

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Financing of New Projects, Potential Refinancing of General Revenue Bonds and Commercial Paper Notes, and Other General Corporate Purposes

Action Requested: Authorization to Issue General Revenue Bonds

Background and Summary:

The University seeks to borrow funds that may be used to finance authorized capital projects, to potentially refinance outstanding debt, and for other general corporate purposes of the University. A primary purpose of the bond issuance will be to provide financing for the construction cash flow requirements of authorized new projects and other projects approved in accordance with policies regarding new construction and renovation project approvals. The University also will be refinancing approximately \$69 million of the General Revenue Bonds Series 2012E that currently have annual maturities through 2033 and a scheduled mandatory tender date of April 1, 2022. The financing plan may also include the refunding of certain of the University's outstanding General Revenue Bonds in order to achieve interest or other cost savings or a more advantageous debt structure if market conditions are favorable, or to reduce risks associated with variable rate debt, the modification or termination of any existing swap agreements and the potential financing of termination payments, and the refinancing of a portion of the University's outstanding commercial paper notes in order to provide long-term financing for certain previously authorized projects.

The dollar proceeds of the bonds issued for new purposes would not exceed \$2 billion, plus the amount required to refinance any outstanding General Revenue Bonds or commercial paper notes. All or a portion of these bonds may be issued for a period of up to 101 years, subject to market conditions and analysis of recommendations made by the University's investment banks at that time. The dollar amount required to refinance the General Revenue Bonds Series 2012E is expected to be \$69 million. The dollar amount required to refund any outstanding General Revenue Bonds is currently expected to be approximately \$555 million and would take into account market conditions and analysis of recommendations made by the University's underwriters. At present, it is not anticipated that the University will have any outstanding commercial paper notes that will be refinanced. These bonds, like the existing bonds and commercial paper notes, will be supported by a pledge of the University's General Revenues.

The pledge of General Revenues consists of revenues from students, athletics, housing, Institute of Continuing Legal Education, School of Business-Management Education, parking, patient care revenues for services provided by faculty members of the Medical School, the Hospital and other University units, as well as unrestricted gifts, indirect cost recoveries, grants, and investment earnings. The General Revenue pledge does not include State Appropriations, any excluded Hospital Gross Revenues, restricted gifts or revenues from The Veritas Insurance Corporation and Michigan Health Corporation.

The amount, interest rate, amortization, maturity, and other structural features will be established prior to pricing and will be dependent on market conditions at the time of the transaction. These features, along with any recommended swap or liquidity agreements, will be determined in consultation with the University's investment banks and will be approved by the Executive Vice President and Chief Financial Officer, or his designee, at or prior to the time of issuance or signing of agreements.

We recommend at this time that the Regents adopt the attached resolution authorizing the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance, or the Treasurer to:

- Develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter(s), our financial advisor, and outside legal counsel.
- Obtain and approve a final proposal for the bonds.
- Obtain and accept a final proposal for any swaps and any liquidity agreements required for the University's variable rate debt, and execute and deliver the required documentation for the transaction.

Respectfully submitted,



Geoffrey S. Chatas
Executive Vice President
and Chief Financial Officer

February 2022
attachment

RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN
AUTHORIZING THE ISSUANCE AND DELIVERY OF GENERAL REVENUE BONDS
AND PROVIDING FOR OTHER MATTERS RELATING THERETO

WHEREAS, the Regents of the University of Michigan (the “Issuer”) is a constitutional body corporate established pursuant to Article VIII, Section 5 of the Constitution of Michigan of 1963 with general supervision of the University of Michigan (the “University”) and the control and direction of all expenditures from the University’s funds; and

WHEREAS, the Issuer has determined that it is appropriate and in the best interests of the University to borrow funds to be used (i) to pay all or a portion of the costs of capital projects of the University approved from time to time by the Issuer or authorized under the Issuer’s policies regarding approval of capital projects and (ii) for other general corporate purposes of the University (collectively, the “Program Purposes”); and

