

Agendum
Oakland University
Board of Trustees Formal Session
February 22, 2016

**AUTHORIZING RESOLUTION – GENERAL REVENUE BONDS,
SERIES 2016**

A Recommendation

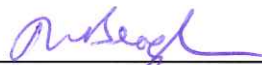
1. **Division and Department:** Finance and Administration Division, Treasury Management Department.
2. **Introduction:** In anticipation of the Board of Trustees (Board) approving the soon to be proposed schematic designs for the Southern Student Housing Complex, Oakland Center expansion and renovation, and renovation of Anibal House and Fitzgerald House, the Board will issue bonds totaling approximately \$124,000,000 (excluding estimated issuance costs and capitalized interest), the Board of Trustees of Oakland University General Revenue Bonds, Series 2016 (Bond). (See Attachment A and Exhibit A.)
3. **Previous Board Action:** On December 2, 2015 the Board approved a resolution appointing Neumann Smith to develop architecture and engineering plans for the development of the Southern Student Housing Complex. Also approved on December 2, 2015 was a Reimbursement Resolution for the Southern Student Housing complex, Oakland Center renovation, Elliott Hall renovation, and Lepley renovation.
4. **Budget Implications:** Annual straight line amortization for the Housing Complex for 30 years is approximately \$5.6 million per year. This amount will be charged to the University Housing budget. All other projects would impact the general fund budget, with the annual debt service estimated at \$3.3 million per year.
5. **Educational Implications:** Additional campus housing, expanded student activities facilities and renovations are expected to have a positive impact on retention and graduation rates as well as student life experiences.
6. **Personnel Implications:** None.
7. **University Reviews/Approvals:** This recommendation was formulated by the Treasury Management Department in consultation with Debt Advisors (Kari L. Blanchett of the PFM Group) and reviewed by the Vice President for Finance and Administration; and the resolution was prepared by Bond Counsel (Robert L. Schwartz of Clark Hill PLC), and reviewed by the Vice President for Finance and Administration, Vice President for Legal Affairs and General Counsel, and President.
8. **Recommendation:** See Attachment A

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9. Attachments:


A. RESOLUTION OF THE BOARD OF TRUSTEES OF OAKLAND
UNIVERSITY AUTHORIZING THE ISSUANCE AND DELIVERY OF
GENERAL REVENUE BONDS AND PROVIDING FOR OTHER
MATTERS RELATING THERETO

Submitted to the President
on 2/11, 2016 by




John W. Beaghan
Vice President for Finance and Administration and
Treasurer to the Board of Trustees

Recommended on 2/16, 2016
to the Board for approval by



George W. Hynd
President



**RESOLUTION OF THE BOARD OF TRUSTEES
OF OAKLAND UNIVERSITY
AUTHORIZING THE ISSUANCE AND DELIVERY OF
GENERAL REVENUE BONDS AND PROVIDING
FOR OTHER MATTERS RELATING THERETO**

WHEREAS, the Board of Trustees of Oakland University (the "Board") is a constitutional body corporate established pursuant to Article VIII, Section 6 of the Michigan Constitution of 1963, as amended, with general supervision of Oakland University (the "University") and the control and direction of all expenditures from the University's funds; and

WHEREAS, in the exercise of its constitutional duties and in order to properly serve the needs of students attending the University, the Board proposes to undertake the acquisition, construction, installation and equipping of the capital improvements described in Exhibit A hereto (collectively, the "Projects"); and

WHEREAS, the Board has previously issued and has outstanding certain series of General Revenue Bonds (the "Outstanding Bonds"), and has incurred certain other debt obligations payable from and secured by a lien on General Revenues (as hereinafter defined) (such other debt obligations, together with the Outstanding Bonds, are collectively referred to herein as the "Outstanding Obligations"); and

WHEREAS, the financing of all or a portion of the Projects through the issuance of General Revenue Bonds will serve proper and appropriate public purposes; and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Board determines that it is necessary and desirable to authorize the issuance of one or more series of General Revenue Bonds (collectively, the "Bonds") in order to provide funds which, together with other available funds, will be used to pay all or part of the costs of the Projects and to pay costs incidental to the issuance of the Bonds; and

WHEREAS, it may be desirable and in the best interests of the University to secure all or part of the principal and interest on the Bonds by bond insurance, a letter of credit or other form of credit enhancement from an insurance company, bank or other credit enhancement provider; and

