Agendum
Oakland University
Board of Trustees Formal Session
April 6, 2020

AUTHORIZING RESOLUTION – GENERAL REVENUE REFUNDING BONDS FOR SERIES 2008, 2012, and 2013A DEBT OBLIGATIONS

A Recommendation

1. **Division and Department:** Finance and Administration Division, Treasury Management Department.

2. **Introduction:** Oakland University has three (3) outstanding debt issues with interest rates or financing structures which may present an opportunity for the University to refund the bonds and save on future debt costs, given the current low interest rate environment. A summary of the three debt obligations is detailed below.

	Series 2008	Series 2012	Series 2013A
Original Principal Amount	$ 53,280,000	$ 44,150,000	$ 57,860,000
Remaining Principal	$ 39,700,000	$ 38,840,000	$ 52,215,000
Original Structure	Sythetic Fixed - Hedged	30-Year Fixed	30-Year Fixed
Interest Rate	3.373% plus Swap Transaction	4.08%	4.03%

All three series of Bonds can be refunded as tax-exempt or taxable issuances, however, the tax-exempt option with respect to the Series 2012 and 2013A Bonds is limited to their future call dates (2022 for Series 2012 and 2023 for Series 2013). The Series 2008 Bonds can be refunded essentially at any time.

3. **Previous Board Actions:** On February 28, 2008, the Board approved the issuance of the 2008 Refunding Bonds. The 2008 Bonds refunded the Board of Trustees General Revenue Bonds issued on August 16, 2001. On October 31, 2011 the Board approved the 2012 General Revenue Bonds. On February 12, 2013 the Board approved the 2013A General Revenue Bonds.

4. **Budget Implications:** The refunding of either Series 2012 or Series 2013A bonds is expected to generate significant debt service savings given the current low interest rate environment. Actual savings will depend on the financing structure and the time the deal is priced in the market. A minimum savings threshold has been set at three-percent (3%) net present value, as determined by PFM, the University's debt advisor. The estimated savings on the Series 2008 bonds is less certain given the dynamics of the current variable rate demand note market. Therefore, the three-percent savings threshold would not apply to any refunding action on the 2008 bonds.

5. **Educational Implications:** None.

6. **Personnel Implications:** None.

7. **University Reviews/Approvals:** This Agendum was prepared by the Office of Treasury Management and reviewed by the Vice President for Finance and Administration, Bond Counsel (Robert Schwartz of Dickinson Wright PLC), Debt Advisor (Kari L. Blanchett at the PFM Group), the Vice President for Legal Affairs and General Counsel, and President.

8. **Recommendation:** See Attachment A.

9. **Attachments:**

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

Submitted to the President
on ______________, 2020 by

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

Recommended on ____________, 2020
to the Board of Trustees for Approval by

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Ora Hirsch Pescovitz, M.D.
President

RESOLUTION OF THE BOARD OF TRUSTEES OF OAKLAND UNIVERSITY AUTHORIZING THE ISSUANCE AND DELIVERY OF GENERAL REVENUE REFUNDING 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, 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, on June 18, 2008, the Board issued its $53,280,000 General Revenue Variable Rate Demand Refunding Bonds, Series 2008 (the "Series 2008 Bonds), on August 23, 2012, the Board issued its $44,155,000 General Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), and on June 20, 2013, the Board issued its $57,860,000 General Revenue Bonds, Series 2013A (the "Series 2013A Bonds" and, together with the Series 2008 Bonds and the Series 2012 Bonds, the "Prior Bonds"), in each case for the principal purpose of financing or refinancing the cost of certain capital projects of the Board; and

WHEREAS, over the past year, tax-exempt and taxable bonds (including bonds issued by institutions of higher learning like the University) have experienced and continue to experience historically low interest rates, which could enable the Board to refund the Prior Bonds at a considerable savings to the Board; and

WHEREAS, the current national health crisis has engendered a volatility in the bond market not experienced since the financial crisis of over a decade ago; and

WHEREAS, in light of this historically low but volatile interest rate environment, the refunding by the Board of all or a portion of the Prior Bonds is now and may continue to be appropriate and economic; 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 refunding the Series 2008 Bonds, the Series 2012 Bonds and/or the Series 2013A Bonds, 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, one or more trust indentures, loan agreements or similar agreements containing the terms pursuant to which the Bonds are issued, sold and purchased (each a "Bond Document") may be required to be executed by the Board with a trustee (a "Trustee"), an underwriter or group of underwriters (collectively, the "Underwriter") and/or a direct bond purchaser or purchasers (collectively, the "Direct Purchaser"), in each case with the Trustee, Underwriter or Direct Purchaser to be selected by the President or the Vice President for Finance and Administration of the University (each an "Authorized Officer"); and

WHEREAS, the documents currently governing 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 (a) negotiate a sale of all or a portion of the Bonds with the Underwriter and/or Direct Purchaser and to enter into a bond purchase agreement with the Underwriter and/or Direct Purchaser which sets forth the terms and conditions upon which the Underwriter or Purchaser will agree to purchase, and the Board will agree to sell, the Bonds (collectively, the "Bond Purchase Agreement", and/or (b) establish the terms of sale for all or a portion of the Bonds to be sold through a competitive bidding process to one or more financial institutions (collectively, the "Competitive Purchaser"); and

