF HIGHER EDUCATION AUTHORIZING THE REFUNDING OF ALL OR ANY PORTION OF OUTSTANDING STATE OF OREGON GENERAL OBLIGATION BONDS ISSUED FROM TIME TO TIME FOR THE OREGON UNIVERSITY SYSTEM; AUTHORIZING THE SALE, ISSUANCE, EXECUTION AND DELIVERY OF STATE OF OREGON GENERAL OBLIGATION REFUNDING BONDS, IN ONE OR MORE SERIES FOR THE OREGON UNIVERSITY SYSTEM; APPROVING THE EXECUTION AND DELIVERY OF ONE OR MORE ISSUANCE CERTIFICATES AND THE NEGOTIATION, EXECUTION AND DELIVERY OF RELATED AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF SUCH GENERAL OBLIGATION REFUNDING BONDS; DESIGNATING AUTHORIZED REPRESENTATIVES; DELEGATING RESPONSIBILITIES; AND RELATED MATTERS.

WHEREAS, Article XI-F(1) and Article XI-G of the Oregon Constitution and Oregon Revised Statutes (“ORS”) chapters 286A and 351, each as amended from time to time (collectively, the “Act”), authorize the State to issue general obligation bonds of the State for the purposes specified in Article XI-F(1) and Article XI-G of the Oregon Constitution (the “System General Obligation Bonds”), including refunding outstanding System General Obligation Bonds issued pursuant to the provisions of the Act;

WHEREAS, ORS 286A.005 and 286A.025 provide that the State Treasurer, at the request of the State Board of Higher Education (the “Board”), may structure, sell and issue System General Obligation Bonds, including bonds to finance projects as authorized by the Oregon Legislative Assembly (the “Legislative Assembly”) and current refunding bonds and advance refunding bonds, and to pay costs of issuing the bonds pursuant to ORS 286A.132(4);

WHEREAS, pursuant to ORS 286A.102, the State Treasurer issues all general obligation and revenue bonds of the State after consultation with the State agency responsible for administering the bond proceeds;

WHEREAS, ORS 351.062 provides that the Board may delegate any of its powers, duties or functions to a committee of the Board, and the Board has established the Finance and Administration Committee as a standing committee of the Board;

WHEREAS, pursuant to the policies of the Board (updated as of March 1, 2010), all debt issued by the Oregon University System (the “System” or “OUS”) must be authorized through a resolution of the Board or, as authorized by the Board, a Resolution of the Finance and Administration Committee;

WHEREAS, at its meeting on October 7, 2011, the Board approved the Charter (the “Charter”) of the Finance and Administration Committee (the “Committee”), that authorizes, among other things, the Committee to approve bond sales, including determinations that a project is self-supporting and self-liquidating where applicable to the extent permitted by law;
WHEREAS, the Committee finds that issuing refunding general obligation bonds from time-to-time, to refund all or any portion of the outstanding System General Obligation Bonds previously issued for the purposes specified in Article XI-F(1) and Article XI-G of the Oregon Constitution (each such refunding of all or any portion of the outstanding System General Obligation Bonds, a “Refunding”), depending on then-prevailing market conditions, will be in the best interests of the State and the System;

WHEREAS, in connection with each such Refunding, the System will cause to be prepared, executed and delivered an Issuance Certificate (each, a “Refunding Issuance Certificate”), that will, among other things, authorize the issuance, in one or more series, of general obligation refunding bonds (collectively, the “Refunding Bonds”), subject to market conditions, for the purposes of, among other things, refunding the outstanding System General Obligation Bonds designated as Refunding Bonds by the Authorized Representative in connection with such Refunding, in an aggregate principal amount necessary to refund such bonds and to pay costs of issuance and costs of obtaining any credit enhancement device (as defined in ORS 286A.001(4)), if applicable, each such Refunding Issuance Certificate to be executed and delivered by the State Treasurer and acknowledged by an Authorized Representative (defined below) of the System;