WHEREAS, a trust indenture (the "Trust Indenture") or loan agreement (the "Loan Agreement") must be entered into by and between the Board and a trustee (the "Trustee") or a direct placement lender, in either case to be designated by the President or the Vice President for Finance and Administration of the University (each an "Authorized Officer"), pursuant to which the Bonds will be issued and secured; and

WHEREAS, the trust indentures or agreements authorizing the Outstanding Bonds create certain conditions for the issuance of General Revenue Bonds secured by a pledge of General Revenues on a parity basis with the Outstanding Obligations; and

WHEREAS, an Authorized Officer shall, on or prior to the delivery of the Bonds, certify that the conditions for issuing the Bonds, secured on a parity basis by General Revenues with the Outstanding Obligations, have been met; and

WHEREAS, it is necessary to authorize each of the Authorized Officers, individually, to negotiate the sale of the Bonds with an underwriter or group of underwriters to be selected by an Authorized Officer (collectively, the "Underwriter") or with a direct placement lender or lenders to be selected by an Authorized Officer (collectively, the "Purchaser"), and to enter into one or more bond purchase agreements with the Underwriter or Purchaser (collectively, the "Bond Purchase Agreement") setting forth the terms and conditions upon which the Underwriter or Purchaser will agree to purchase the Bonds and the interest rates thereof and the purchase price therefor, or, in the alternative, for all or any portion of the Bonds, to establish the terms for and sell such Bonds to a financial institution (the "Competitive Purchaser") through a competitive bidding process pursuant to a notice of sale (the "Notice of Sale"); and

WHEREAS, in order to be able to market the Bonds at the most opportune time, it is necessary for the Board to authorize the Authorized Officers, or either of them individually, to negotiate, execute and deliver on behalf of the Board, the Trust Indenture or Loan Agreement, the Bond Purchase Agreement, one or more remarketing agreements with the Underwriter or other parties (collectively, the "Remarketing Agreement"), and other related documents, to publish any Notice of Sale required for the sale of all or any portion of the Bonds, to establish the specific terms of the Bonds and to accept the offer of the Underwriter, Purchaser or Competitive Purchaser to purchase the Bonds, all within the limitations set forth herein; and

WHEREAS, the Board has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University funds, to acquire, construct, furnish and equip the Projects and to pay all or a portion of the costs of the Projects by issuance of the Bonds, and to pledge General Revenues for payment of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF OAKLAND UNIVERSITY, AS FOLLOWS:

1. Approval of the Projects. The Board hereby approves each of the "Projects" as set forth on Exhibit A attached hereto, and authorizes the Authorized Officers, or either of them, to select the portions of the Projects to be financed, in whole or in part, from the proceeds of the Bonds, and to fund, as appropriate, the remaining portion of the costs of the Projects from available funds of the University or from other available funds, and to proceed with the acquisition, equipping and construction of the Projects.

2. Authorization of the Bonds and Related Agreements; Terms of the Bonds; Related Matters. The Board hereby authorizes the issuance, execution and delivery of the Bonds in one or more series, to be designated GENERAL REVENUE BONDS, SERIES 2016 (with appropriate alternative or additional series designations) in the aggregate principal amount to be established by an Authorized Officer, but not to exceed the amount necessary to produce proceeds of \$124,000,000, plus an amount necessary to fund capitalized interest and issuance costs on the Bonds as an Authorized Officer deems appropriate. The Bonds shall be dated as of the date or dates determined by an Authorized Officer. The proceeds of the Bonds shall be used