WHEREAS, in order to be able to market the Bonds at the most opportune time, it is necessary for the Board to authorize each of the Authorized Officers, individually, to negotiate, execute and deliver on behalf of the Board, the appropriate Bond Document, Bond Purchase Agreement and other related documents (which may include a remarketing agreement for the resale of any variable rate Bonds), to publish any notice of sale required for the sale of all or any portion of the Bonds through the competitive bidding process, to establish the specific terms of the Bonds and to accept the offer or offers of the Underwriter, Direct Purchaser and/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 refund all or a portion of the Prior Bonds and to pay all or a portion of the costs of such refunding 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. 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 REFUNDING BONDS (with appropriate series designations) in the amount (including net original issue premium) necessary to refund the Prior Bonds at any time to be refunded, as determined by an Authorized Officer, plus, as an Authorized Officer deems appropriate, an amount necessary to fund the costs of issuing the Bonds. 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 refunding the Prior Bonds, 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, in each case as an Authorized Officer deems appropriate. The Bonds may be issued in one or more series to refund all or a portion of one or more series of the Prior Bonds, on the same or different dates, as determined by an Authorized Officer. The refunding may be a current refunding or an advance refunding, as determined by an Authorized Officer. The Bonds shall be serial bonds, or term bonds which may be subject to redemption requirements, or both, as shall be determined by an Authorized Officer. The Bonds shall be payable and mature at such times as are determined by an Authorized Officer. The Bonds may be issued as tax-exempt bonds or taxable bonds, and may bear no interest or may bear interest at stated fixed rates for the respective maturities thereof, or may bear interest at a variable rate of interest for all or a portion of their term, as determined by an Authorized Officer, provided, that, the interest rate or rates on the Bonds, with respect to the refunding of the Series 2012 and/or Series 2013A Bonds only, at the time of sale shall be such that the refunding results in a present value savings to the Board of no less than three percent (3.0%), as determined by the Vice President for Finance and Administration of the University, with the advice of the University's financial advisor. 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 three percent (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 related Bond Document. The Bonds shall be sold to the Underwriter or Direct Purchaser pursuant to the Bond Purchase Agreement and/or through a competitive bidding process for a price or prices to be established by an Authorized Officer (but the Underwriter's discount, exclusive of net original issue discount, shall not exceed one and a half percent (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.

If all or a portion of the Bonds are sold to a Direct Purchaser, the Bond Document may provide for terms customary in direct purchase transactions, including variable interest rates (which may be based on formulas or indices), mandatory tender terms, adjustments to the interest rate due to the Direct Purchaser's increased costs (as defined in the Bond Document), rating changes and defaults (including defaults related to covenants required by the Direct Purchaser).

All or a portion of the Bonds may be sold pursuant to a Bond Purchase Agreement which provides all or most of the terms of sale and purchase of the Bonds, but contemplates the forward (or future) issuance and delivery of such Bonds in order to take advantage of low interest rates at the time the Bond Purchase Agreement is executed.

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 or to mandatory tender for purchase. The obligation of the Board to purchase any Bonds subject to tender may be made payable from General Revenues, from proceeds of remarketing the Bonds, from available cash reserves of the University, subject to such limitations as may be specified in the related Bond Document, 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 related Bond Document. 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.

2. 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 Bond Document 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 Bond Document 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 Bond Document 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 Bond Document 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.

3. Additional Bonds. The Board reserves the right 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 Bond Document and/or Bond Purchase Agreement.

4. Selection of Trustee; Terms of Documents; Escrow Agreement; 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 Bond Document and/or Bond Purchase Agreement. The Bond Document and 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. If deemed necessary or appropriate by an Authorized Officer, an escrow deposit agreement with an escrow agent or trustee selected by the Authorized Officer may be executed and Bond proceeds deposited thereunder in accordance with such agreement. An Authorized Officer is further authorized to empower the escrow agent, Trustee, Underwriter or Direct Purchaser to subscribe for United States Treasury Obligations, State and Local Series, on behalf of the Board, to fund the all or a portion of the escrow created under the escrow agreement. 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.

5. **Sale of the Bonds; Selection of Underwriter or Direct Purchaser; Terms of Purchase**. Either Authorized Officer is hereby authorized and directed, in the name of and on behalf of the Board, to sell all or a portion of the Bonds in a negotiated sale, to select the Underwriter and/or Direct Purchaser and to negotiate the terms of the Bond Purchase Agreement with the Underwriter or Direct Purchaser, all within the limitations set forth herein. In addition, 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, and any Authorized Officer is authorized to accept the winning bid or offer of the Competitive Purchaser for the purchase of such Bonds.

6. **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 related Bond Document or Bond Purchase Agreement.

7. **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 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.

8. **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 Bond Document and/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 Bond Document, the Bond Purchase Agreement, any Swap 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, with the advice of the University's financial advisor, 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.

9. Continuing Disclosure Undertaking. If, in accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), 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, an appropriate disclosure undertaking as required by the Rule.

10. 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.

11. 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.