WHEREAS, the Issuer has previously issued and has outstanding certain series of General Revenue Bonds (the “Outstanding General Revenue Bonds”), and certain other obligations, in each case payable from and secured by a lien on General Revenues (as hereinafter defined), and has reserved the right to issue additional series of bonds, notes or other obligations, secured by General Revenues on a parity basis with the Outstanding General Revenue Bonds and other obligations secured by a lien on General Revenues; and

WHEREAS, the Issuer has previously entered into certain interest rate swap agreements related to the debt service on portions of the Outstanding General Revenue Bonds, which are payable from and secured by a lien on General Revenues (the “Existing Swap Agreements”); and

WHEREAS, the Issuer has previously authorized the issuance of its Commercial Paper Notes, in several series (collectively, the “Notes,” and together with the Outstanding General Revenue Bonds, the “Outstanding Obligations”), which are payable from and secured by a lien on General Revenues; and

WHEREAS, it may be appropriate and in the best interests of the University to refund all or portions of the Outstanding Obligations as shall be determined by an Authorized Officer (hereinafter defined) (the portions of the Outstanding Obligations to be refunded, if any, being herein called the “Refunded Obligations”); and

WHEREAS, in the exercise of its constitutional duties, and in order to control and direct prudently expenditures from the University’s funds, the Issuer determines that it is necessary and desirable to authorize the issuance of General Revenue Bonds of the Issuer, in one or more series (the “Bonds”), to be payable from and secured by a pledge of General Revenues, in order to provide funds that, together with other available funds, will be used to finance the costs of the Program Purposes, to pay all or part of the costs of refunding the Refunded Obligations, if any, and to pay costs incidental to the issuance of the Bonds and the refunding; and

WHEREAS, the issuance of the Bonds for the purposes described herein will serve proper and appropriate public purposes; and

WHEREAS, one or more trust agreements (collectively, the “Trust Agreement”) must be entered into by and between the Issuer and one or more trustees (collectively, the “Trustee”) to be designated by an Authorized Officer, pursuant to which the Bonds will be issued and secured; and

WHEREAS, it is necessary to authorize the Authorized Officers, or any one of them individually, to negotiate the sale of the Bonds with one or more underwriters or groups of underwriters to be selected by an Authorized Officer (collectively, the “Underwriter”) and to enter into one or more bond purchase agreements with the Underwriter (collectively, the “Bond Purchase Agreement”) setting forth the terms and conditions upon which the Underwriter will agree to purchase the Bonds and the interest rates thereof and the purchase price therefor; and

WHEREAS, in order to be able to market the Bonds at the most opportune time, it is necessary for the Issuer to authorize the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance, and the Treasurer of the University (each an “Authorized Officer”), or any one of them individually, to negotiate, execute and deliver on behalf of the Issuer, the Trust 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 establish the specific terms of the Bonds and to accept the offer of the Underwriter to purchase the Bonds, all within the limitations set forth herein; and

WHEREAS, the Issuer has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University’s funds, to issue the Bonds for the purposes described herein and to pledge General Revenues for payment of the Bonds, as provided for herein.

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN, AS FOLLOWS:

1. Authorization of the Bonds and Related Agreements; Bond Terms. The Issuer hereby authorizes the issuance, execution and delivery of the Bonds, in one or more series, to be designated GENERAL REVENUE BONDS, with appropriate series designations, in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the aggregate principal amount necessary to produce proceeds of TWO BILLION DOLLARS (\$2,000,000,000) to finance the costs of the Program Purposes, and for the payment of the costs of issuance of the Bonds, *plus* the amount, if any, required to refund the Refunded Obligations, to modify or terminate any Existing Swap Agreements, and to pay costs related thereto, as determined by an Authorized Officer. The Bonds shall be issued for the purpose of providing funds which, together with other available funds, will be used to: (i) finance costs of the Program Purposes, as provided in Section 2 of this Resolution; (ii) pay all or a portion of the costs of refunding the Refunded Obligations, if any, and the costs of modifying or terminating any Existing Swap Agreements, in each case as determined to be appropriate by an Authorized Officer, as provided in Section 2 of this Resolution; and (iii) pay costs related to the issuance of the Bonds.