to pay all or a portion of the costs of the Projects, as shall be determined by an Authorized Officer, and costs incidental to the issuance of the Bonds, including the cost of bond insurance, if any, and funding capitalized interest on the Bonds, if any, in each instance as an Authorized Officer deems appropriate. The Bonds shall be serial bonds, or term bonds which may be subject to redemption requirements, or both, as shall be established by an Authorized Officer, but the first maturity or mandatory redemption date shall be not earlier than November 15, 2016, and the final maturity shall be not later than November 15, 2047. The Bonds may bear no interest or may bear interest at stated fixed rates for the respective maturities thereof as shall be established by an Authorized Officer, but the weighted average yield (computed using the stated coupon and the stated original offering price) for the Bonds shall not exceed 7.5% per annum for tax-exempt Bonds and not in excess of 10.0% per annum for taxable Bonds. The Bonds may be issued in whole or in part as capital appreciation bonds, which for their term or any part thereof bear no interest but appreciate in principal amount over time at compounded rates (not in excess of 7.5% per annum for tax-exempt Bonds or 10.0% per annum for taxable Bonds) to be determined by an Authorized Officer. Alternatively, all or part of the Bonds may bear interest at a variable rate of interest for all or a portion of their term, and the variable rate of interest shall not exceed the lesser of the maximum rate permitted by law or the maximum rate, if any, to be specified in the Trust Indenture or Loan Agreement. The Bonds may be subject to redemption or call for purchase prior to maturity at the times and prices and in the manner as shall be established by an Authorized Officer, provided that the redemption premium shall not exceed 3.0% of the principal amount being redeemed. Interest on the Bonds shall be payable at such times as shall be specified by an Authorized Officer. The Bonds shall be issued in fully registered form in denominations, shall be payable as to principal and interest in the manner, shall be subject to transfer and exchange, and shall be executed and authenticated, and may be issued in book-entry-only form, all as shall be provided in the Trust Indenture or Loan Agreement. The Bonds shall be sold to the Underwriter or Purchaser pursuant to the Bond Purchase Agreement or through a competitive bidding process pursuant to a notice of sale for a price to be established by an Authorized Officer (but the Underwriter's or Purchaser's discount, exclusive of net original issue discount, shall not exceed 1.5% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof.

In relation to the debt service on the Bonds, or in relation to all or any portion of the debt service on the Outstanding Bonds, either of the Authorized Officers may, at any time, on behalf of the Board, enter into an interest rate swap, cap, forward starting swap, rate lock, option, swaption or similar agreement or agreements (collectively, the "Swap Agreement") with a counter-party or counter-parties to be selected by the Authorized Officer. Such Swap Agreement shall provide for payments between the Board and the counter-party related to interest on all or a portion of the Bonds or the Outstanding Bonds, or to indexed or market established rates. If the Swap Agreement is entered into in connection with the issuance of the Bonds, the expected effective interest rates on the Bonds, taking into account the effect of the Swap Agreement, shall be within the limitations set forth herein. Any Swap Agreement in the form of an option, rate lock, swaption or forward starting swap, may, if the Bonds to which such agreement relates are not ultimately issued, be required to be terminated, with a possibility of a resulting termination payment due by the University. In addition, either Authorized Officer is authorized to modify or terminate any Swap Agreement entered into in connection with the Bonds or any of the Outstanding Bonds, if the Authorized Officer determines such action is economic and in the best interests of the Board, based on the advice of the University's financial advisor.

Any or all of the Bonds may be made subject to tender for purchase at the option of the holder thereof. The obligation of the Board to purchase any Bonds subject to tender options may be made payable from General Revenues, from available cash reserves of the University, subject to such limitations as may be specified in the Trust Indenture or Loan Agreement, or from a letter of credit, line of credit or other liquidity device (the "Liquidity Device"), or any combination thereof, all as shall be determined by an Authorized Officer and provided for in the Trust Indenture or Loan Agreement. Any reimbursement obligation for draws under the Liquidity Device shall be a limited and not a general obligation of the Board, payable from and secured by a pledge of General Revenues. Either Authorized Officer is authorized to execute and deliver at any time, for and on behalf of the Board, any agreements or instruments necessary to obtain, maintain, modify, renew or replace, and provide for repayments under, any Liquidity Device deemed by such Authorized Officer to be required for the purposes of this Resolution. Purchase obligations shall not be considered principal of or interest on the Bonds.

3. Limited Obligation of the Board; Security. The Bonds, and the obligations of the Board under the Swap Agreement or Liquidity Device, if any, shall be limited and not general obligations of the Board payable from and secured by a lien on the General Revenues and moneys, securities or other investments from time to time on deposit in certain funds created pursuant to the Trust Indenture, Loan Agreement or Bond Purchase Agreement, or agreements entered into in connection with the Swap Agreement or Liquidity Device. Except as otherwise determined by an Authorized Officer, as provided below, the lien on General Revenues shall be on a parity basis with the liens on General Revenues securing the Outstanding Obligations.