WHEREAS, in connection with each such Refunding and in addition to the Refunding Issuance Certificate, it may be necessary or desirable for the System and the State, among other things, (i) to negotiate, execute and deliver (a) one or more bond or note purchase agreements or direct purchase agreements or any related documents, including, but not limited to, continuing covenant agreements, or (b) documents, agreements, notices or certificates as may be necessary to carry out a Refunding, including any escrow deposit agreement(s) in connection with any Refunding, and any amendments, substitutions, replacements or terminations of any existing documents, agreements or certificates as may be necessary and desirable (collectively, with the Refunding Issuance Certificate, the “Refunding Financing Documents”); (ii) to establish and enter into covenants under such documents, agreements, notices and certificates described herein for a Refunding as may be necessary and desirable to provide for favorable terms and conditions for a Refunding or such other covenants and agreements as determined to be in the best interests of the State and the System; (iii) to prepare and deliver one or more official statements or other disclosure documents required or desirable in connection with a Refunding; (iv) to amend, terminate or replace all or any portion of any credit enhancement device provided for any outstanding general obligation bonds or to obtain one or more credit enhancement devices for any such Refunding Bonds; and (v) enter into one or more agreement for exchange of interest rates (as defined in ORS 286A.001(1) as may be necessary and desirable to provide for favorable terms and conditions for the Refunding as determined to be in the best interests of the State and the System;

WHEREAS, to preserve financing flexibility and to permit the System to respond to changing market conditions quickly and efficiently, the Committee finds it is in the best interests of the State and the System to delegate to the Authorized Representative the authority to enter into Refundings from time to time to achieve debt service savings, subject to
the requirements of this Resolution and without further action of the Committee, and to authorize the issuance from time to time of one or more series of Refunding Bonds in connection with each such Refunding, provided that any series and maturities of outstanding System General Obligation Bonds selected by the Authorized Representative for advance refunding (as defined in ORS 286A.025(1)(b)) meet the State’s criteria for advance refunding and at the time of each such issuance;

NOW, THEREFORE, be it resolved by the State Board of Higher Education of the State of Oregon acting through its Finance and Administration Committee as follows:

Section 1. Designation of Authorized Representative. The Committee hereby authorizes each of the State Treasurer, the Chancellor, the Vice Chancellor for Finance and Administration, and the Associate Vice Chancellor of Finance and Administration and Controller of the Department of Higher Education, or their respective designees (each, an “Authorized Representative”), each acting individually, to act as the authorized representative for and on behalf of the System and to determine the terms of each Refunding, each as authorized in this Resolution, as delegated below and to negotiate, finalize, execute and deliver the applicable Refunding Financing Documents, with such terms as may be determined by such Authorized Representative to be in the best interests of the System at the time of such Refunding, and as are necessary or desirable to carry out the purposes and intents of this Resolution, which determination shall be evidenced by his or her execution of such Refunding Financing Documents.

Section 2. Terms, Sale and Issuance of Refunding Bonds. The Authorized Representatives, acting individually or collectively, are authorized, on behalf of the System, to:

(a) Work with the State Treasurer to determine whether entering into a Refunding is in the best interests of the System and the State at a given time and to determine how to best structure any debt service savings;

(b) Work with the State Treasurer to determine whether to issue one or more series of Refunding Bonds in connection with a Refunding and to determine to what extent the different series of Refunding Bonds to be issued pursuant to such Refunding will be issued as (i) Tax-Exempt or Federally Taxable obligations; and (ii) fixed rate or variable rate obligations;

(c) Work with the State Treasurer to establish the series designations, final principal amounts, maturity schedules, sale prices, interest rates or methods of determining interest rates, original issue discounts, original issue premiums, redemption terms, payment terms and dates and other terms of any such series of Refunding Bonds;

(d) Work with the State Treasurer to establish maturity dates for each such series of Refunding Bonds to provide for short-term, interim or long-term borrowing and to structure, market and issue the Refunding Bonds in a manner that is determined to be in
the best interests of the State and the System in light of then-prevailing market conditions;

(e) Work with the State Treasurer (i) to determine whether to sell the Refunding Bonds to be issued in connection with a Refunding pursuant to a competitive sale or a negotiated sale, (ii) to issue a notice of sale for competitive sale of Refunding Bonds, (iii) to select one or more underwriters for the sale of Refunding Bonds, and (iv) to negotiate, execute and deliver one or more bond purchase agreements or direct purchase agreements for the sale of the Refunding Bonds;

(f) Participate in the preparation of, authorize and approve the distribution of, and deem final one or more preliminary and final official statements or any other disclosure documents for each such Refunding;