The Bonds may be issued as serial bonds, or as term bonds subject to mandatory redemption requirements, or may consist of one or more non-amortizing bullet maturities, or any combination thereof, as shall be established by an Authorized Officer, but the final maturity date of any Bonds shall be not later than one hundred one (101) years from the date of issuance of such Bonds. The Bonds may be issued as federally tax-exempt bonds or as federally taxable bonds, or any combination thereof, as shall be determined by an Authorized Officer. The Bonds 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 of the Bonds (computed using the stated coupons and the stated original offering price) shall not exceed 7.0% per annum for tax-exempt bonds or 11.0% per annum for taxable bonds. Alternatively, all or part of the Bonds may bear interest at a variable rate of interest for all or a portion of their term, at indexed or market established rates or any combination thereof, and the variable rate of interest shall not exceed the lesser of 25% per annum, the maximum rate permitted by law or the maximum rate, if any, specified in the Trust Agreement. The Bonds may be subject to redemption or call for purchase prior to maturity at the times and at the prices (which may be expressed as a percentage of the principal amount being redeemed or be based on a “make-whole” formula, or both) as shall be established by an Authorized Officer. 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 the 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 Agreement. The Bonds shall be sold to the Underwriter pursuant to the Bond Purchase Agreement for a price to be established by an Authorized Officer (but the Underwriter’s discount, exclusive of original issue discount, shall not exceed 1.50% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof.

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 Issuer to purchase any Bonds subject to tender for purchase may be limited to remarketing proceeds of such Bonds, or may be made payable from General Revenues (as defined in Section 3 below), from available cash reserves of the University, subject to such limitations as may be specified in the Trust Agreement, or from, directly or as support for the cash reserves of the University, a letter of credit, line of credit, standby bond purchase agreement or other liquidity device, or one or more of the same, or any combination thereof (collectively, the “Liquidity Device”), all as shall be determined by an Authorized Officer. The Liquidity Device, or any part thereof, may also be used to provide liquidity for any other indebtedness or obligations of the Issuer, including the Notes and the Outstanding General Revenue Bonds. Any reimbursement obligation for draws under the Liquidity Device shall be a limited and not a general obligation of the Issuer, payable from, and may be secured by a pledge of, General Revenues. Each Authorized Officer is individually authorized to execute and deliver at any time, for and on behalf of the Issuer, any agreements or instruments necessary to obtain, maintain, renew or replace, and provide for repayments under, any Liquidity Device deemed by such officer to be required for the purposes of this Resolution.

Any Bonds authorized and issued hereunder may, at any time upon direction of an Authorized Officer, be subsequently converted to another mode or structure authorized hereby,

either through procedures established in the Trust Agreement pertaining thereto, or through the issuance hereunder of refunding bonds to refund and replace the outstanding Bonds to be converted. Any such refunding bonds issued hereunder shall be subject to the terms, conditions and limitations contained in this Resolution. Each Authorized Officer is individually authorized to execute and deliver, for and on behalf of the Issuer, any documents or instruments, including but not limited to, any amendments to the Trust Agreement, necessary or convenient for the purpose of accomplishing the conversion as described in this paragraph.

In relation to the debt service on all or any portion of the Bonds, or in relation to debt service on all or any portion of the Outstanding Obligations, any one of the Authorized Officers may, at any time, on behalf of and as the act of the Issuer, enter into or modify an interest rate swap, cap, forward starting swap, option, swaption, rate lock or similar agreement or agreements (collectively, the "Swap Agreement") with a counterparty or counterparties selected or to be selected by the Authorized Officer. Such Swap Agreement shall provide for payments between the Issuer and the counterparty related to interest on all or any portion of the Bonds or the Outstanding Obligations, at indexed or market established rates. If the Swap Agreement is entered into at approximately the same time as the issuance of the Bonds and is related to the Bonds, the expected effective interest rates on the Bonds to which the Swap Agreement relates, taking into account the effect of the Swap Agreement, shall be within the limitations set forth herein. Any Swap Agreement may, if determined necessary or appropriate by an Authorized Officer, be subsequently terminated, in whole or in part, which may result in termination payments due by the Issuer. Any such required payments and other costs of termination may be funded from available funds of the Issuer or the proceeds of the Bonds or other indebtedness of the Issuer.