As used herein and in the Trust Indenture, Loan Agreement or Bond Purchase Agreement and related documents, "General Revenues" shall be defined generally to include all fees, deposits, charges, receipts and income from all or any part of the students of the University, whether activity fees, tuition, instructional fees, tuition surcharges, general fees, health fees or other special purpose fees; all gross income, revenues and receipts from the ownership, operation and control of the Board's housing, dining and auxiliary facilities; all unrestricted receipts from departmental or educational activities; all unrestricted grants, gifts, donations and pledges and receipts therefrom; all unrestricted recoveries of indirect costs; and all unrestricted investment income, *but excluding* all of the following: (a) student activity fees approved by student referendum and not reported in the University's current funds; (b) any deposits required by law or contract to be held in escrow; (c) any gifts, grants, donations or pledges and receipts therefrom restricted as to use in a manner inconsistent with payment of amounts due on the Bonds and any obligations secured on a parity with the Bonds; (d) appropriations to the University from the State Legislature; (e) any income, revenues or receipts of whatever kind or nature attributed by the University to the University's constituent school of medicine; and (f) up to an amount equal to an aggregate of 5% of General Revenues each fiscal year collected annually from the levy of a special fee hereafter established by the Board and designated by the Board to be excluded from General Revenues.

No recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds, or for the payment of any amounts owing under the Swap Agreement or the Liquidity Device, if any; or any claim based thereon, against the State of Michigan, the Board (except as provided herein) or the University, or any member, officer or agent thereof, as individuals, either directly or indirectly, nor shall the Bonds and interest with respect thereto, or

any obligations of the Board in connection with the Swap Agreement or Liquidity Device, if any, become a lien on or be secured by any property, real, personal or mixed, of the State of Michigan or the Board, other than General Revenues and the moneys, securities or other investments from time to time on deposit in certain funds established and pledged pursuant to the Trust Indenture, Loan Agreement or Bond Purchase Agreement, or agreements entered into in connection with the Swap Agreement or Liquidity Device, if any.

Any pledge of General Revenues, and funds specified in the Trust Indenture, Loan Agreement or Bond Purchase Agreement, or agreements entered into in connection with the Swap Agreement or Liquidity Device, if any, shall be valid and binding from the date of issuance and delivery of the Bonds or such agreements, and all moneys or properties subject thereto that are thereafter received shall immediately be subject to the lien of the pledge without physical delivery or further act. The lien of said pledge shall be valid and binding against all parties (other than the holders of any other bonds, notes or debt obligations secured by a parity first lien on General Revenues) having a claim in tort, contract or otherwise against the Board, irrespective of whether such parties have notice of the lien.

Notwithstanding anything herein to the contrary, any obligations of the Board under the Swap Agreement or Liquidity Device, if any, may, if determined appropriate by an Authorized Officer, be payable and secured on a subordinated basis to the Bonds and other General Revenue obligations of the Board, or may be payable from General Revenues, or may be unsecured.

4. Additional Bonds. The right is reserved to issue additional bonds, notes or other obligations payable from and secured on a parity basis with the Bonds and the Outstanding Obligations from the General Revenues, upon compliance with the terms and conditions as shall be set forth in the Trust Indenture, Loan Agreement or Bond Purchase Agreement.

5. Selection of Trustee; Terms of Documents; Bond Insurance. Either Authorized Officer is hereby authorized and directed, in the name and on behalf of the Board, to select the Trustee, if any, and to negotiate the terms of and execute and deliver the Trust Indenture, Loan Agreement or Bond Purchase Agreement. The Trust Indenture, Loan Agreement or Bond Purchase Agreement may contain such covenants of the Board and terms as the Authorized Officer may deem appropriate, including, but not limited to, covenants with respect to the establishment of General Revenues at levels expressed as a percentage of debt service on the Bonds or all General Revenue Bonds, and with respect to the issuance of additional bonds, notes or other obligations payable from and secured by General Revenues. In addition, either Authorized Officer is hereby authorized, empowered and directed to negotiate, if necessary and expedient for the issuance of the Bonds, for the acquisition of bond insurance and to execute and deliver an insurance commitment or other documents or instruments required in connection with such insurance.