(g) Work with the State Treasurer to select all or any portion of the Refunded Bonds to be refunded (provided that any series and maturities of Outstanding System General Obligation Bonds selected by the Authorized Representative for advance refunding (as defined in ORS 286A.025(1)(b)) meet the State’s criteria for advance refunding), to call for redemption the Refunded Bonds of the maturities selected for refunding and to be redeemed with a portion of the proceeds of Refunding Bonds and other monies of the System on the earliest date those maturities are subject to redemption, to cause notice of redemption to be given as required by the underlying legal documents and to procure defeasance obligations, if necessary, for purposes of funding escrow accounts;

(h) Work with the State Treasurer to undertake to provide continuing disclosure for the Refunding Bonds to the extent required by Rule 15c2-12, as amended, of the Securities and Exchange Commission, or as otherwise determined by the Authorized Representative to be in the best interests of the State and the System, including without limitation the execution and delivery of one or more Continuing Disclosure Certificates, if necessary, and the filing of a notice of listed events, including with respect to the Refunded Bonds;

(i) Work with the State Treasurer to (i) amend, terminate or replace all or any portion of any then-existing credit enhancement device provided for any outstanding System General Obligation Bonds, in connection with a Refunding, and to negotiate, execute and deliver any such amendments or supplements, if determined by the Authorized Representative to be in the best interests of the State and the System; (ii) execute and deliver any direct purchase agreement or related documents, including, but not limited to, any continuing covenant agreement; (iii) obtain any credit enhancement device for any Refunding Bonds, if determined by the Authorized Representative to be in the best interests of the State and the System, and execute and deliver any agreements with the providers of such credit enhancement devices, and execute and deliver related documents, including without limitation any necessary or desirable consents or waivers in connection with such credit enhancement devices; or (iv) enter into one or more agreement for exchange of interest rates (as defined in ORS 286A.001(1)) as may be
necessary and desirable to provide for favorable terms and conditions for the Refunding as determined to be in the best interests of the State and the System, and execute and deliver any related agreements with any counterparty to such agreement for exchange of interest rates;

(j) Work with the State Treasurer to obtain ratings on the Refunding Bonds, if determined by the Authorized Representative to be in the best interests of the State and the System, and to meet with investors or rating agencies in-person or by electronic means (teleconference, video conference or other means) as necessary or desirable to market and sell all or any portion of the Refunding Bonds;

(k) Work with the State Treasurer to negotiate, execute and deliver any documents or agreements required in connection with any portion of any such Refundings that constitute variable rate obligations, including without limitation any remarketing agreements, credit agreements, reimbursement agreements, tender agent agreements, broker-dealer agreements, and market agent agreements;

(l) Work with the State Treasurer to designate one or more registrars and paying agents for the Refunding Bonds and to negotiate, execute and deliver any documents or agreements required in connection with any such designations;

(m) Work with the State Treasurer to pay costs of issuance and transaction costs or fees, pursuant to ORS 286A.132(4), in connection with any such Refunding or otherwise necessary or desirable to carry out the purposes of this Resolution, and to invest moneys derived from the proceeds of the Refunding Bonds and to execute and deliver any agreement in connection therewith;

(n) Prepare, execute and deliver one or more Refunding Issuance Certificates; negotiate, execute and deliver any Refunding Financing Documents; execute and deliver a certificate specifying the actions taken by the Authorized Representatives in connection with each Refunding pursuant to this Resolution; and take any other action in connection with a Refunding that the Authorized Representatives, acting individually or collectively, find will be advantageous to the System and the State.

Section 3. Report to Committee. The Authorized Representatives, acting individually or collectively, are hereby directed to provide a report to the Committee regarding each such Refunding at the first Committee meeting following the closing of any Refunding Bonds.

Section 4. Effective Date. This Resolution shall become effective upon its adoption by the Committee.

THIS RESOLUTION shall be entered into the minutes and records of the Committee as Resolution No. 2012-01, adopted on December 21, 2012.
RESOLUTION FOR THE SALE OF BONDS FOR CAPITAL PROJECTS

A RESOLUTION OF THE FINANCE AND ADMINISTRATION COMMITTEE, A STANDING COMMITTEE OF THE STATE BOARD OF HIGHER EDUCATION AUTHORIZING THE SALE, ISSUANCE, EXECUTION AND DELIVERY OF STATE OF OREGON GENERAL OBLIGATION BONDS, IN ONE OR MORE SERIES, FOR THE OREGON UNIVERSITY SYSTEM; APPROVING THE EXECUTION AND DELIVERY OF ONE OR MORE ISSUANCE CERTIFICATES AND THE NEGOTIATION, EXECUTION AND DELIVERY OF RELATED AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF SUCH GENERAL OBLIGATION BONDS; DESIGNATING AUTHORIZED REPRESENTATIVES; DELEGATING RESPONSIBILITIES; DECLARING OFFICIAL INTENT TO REIMBURSE EXPENDITURES; AND RELATED MATTERS.