2. Financing of Program Purposes; Refunding of Refunded Obligations. Subject to the Issuer's policies regarding approval of capital projects, each Authorized Officer is individually authorized to determine the specific Program Purposes to be financed, in whole or in part, from the proceeds of the Bonds, and to determine the amount of each specific Program Purpose to be financed, in whole or in part, from the proceeds of the Bonds.

The Issuer further approves the refunding of all or any portion of the Outstanding Obligations and authorizes the Authorized Officers, or any one of them individually, to select the portion, if any, of the Outstanding Obligations to constitute the Refunded Obligations, in order to produce interest or other cost savings or a more favorable debt service structure, to reduce or eliminate risks associated with variable rate bonds, to provide for more favorable terms or covenants, or to provide for permanent financing of projects previously financed with short-term debt, and to fund, if deemed appropriate, a portion of the costs of the refunding from available funds of the Issuer and the balance of such costs with the proceeds of the Bonds, and to proceed with the refunding.

In connection with the refunding of all or any portions of the Outstanding Obligations, any Authorized Officer may, in the name and on behalf of the Issuer, and as its corporate act and deed, modify any of the Existing Swap Agreements, in whole or in part, and relate any of such Existing Swap Agreements to any portion of the debt service on the Bonds or any Outstanding Obligations, or terminate any Existing Swap Agreements, in whole or in part, and any fees or

termination payments required in connection with any such modifications or terminations may be paid from proceeds of the Bonds, or from available funds of the Issuer, as determined by an Authorized Officer.

3. Limited Obligations of the Issuer; Security. The Bonds, and the obligations of the Issuer under the Swap Agreement and the Liquidity Device, if any, shall be limited and not general obligations of the Issuer payable from and, except as provided below in this Section 3, secured by a lien on, the General Revenues (as shall be defined in the Trust Agreement in a manner generally consistent with the definition thereof contained in the Trust Agreements pursuant to which the Outstanding General Revenue Bonds were issued). Except as otherwise determined by an Authorized Officer, as provided below in this Section 3, the lien on General Revenues securing the Bonds, the Swap Agreement and the Liquidity Device, if any, shall be on a parity basis with the liens on General Revenues securing the Outstanding Obligations. The Bonds and the obligations of the Issuer under the Swap Agreement and the Liquidity Device, if any, may also be payable from and secured by a lien on moneys, securities or other investments from time to time on deposit in certain funds created pursuant to the Trust Agreement or agreements entered into in connection with the Swap Agreement or Liquidity Device.

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, or any member, officer or agent of the Issuer or the University, as individuals, either directly or indirectly, or, except as specifically provided in the Trust Agreement or the instruments entered into in connection with the Swap Agreement or the Liquidity Device, if any, against the Issuer, nor shall the Bonds and interest with respect thereto, or any obligations of the Issuer in connection with the Swap Agreement or the 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 Issuer, other than the General Revenues and the moneys, securities or other investments from time to time on deposit in all or part of the funds established by the Trust Agreement or the agreements entered into in connection with the Swap Agreement or the Liquidity Device, if any.

Any pledge of General Revenues, and funds specified in the Trust Agreement or in agreements entered into in connection with the Swap Agreement or the Liquidity Device, if any, shall be valid and binding from the date of the issuance and delivery of the Bonds or such agreements, and all moneys or properties subject thereto which 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 outstanding bonds, notes or other obligations secured by a parity first lien on General Revenues) having a claim in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice of the lien.

Notwithstanding anything herein to the contrary, any obligations of the Issuer under the Swap Agreement or any agreement with respect to the Liquidity Device 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 Issuer, or may be payable from General Revenues but be unsecured.

4. Issuance of Additional Obligations. The right is reserved to issue additional bonds, notes or other obligations payable from General Revenues and secured on a parity or subordinated basis with the Bonds by a lien on General Revenues, upon compliance with the terms and conditions, if any, as shall be set forth in the Trust Agreement.