6. Sale of the Bonds; Selection of Underwriter or Purchaser; Terms of Purchase. Either Authorized Officer is hereby authorized and directed, in the name of and on behalf of the Board, to select the Underwriter or Purchaser and to negotiate, execute and deliver the Remarketing Agreement, if any, and the Bond Purchase Agreement with the Underwriter or Purchaser setting forth the terms of the Bonds and the sale thereof, in such form as an Authorized Officer may approve, all within the limitations set forth herein. In the alternative, if determined

by an Authorized Officer, all or any portion of the Bonds may be sold and the terms thereof established through a competitive sale or bidding process pursuant to a Notice of Sale, and any Authorized Officer is authorized to accept the winning bid or offer of the Competitive Purchaser for the purchase of such Bonds.

7. Execution and Delivery of Bonds. Either Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the Board, to execute the Bonds by placing his or her facsimile or manual signature thereon, and to deliver the Bonds to the Underwriter, Purchaser or Competitive Purchaser in exchange for the purchase price therefor, as provided in the Bond Purchase Agreement or Notice of Sale.

8. Ratings; Notice of Sale; Official Statement. Either Authorized Officer is hereby authorized to solicit ratings on the Bonds from any national rating services that the Authorized Officer deems appropriate and to cause the preparation and publication of a Notice of Sale, if necessary, and the preparation of a Preliminary Official Statement and an Official Statement with respect to the Bonds, and to execute and deliver the Official Statement. The Underwriter is authorized to circulate and use in accordance with applicable law, the Preliminary Official Statement, if any, and the Official Statement in connection with the offering, marketing and sale of the Bonds.

9. Additional Acts Required. The Authorized Officers, and any other officers or personnel of the Board or the University authorized by the Board to act on its behalf as certified by the Vice President for Legal Affairs and General Counsel, are, and each of them individually is, hereby authorized to perform all acts and deeds, and to execute and deliver, for and on behalf of the Board, all instruments and documents required by this Resolution, the Trust Indenture, the Loan Agreement or the Bond Purchase Agreement, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Bonds, as contemplated hereby. Any reference to an officer of the Board or the University herein shall include any interim or acting officer appointed by the Board. Any action, required under the Trust Indenture, the Loan Agreement, the Bond Purchase Agreement, any Swap Agreement, the Remarketing Agreement, any agreement or instrument entered into in connection with the Liquidity Device or any other agreement or instrument related to the Bonds, either in connection with the issuance of the Bonds or in connection with the ongoing administration of the financing program related to the Bonds, may be taken by and on behalf of the Board by an Authorized Officer.

In the event that future legislation allows the economic and efficient use of financing structures for the Bonds authorized hereby which are different from or alternative to traditional tax-exempt bond structures, through tax credits or subsidies available to the Board or the holders of such Bonds, or assignees thereof, all or any portion of the Bonds may, subject to the applicable parameters set forth herein, be issued as Bonds for which federal tax credits or subsidies are payable to the Board or Bonds for which the federal income tax credits or subsidies are allowed to the holder of the Bonds, if an Authorized Officer determines that such issuance is economic and in the best interests of the Board, and in connection therewith, either of the Authorized Officers is authorized to make, for and on behalf of the Board, any and all designations or elections (revocable or irrevocable), to make any tax covenants in connection with the issuance of such Bonds, to execute and deliver any agreements, certificates or other instruments to or with the federal government or any agency thereof, and to take any other

actions necessary for such Bonds and the Board to receive any available benefits, funds or federal tax credits or subsidies.

10. Continuing Disclosure Undertaking. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Board is required in connection with the issuance of the Bonds to enter into a Disclosure Undertaking for the benefit of the holders and beneficial owners of the Bonds. Either Authorized Officer is authorized to cause to be prepared and to execute and deliver, on behalf of the Board, a Disclosure Undertaking.

11. Approval by Vice President for Legal Affairs and General Counsel. The Board authorizes and directs that, prior to the execution by either Authorized Officer or other officer or representative of the Board or the University, of documents, certificates or instruments authorized by this Resolution, the Vice President for Legal Affairs and General Counsel of the University shall have reviewed and approved any and all such documents, certificates and instruments, upon, as appropriate, the advice of or consultation with the University's bond counsel.

12. Conflicting Resolutions. All resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed to the extent of such conflict.

EXHIBIT A

THE PROJECTS

The Projects, as that term is used in the Resolution to which this Exhibit A is attached, consist of the following components:

1. The acquisition, construction, furnishing and equipping of new student housing facilities, Oakland Center expansion and renovation, and renovation of Anibal House and Fitzgerald House, as well as other related or necessary campus facility improvements.