

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 25
DATE: June 21, 2016

RECOMMENDATION

**RESOLUTION OF THE BOARD OF REGENTS OF EASTERN MICHIGAN
UNIVERSITY AUTHORIZING A LINE OF CREDIT FOR CERTAIN
CAPITAL EXPENDITURES AND DECLARING OFFICIAL INTENT TO
ISSUE TAX-EXEMPT BONDS TO FINANCE AND REFINANCE SUCH
EXPENDITURES**

ACTION REQUESTED

It is recommended that the Board of Regents approve the attached resolution authorizing a line of credit and declaring official intent to issue tax-exempt bonds to finance and refinance these expenditures and providing for other related matters.

STAFF SUMMARY

This resolution authorizes a new lending facility, not to exceed \$20 million in new capital. The resolution also provides for the future issuance of tax-exempt bonds for all or a portion this borrowing, reimbursing the University for the expenditures described, and satisfying the requirement of United States Treasury Regulations for tax-exempt issuance.

FISCAL IMPLICATIONS

The new lending facility is expected to have a maximum annual cost of \$300,000, and is included in the FY17 Budget.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

**RESOLUTION OF THE BOARD OF REGENTS OF
EASTERN MICHIGAN UNIVERSITY AUTHORIZING A
LINE OF CREDIT FOR CERTAIN CAPITAL
EXPENDITURES AND DECLARING ITS OFFICIAL
INTENT TO ISSUE TAX-EXEMPT BONDS TO FINANCE
AND REFINANCE SUCH EXPENDITURES**

WHEREAS, the central heating and cooling system of the University presently requires substantial repair and replacement (the “System Improvements”), the cost of which may be most-economically and efficiently financed with a short-term line of credit that can be refinanced with longer-term tax-exempt bonds;

WHEREAS, proposals are expected to be received by the University from one or more financial institutions to provide a line of credit (the “Line of Credit”) to the University, draws on which can be used to pay the initial costs of the System Improvements, in an amount not anticipated to exceed \$20 million;

WHEREAS, in order to expedite the System Improvements at the lowest cost available, this Board approves the proposed Line of Credit as a means of financing the initial costs of the System Improvements, in a principal amount not to exceed \$20 million;

WHEREAS, United States Treasury Regulations provide that capital expenditures for the System Improvements which are financed through the Line of Credit or paid with non-borrowed funds may be refinanced with longer-term tax-exempt bonds if the Board officially declares in advance of such expenditures its intent to issue tax-exempt bonds for such purpose;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of Eastern Michigan University as follows:

1. The Line of Credit, in a maximum principal amount of \$20 million, is hereby approved, from such financial institution and upon such terms as may be approved by the President or the Chief Financial Officer of the University (each an “Authorized Officer”), including the rate of interest, maturity and amortization of principal.

2. The Line of Credit shall be a limited and not general obligation of the Board payable from and secured, on a parity basis with all outstanding obligations of the Board, by a lien on the University’s General Revenues (substantially as defined in the Trust Indentures relating to the Board’s outstanding bonds) or such components thereof and other funds as shall be determined by an Authorized Officer. Except as otherwise determined by an Authorized Officer, the lien shall be on a parity basis with the liens on General Revenues securing previously issued and outstanding bonds of the Board.

3. The Board reasonably expects to issue tax-exempt bonds for all or a portion of the costs of the System Improvements and to reimburse itself for the expenditures described herein, including repayment of draws on the Line of Credit, intending by this declaration to satisfy the requirements of United States Treasury Regulation §1.150-1.

4. The maximum principal amount of tax-exempt bonds expected to be issued for the System Improvements is \$30 million.

5. All resolutions and parts of resolutions insofar as they conflict with the provisions of this Resolution are hereby rescinded.