WHEREAS, Article XI-F(1) and Article XI-G of the Oregon Constitution and Oregon Revised Statutes ("ORS") chapters 286A and 351, each as amended from time to time (collectively, the "Act"), authorize the State to issue general obligation bonds of the State for the purposes specified in Article XI-F(1) and Article XI-G of the Oregon Constitution (the "System General Obligation Bonds"), including refunding outstanding System General Obligation Bonds issued pursuant to the provisions of the Act and to pay costs of issuing the System General Obligation Bonds pursuant to ORS 286A.132(4);

WHEREAS, ORS 286A.005 and 286A.025 provide that the State Treasurer, at the request of the State Board of Higher Education (the "Board"), may structure, sell and issue System General Obligation Bonds, including bonds to finance projects as authorized by the Oregon Legislative Assembly (the "Legislative Assembly") and current refunding bonds and advance refunding bonds;

WHEREAS, pursuant to ORS 286A.102, the State Treasurer issues all general obligation and revenue bonds of the State after consultation with the State agency responsible for administering the bond proceeds;

WHEREAS, ORS 351.062 provides that the Board may delegate any of its powers, duties or functions to a committee of the Board, and the Board has established the Finance and Administration Committee, as a standing committee of the Board;

WHEREAS, pursuant to the policies of the Board (updated as of March 1, 2010), all debt issued by the Oregon University System (the "System" or "OUS") must be authorized through a resolution of the Board or, as authorized by the Board, a Resolution of the Finance and Administration Committee;

WHEREAS, at its meeting on October 7, 2011, the Board approved the Charter (the "Charter") of the Finance and Administration Committee (the "Committee"), that authorizes, among other things, the Committee to approve bond sales, including determinations that a project is self-supporting and self-liquidating where applicable to the extent permitted by law;
WHEREAS, the Committee has previously adopted Resolution No. 2012-01 authorizing the issuance of refunding general obligation bonds from time-to-time (the “Refunding Resolution”), to refund all or any portion of the outstanding System General Obligation Bonds previously issued for the purposes specified in Article XI-F(1) and Article XI-G of the Oregon Constitution (each such refunding of all or any portion of the outstanding System General Obligation Bonds, a “Refunding”), depending on then-prevailing market conditions, as will be in the best interests of the State and the System, and delegating authority to the Authorized Representative (as defined herein) to take such actions, together with the State Treasurer, in connection with the issuance of one or more series of general obligation refunding bonds (collectively, the “Refunding Bonds”);

WHEREAS, the Committee finds that it is in the best interest of the System to request the issuance by the Treasurer, and to authorize the issuance, of System General Obligation Bonds of the State, including (a) Refunding Bonds, consistent with the provisions of the Refunding Resolution and (b) System General Obligation Bonds to finance certain capital projects, as identified in the Tables A and B, authorized by the Legislative Assembly and for the purposes specified in Article XI-F(1) and Article XI-G of the Oregon Constitution, and to pay costs of issuance related thereto (collectively, the “2013 Bonds”);

WHEREAS, the Committee finds, based on the analysis of debt affordability and capacity presented and attached hereto as Table C, that the Article XI-F(1) portion of the 2013 Bonds used to finance approved projects are both self-liquidating and self-supporting;

WHEREAS, the System expects to pay certain expenditures (the “Reimbursement Expenditures”) in connection with the approved projects described herein prior to the issuance of the 2013 Bonds, and pursuant to Section 1.150-2 of the regulations promulgated by the United States Department of the Treasury (the “Treasury Regulations”), the System is required to declare its reasonable official intent to reimburse such Reimbursement Expenditures with the proceeds of the 2013 Bonds if such proceeds are to be deemed spent upon the reimbursement allocation, for purposes of federal tax law;