5. Approval of Trust Agreement; Appointment of Trustee; Bond Insurance. Each Authorized Officer is hereby individually authorized and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to select the Trustee, and to negotiate, execute and deliver the Trust Agreement. The Trust Agreement may contain such covenants on behalf of the Issuer and terms as such Authorized Officer deems appropriate, including, if deemed appropriate, 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 obligations of the Issuer, and with respect to the issuance of additional bonds, notes or other obligations payable from and secured by General Revenues. In addition, each Authorized Officer is hereby individually authorized, empowered and directed to negotiate, if deemed appropriate by an Authorized Officer in connection with the issuance of the Bonds, for the acquisition of bond insurance, to execute and deliver an insurance commitment or other documents or instruments required in connection with such insurance, and to pay the costs of premiums for such insurance from the proceeds of the Bonds or other available funds of the Issuer.

6. Selection of Underwriter; Sale of Bonds; Bond Purchase Agreement and Remarketing Agreement. Each Authorized Officer is hereby individually authorized and directed, in the name and on behalf of the Issuer and as its corporate act and deed, to select the Underwriter and to negotiate, execute and deliver the Bond Purchase Agreement with the Underwriter setting forth the terms of the Bonds and the sale thereof, in the form as an Authorized Officer may approve, all within the limitations set forth herein. Each Authorized Officer is further individually authorized and directed, in the name and on behalf of the Issuer and as its corporate act and deed, to negotiate, execute and deliver the Remarketing Agreement, if any, with the Underwriter or other party selected by the Authorized Officer.

7. Execution and Delivery of Bonds. The Executive Vice President and Chief Financial Officer, or in the event of his unavailability, the President, is hereby authorized, empowered and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to execute the Bonds by placing his or her facsimile or manual signature thereon, and to deliver or cause to be delivered the Bonds to the Underwriter in exchange for the purchase price therefor.

8. Ratings; Official Statement. Each Authorized Officer is hereby individually 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, if necessary, and an Official Statement with respect to each series of the Bonds, to deem such Official Statements “final” in accordance with applicable law, and to execute and deliver the Official Statements. Each Authorized Officer or the Underwriter, as appropriate, is authorized to circulate and use, in accordance with applicable law, the Preliminary Official Statements, if any, and the Official Statements in connection with the offering, marketing and sale of the Bonds.

9. Authorization of Other Actions. The President, the Authorized Officers, the Secretary or Assistant Secretary, the Vice President and General Counsel and any associate general counsel, and any other appropriate officer of the Issuer or the University, are each hereby authorized to perform all acts and deeds and to execute and deliver for and on behalf of the Issuer all instruments and documents required by this Resolution, the Trust Agreement, the Bond Purchase Agreement, the Remarketing Agreement, the Swap Agreement and the Liquidity Device, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Bonds, as contemplated hereby, including, if deemed appropriate, one or more escrow deposit agreements with an escrow agent to be selected by an Authorized Officer as may be necessary in connection with any refunding or refinancing authorized hereby. Each Authorized Officer is further authorized to execute and deliver, for and on behalf of the Issuer or the University, all instruments and documents required, necessary or appropriate for the ongoing administration or operation of the financing program represented by the Bonds, the Trust Agreement, the Bond Purchase Agreement, the Remarketing Agreement, the Liquidity Device and the Swap Agreement. Any action required under the Trust Agreement, the Bond Purchase Agreement, the Remarketing Agreement, the Swap Agreement or the Liquidity Device or any other instrument related to the Bonds, and any action necessary or appropriate in connection with the ongoing administration of the financing program authorized hereby, may be taken by and on behalf of the Issuer by an Authorized Officer. Any reference to an officer of the Issuer or the University herein shall include any interim or acting officer appointed by the Issuer.

10. Continuing Disclosure Undertakings. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Issuer may be required in connection with the issuance of the Bonds to enter into one or more Disclosure Undertakings for the benefit of the holders and beneficial owners of the Bonds. Each Authorized Officer is individually authorized to cause to be prepared and to execute and deliver, on behalf of the Issuer, the Disclosure Undertakings.

11. Conflicting Resolutions. All resolutions or parts of resolutions or other proceedings of the Issuer in conflict herewith be and the same are hereby repealed insofar as such conflict exists.