WHEREAS, the Committee finds that issuance of the 2013 Bonds is in the best interests of the System, and requests that the State Treasurer issue the 2013 Bonds, in one or more series, and execute and deliver an issuance certificate that is acknowledged and agreed to by the Authorized Representative on behalf of the System (the “2013 Issuance Certificate”), that sets forth the terms and conditions of the 2013 Bonds; and

WHEREAS, the Committee delegates authority to the Authorized Representative to negotiate, execute and deliver (a) one or more bond purchase agreements, and (b) documents, agreements, notices or certificates as may be necessary or desirable to issue the 2013 Bonds, including any escrow deposit agreement(s) in connection with the refunding portion of the 2013 Bonds, and any amendments, substitutions, replacements or terminations of any existing documents, agreements or certificates as may be necessary and desirable (collectively, the “2013 Financing Documents”);
NOW, THEREFORE, be it resolved by the State Board of Higher Education of the State of Oregon acting through its Finance and Administration Committee as follows:

Section 1. Article XI-F(1) Projects. Table A attached hereto lists each project to be financed with Article XI-F(1) bonds and the amount of Article XI-F(1) bonds to be issued for those projects. As set forth in the “Constitutional Authority” section of the Staff Report to the Board, the “Constitutional Test” was performed and demonstrates that revenues available to the Board exceed debt service and operating expenses for those projects. Based upon the information in Table C and Exhibit 1 and pursuant to Section 2 of Article XI-F(1) of the Oregon Constitution, the Committee hereby conservatively estimates that the Board will have sufficient revenues to pay the fixed rate Article XI-F(1) bonds described in Table A and operate the projects financed with the Article XI-F(1) bonds that are listed in Table A, without considering any amounts appropriated by the Legislative Assembly from the State’s General Fund. Table C indicates that revenues available to the Board substantially exceed the estimated fixed rate debt service and costs of operations of the bond-financed projects. The Committee therefore authorizes the sale of Article XI-F(1) bonds as fixed rate obligations to finance the projects described in Table A and to pay any costs of issuance. Pursuant to ORS 286A.005(2) the Committee requests the State Treasurer to issue those Article XI-F(1) bonds. In accordance with past practice, an estimated 1% issuance cost for Article XI-F(1) bonds will be added to the total project cost at the time of issuance to cover underwriting and other costs associated with the sale.

Section 2. Article XI-G Projects. The Committee authorizes the sale of Article XI-G bonds to provide funds for the projects described in Table B attached hereto. Pursuant to ORS 286A.005(2) the Committee requests the State Treasurer to issue those Article XI-G bonds. Pursuant to Article XI-G and as shown in Table B, the amount of Article XI-G bonds is matched by an amount that is at least equal to the amount of the indebtedness.

Section 3. Designation of Authorized Representative. The Committee hereby authorizes each of the State Treasurer, the Chancellor, the Vice Chancellor for Finance and Administration, and the Associate Vice Chancellor of Finance and Administration and Controller of the Department of Higher Education, or their respective designees (each, an “Authorized Representative”), each acting individually, to act as the authorized representative for and on behalf of the System and to determine the terms of the 2013 Bonds, each as authorized in this Resolution, as delegated below and to negotiate, finalize, execute and deliver the applicable 2013 Financing Documents, with such terms as may be determined by such Authorized Representative to be in the best interests of the System in connection with the 2013 Bonds, and as are necessary or desirable to carry out the purposes and intents of this Resolution, which determination shall be evidenced by his or her execution of the 2013 Financing Documents.

Section 4. Terms, Sale and Issuance of 2013 Bonds. The Authorized Representatives, acting individually or collectively, are authorized, on behalf of the System, to:
(a) Work with the State Treasurer to determine whether entering into a Refunding is in the best interests of the System and the State at a given time and to determine how to best structure any debt service savings;

(b) Work with the State Treasurer to determine whether to issue one or more series of 2013 Bonds and to determine to what extent the different series of 2013 Bonds to be issued pursuant to this Resolution and the Refunding Resolution will be issued as (i) Tax-Exempt or Federally Taxable obligations; and (iii) fixed rate or variable rate obligations;

(c) Work with the State Treasurer to establish the series designations, final principal amounts, maturity schedules, sale prices, interest rates or methods of determining interest rates, original issue discounts, original issue premiums, redemption terms, payment terms and dates and other terms of any such series of 2013 Bonds and to structure, market and issue the 2013 Bonds in a manner that is determined to be in the best interests of the State and the System in light of then-prevailing market conditions;

(d) Work with the State Treasurer to designate one or more investment banking firms as underwriters for the 2013 Bonds, and negotiate, execute and deliver one or more bond purchase agreements for the sale of the Refunding Bond pursuant to a negotiated sale;

(e) Participate in the preparation of, authorize and approve the distribution of, and deem final one or more preliminary and final official statements or any other disclosure documents for each such 2013 Bonds;

(f) Work with the State Treasurer to carry out the provisions of the Refunding Resolution with respect to any portion of the 2013 Bonds that will be issued to refund all or a portion of outstanding System General Obligation;

(g) Work with the State Treasurer to undertake to provide continuing disclosure for the 2013 Bonds to the extent required by Rule 15c2-12, as amended, of the Securities and Exchange Commission, or as otherwise determined by the Authorized Representative to be in the best interests of the State and the System, including without limitation the execution and delivery of one or more Continuing Disclosure Certificates, if necessary, and the filing of a notice of listed events, including with respect to the 2013 Bonds;

(h) Work with the State Treasurer to obtain ratings on the 2013 Bonds, if determined by the Authorized Representative to be in the best interests of the State and the System, and to meet with investors or rating agencies in-person or by electronic means (teleconference, video conference or other means) as necessary or desirable to market and sell all or any portion of the 2013 Bonds;

(i) Work with the State Treasurer to designate one or more registrars, paying agents or escrow agents for the 2013 Bonds and to negotiate, execute and deliver any documents or agreements required in connection with any such designations;
(j) Work with the State Treasurer to pay costs of issuance and transaction costs or fees, pursuant to ORS 286A.132(4), in connection with any such 2013 Bonds or otherwise necessary or desirable to carry out the purposes of this Resolution and the Refunding Resolution, and to invest moneys derived from the proceeds of the 2013 Bonds and to execute and deliver any agreement in connection therewith;

(k) Prepare, execute and deliver one or more Issuance Certificates; negotiate, execute and deliver any 2013 Financing Documents; execute and deliver a certificate specifying the actions taken by the Authorized Representatives in connection with the 2013 Bonds pursuant to this Resolution and the Refunding Resolution; and take any other action in connection with the 2013 Bonds that the Authorized Representatives, acting individually or collectively, find will be advantageous to the System and the State.

Section 5. Declaration of Official Intent to Reimburse. For purposes of establishing compliance with the requirements of Section 1.150-3 of the Treasury Regulations, the Committee hereby declares its official intent to use proceeds of the 2013 Bonds to reimburse the System for Reimbursement Expenditures in an amount not to exceed $43,066,570. This declaration does not bind the Board or the System to make any expenditure, incur any indebtedness, or proceed with the projects described herein.

Section 6. Maintenance of Tax-Exempt Status. The Chancellor, the Designee or the Associate Vice Chancellor for Finance and Administration and Controller of the Oregon University System are each hereby authorized to covenant, on behalf of the Board, to comply with the provisions of the Internal Revenue Code of 1986, as amended, that are required for interest on tax-exempt bonds to be excluded from gross income for federal income taxation purposes.

Section 7. Report to Committee. The Authorized Representatives, acting individually or collectively, are hereby directed to provide a report to the Committee regarding the 2013 Bonds at the first Committee meeting following the closing of the 2013 Bonds.

Section 8. Effective Date. This Resolution shall become effective upon its adoption by the Committee.

THIS RESOLUTION shall be entered into the minutes and records of the Committee as Resolution No. 2012-02, adopted on December 21, 2012.
### Table A

**Article XI-F(1) Projects Recommended for February 2013 Bond Sale**

<table>
<thead>
<tr>
<th>Article XI-F(1) Projects</th>
<th>Estimated Bond Proceeds</th>
<th>Maximum Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU: Capital Renewal/Code Compliance and Safety-Hoke Hall Renovation</td>
<td>$3,000,000</td>
<td>20 years</td>
</tr>
<tr>
<td>OSU: Capital Renewal/Code Compliance and Safety- Sackett Hall Upgrades</td>
<td>$3,000,000</td>
<td>20 years</td>
</tr>
<tr>
<td>OSU: Sports Performance Center</td>
<td>$12,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>OSU: Gill Coliseum Renovation</td>
<td>$284,570</td>
<td>20 years</td>
</tr>
<tr>
<td>OSU: New Student Residence Hall</td>
<td>$10,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>PSU: Blumel Hall Renovation and Water Line Replacement</td>
<td>$7,000,000</td>
<td>20 years</td>
</tr>
<tr>
<td>PSU: Capital Renewal/Code Compliance and Safety-Parking One Remodel</td>
<td>$4,000,000</td>
<td>20 years</td>
</tr>
<tr>
<td>UO: Capital Renewal/Code Compliance and Safety - Erb Memorial Union</td>
<td>$2,260,000</td>
<td>20 years</td>
</tr>
<tr>
<td>TOTAL XI-F(1) Projects</td>
<td>$41,544,570</td>
<td>N/A</td>
</tr>
</tbody>
</table>

In accordance with past practice, estimated 1 percent issuance cost for Article XI-F(1) bonds will be added to the total project cost at the time of issuance to cover underwriting and other costs associated with the sale.

### Table B

**Article XI-G Projects Recommended for February 2013 Bond Sale**

<table>
<thead>
<tr>
<th>Article XI-G Projects</th>
<th>Estimated Bond Proceeds, excluding issuance costs</th>
<th>Matching Amount</th>
<th>Maximum Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU: Zabel Hall Deferred Maintenance</td>
<td>$1,522,000</td>
<td>$1,522,000</td>
<td>20 years</td>
</tr>
<tr>
<td>TOTAL XI-G Projects</td>
<td>$1,522,000</td>
<td>$1,522,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Matching funds have been received in the form of lottery bond proceeds.
### TABLE C

**February 2013 Bond Sale for Article XI-F(1) Bonds:**

**Estimated Financial Impact of XI-F(1) Financed Projects**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System Total[^3]</strong></td>
<td>$1,018,412,737</td>
<td>$1,890,269,000</td>
<td>$697,903,000</td>
<td>$85,551,862</td>
</tr>
<tr>
<td>EOU: Capital Renewal/Code Compliance &amp; Safety-Hoke Hall[^4]</td>
<td>$3,000,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$245,857</td>
</tr>
<tr>
<td>OSU: Capital Renewal/Code Compliance &amp; Safety-Sackett Hall[^4]</td>
<td>$3,000,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$245,857</td>
</tr>
<tr>
<td>OSU: Sports Performance Center[^5]</td>
<td>$12,000,000</td>
<td>$982,163</td>
<td>$55,990</td>
<td>$826,360</td>
</tr>
<tr>
<td>OSU: Gill Coliseum Renovation[^5]</td>
<td>$284,570</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>OSU: New Residence Hall[^6]</td>
<td>$10,000,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$669,169</td>
</tr>
<tr>
<td>PSU: Blumel Hall Water Pipe Replacement and Bldg Renovation[^4]</td>
<td>$7,000,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$573,666</td>
</tr>
<tr>
<td>PSU: Capital Renewal/Code Compliance &amp; Safety-Parking One[^4]</td>
<td>$4,000,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$327,809</td>
</tr>
<tr>
<td>UO: Capital Renewal/Code Compliance and Safety - Erb Memorial Union[^4]</td>
<td>$2,260,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$185,212</td>
</tr>
<tr>
<td>Incremental increase due to the Proposed Projects</td>
<td>$41,544,570</td>
<td>$982,163</td>
<td>$55,990</td>
<td>$3,073,930</td>
</tr>
<tr>
<td><strong>SYSTEM TOTAL INCLUDING PROPOSED SALE</strong></td>
<td>$1,059,957,307</td>
<td>$1,891,251,163</td>
<td>$697,958,990</td>
<td>$88,625,792</td>
</tr>
</tbody>
</table>

**Available Revenues divided by the sum of Related Operating Expense plus Annual Debt Service:** 2.4x

[^1]: Available project revenues and operating expenses are a 10-year average.
[^2]: Tax-exempt Interest rate of 5.25 percent was used in the calculation of debt service for the new projects.
[^3]: Systemwide available revenues are from the audited 2012 OUS Annual Financial Statement and exclude funds appropriated by the Legislative Assembly. Systemwide expenses include student services, auxiliary programs, operation and maintenance of plant, and other operating expenses.
[^4]: This is a renovation project and does not generate incremental revenues or expenses.
[^5]: For analysis purposes, the debt burden for the remainder of the Gill Coliseum project has been incorporated into the Sports Performance Center line since the source of repayment is the same. It is listed separately in the table to match the constitutional authority.
[^6]: In the interests of conservatism no incremental revenue or operating expense is shown for the new residence hall because not enough bonds are being issued to fully construct and make the structure operational. When fully constructed, a total of $29 million of debt will be issued and the building will have average debt service and operating costs of approximately $2,637,000, which will be offset by annual revenues of $2.5 million. OSU
Housing and Dining expects to subsidize the building from its other operations during this period but by Year 12, the building is expected to no longer need the subsidy.
OSU Housing and Dining
OSU’s Housing and Dining has two projects that will receive funds from this sale. The first is $3.0 million to partially renovate Sackett Hall. Since the renovation provides no incremental revenues, the University provided a proforma that covered all of OSU’s Housing and Operations. This summary proforma is attached and demonstrates that there are sufficient free cash flows to cover the new debt service obligations. The second project is for a new residence hall that was approved during the last legislative session for $29 million. To manage the System’s cash most effectively, we plan to sell $10 million of these bonds in the proposed sale and then sell the remaining authorized bonds in 2014 when the project is near completion. These bonds will be repaid with housing and dining revenues. The project is expected to need to be subsidized during its first 11 years with a total subsidy of $1.5 million but will be self-supporting in Year 12. At the end of 30 years, the project is expected to have contributed $3.5 million in net revenues (after paying back the subsidy) and contributed another $2.3 million to reserves. The proforma for all of OSU Housing and Dining (the Sackett Hall proforma) shows that the auxiliary has sufficient positive free cash flow to cover this shortfall.

OSU Sports Performance Center, phase 2
The E-board authorized a transfer of a portion of the Gill Coliseum expansion project to the stand-alone (though still nearby) Sports Performance Center. The original expansion of Gill had intended to add practice courts but when that became untenable the University decided to build the courts at a nearby location. This $15 million project will receive $12 million of funding from this bond sale with remaining funding coming from gifts. The source of repayment is athletic revenues (specifically an allocation of the PAC-12 network revenues) and designated gifts that are currently in the form of pledges. Since the project relies on support from the Athletics auxiliary, we obtained a summary of the new incremental revenues to ensure that they seem adequate to not only fund the needs of athletics but also this new building. The remaining bonds for the renovation of Gill Coliseum ($284,570) have also been included in this proforma. Average debt service is $0.83 million versus PAC-12 network revenues of more than $16 million per year for the next 12 years.

PSU Blumel Hall
PSU’s Student Housing auxiliary is replacing water pipes and performing building renovations on Blumel Hall in the amount of $7.0 million. The source of repayment is related auxiliary revenues which the proforma shows to average $2.5 million per year. The renovation is sufficiently extensive that the building has to be vacated during some of the work so initially there is a small cash flow shortfall which is being covered by PSU’s system housing revenues in the short-term. Net operations, after debt service, total $348,000 after ten years during which time the Hall will also have contributed $10.9 million to administrative units.

PSU Parking Structure One
PSU will receive $4.0 million from this bond sale to renovate Parking Structure One. The proforma shows that PSU’s parking operation generates sufficient revenues to cover this new debt and other debt owed by parking. Ten year average revenues are $9.4 million and are
adequate to cover $5.2 million in average operating expense and cover new and existing debt service of $1.9 million per year. The expense escalation rate used in this proforma is a little on the low side (3%) but given the significant free cash flows (more than $2 million per year, shown as a transfer out) this was still considered acceptable and this project is considered to be financially viable by the Director of Treasury Operations. This proforma can be made available to the Committee upon request.

**Student Building Fee Pool Funded Projects**
There are two projects for which the debt service will be paid exclusively by the student building fee (SBF) pool: $2.26 million for UO students (Erb Memorial Union Partial Renovation West Lower Level) and $3.00 million for students of EOU (Hoke Hall). The attached proforma shows adequate revenues coming into the pool to cover its committed debt service. The proforma takes into account debt service for the entire allocation of the pool’s debt capacity ($40.51 million). The Director of Treasury Operations has determined that these projects are financially viable. The proforma that supports this conclusion can be made available to the committee upon request.