

TOPIC: University System of Maryland: Official Intent Resolution on Reimbursement of System Cash Balances Spent on Revenue Bond-Authorized Projects

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: October 3, 2017

SUMMARY: The University System generally authorizes approximately \$115 million annually in capital projects to be funded from revenue bond proceeds. Annual debt issuances are sized to provide approximately one year's worth of bond proceeds for projected spending on revenue bond projects.

In fiscal year 2014, the System began the strategy of going to the market after the audited financial statements became available. This change in timing was to the System's advantage as current audited financial statements are an integral part of the disclosure information upon which rating agencies and potential investors rely. Prior to fiscal year 2014, the System issued new debt to fund capital project costs when bond proceeds were exhausted.

However, by following the bond issuance schedule established in fiscal year 2014, the proceeds from the current issue are expected to be exhausted before proceeds from the next bond issue become available. In the interim, the plan is to use System cash to bridge the gap. The process and record-keeping infrastructure necessary to facilitate initially paying the project costs from System cash balances and then reimbursing the amounts spent from the proceeds of the next bond issue have been formalized and are in place.

The attached Exhibit A represents all of the projects authorized for revenue bond funding which may potentially utilize System cash balances over the next several months. Based on the Current Project Authorization Balances in Exhibit A, approximately \$25-\$50 million of System cash will be spent on costs eligible for reimbursement.

IRS rules for reimbursement of advance payments from the proceeds of subsequent tax-exempt bond funds require this resolution.

BOND COUNSEL: Miles & Stockbridge P.C.

ALTERNATIVE(S): The Board of Regents could decide to not spend System cash balances temporarily pending the next bond issuance, and advance the issuance process immediately.

FISCAL IMPACT: There is no known fiscal impact associated with this resolution.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve the attached resolution to enable the spending of System cash balances on revenue bond-authorized projects to be reimbursed from the proceeds of the next bond issue.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923

OFFICIAL INTENT RESOLUTION
UNDER TREASURY REGULATION SECTION 1.150-2

WHEREAS, University System of Maryland (the "Issuer") proposes to make certain capital expenditures in connection with the construction of certain capital projects as listed on Exhibit A attached hereto and made a part hereof (collectively, the "Capital Project").

WHEREAS, the Issuer intends to issue tax-exempt bonds (the "Bonds") to finance all or a portion of the purchase price, acquisition and installation expenses, costs of related construction and improvements and issuance costs of the Capital Project, all constituting capital expenditures (collectively referred to as the "Project Costs").

WHEREAS, the Issuer reasonably expects that a portion of the Project Costs will be paid by the Issuer prior to the issuance of the Bonds and that certain proceeds of the Bonds will be used to reimburse the Issuer for the Project Costs paid by the Issuer prior to the issuance of the Bonds.

NOW, THEREFORE, THE ISSUER MAKES THE FOLLOWING DECLARATION OF OFFICIAL INTENT:

1. BE IT RESOLVED, that the Issuer reasonably expects that a portion of the Project Costs will be paid by the Issuer prior to the issuance of the Bonds and that certain proceeds of the Bonds will be used to reimburse the Issuer for those Project Costs incurred and paid by the Issuer prior to the issuance of the Bonds. The Bonds will be issued in a total principal amount not to exceed \$150,000,000.

2. BE IT FURTHER RESOLVED, that the Issuer intends that the adoption of this Resolution shall be and constitute an "official intent resolution" within the meaning of Section 1.150-2 of the Income Tax Regulations prescribed by the U.S. Treasury Department.

AND BE IT FURTHER RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF MARYLAND THAT this Resolution shall be effective on the date of its adoption by the Board of Regents.

ADOPTED, this 3rd day of October, 2017

Joseph F. Vivona
Chief Operating Officer /Vice Chancellor for
Administration and Finance of the
University of Maryland System

2017A SPENDING AS OF 9/12/2017

Exhibit A

Resol	Project Name	Original Authorization	Current Project Auth Balance	FY2018 Activity	FY2017 Activity
29	Acad BSU Fine and Performing Arts Center	9,000,000.00	172,855.10	2,129.41	15,445.12
33	Aux BSU New Student Center	17,940,000.00	6,692.67	0.00	0.00
34	Acad CSU New Science and Technology Center	10,000,000.00	61,606.65	29,862.92	18,546.05
21	Acad FSU Equip Compton Science Center	2,614,000.00	21,759.41	0.00	0.00
39	Aux FSU Five Dorm Renovation	4,400,000.00	4,400,000.00	0.00	0.00
35	Aux SU Dormitory Renovations, Campus-wide Phased	5,000,000.00	1,541,622.58	4,512.82	35,121.63
39	Aux SU Guerrieri University Center Renovation	2,500,000.00	2,500,000.00	0.00	0.00
37	Acad SU New Academic Commons	12,500,000.00	866,042.24	10,426.16	1,615,173.78
32	Aux TU Burdick PH 2 Air Conditioning	5,000,000.00	167,070.19	0.00	0.00
34	Aux TU Burdick Renovation PH 3	13,500,000.00	187,445.94	109,882.10	680,773.00
26	Acad TU College of Liberal Arts - Planning	3,000,000.00	467,454.98	0.00	0.00
32	Acad TU New College of Liberal Arts	10,000,000.00	3,587,988.18	0.00	0.00
37	Aux TU Recreation Bldg. Burdick Exp Ph 2	16,900,000.00	7,810,679.23	2,022,952.16	5,717,502.53
36	Aux TU Recreation Building PH 2 (Addition to Burdick Hall)	20,000,000.00	75,872.34	17,095.32	7,869,066.47
32	Aux TU Residence Halls Renovation	14,000,000.00	1,866.48	0.00	0.00
29	Aux TU Residence Halls Renovations	1,400,000.00	3,357.53	0.00	0.00
37	Aux TU Residence Tower Renovation	2,960,000.00	222,004.07	59,930.42	620,127.78
38	Aux TU Residence Tower Renovation	19,600,000.00	7,572,429.16	6,516,150.73	5,000,179.39
39	Aux TU Residence Tower Renovation	10,000,000.00	9,997,800.00	2,200.00	0.00
31	Aux TU Student Housing - West Village PH II	35,000,000.00	31,678.66	9,852.54	564,542.36
38	Aux TU Union Addition/Renovation	8,670,000.00	6,588,324.45	812,725.16	1,268,950.39
39	Aux TU Union Addition/Renovation	39,000,000.00	39,000,000.00	0.00	0.00
27	Aux TU West Village Dining Commons	3,400,000.00	7,489.11	0.00	0.00
29	Aux TU West Village Dining Commons	34,000,000.00	309,995.32	0.00	0.00
37	Aux TU West Village Housing, PH 3 & 4 (700 beds)	4,000,000.00	4,258.73	1,277.77	198,605.23
28	Aux TU West Village Parking Structure	30,000,000.00	5,851,476.08	0.00	0.00
25	Aux UB New Student Center	4,200,000.00	41,777.99	0.00	0.00
35	Aux UMB Elevator & Fire Alarm Impr, Parking Garage	4,130,000.00	2,634,929.22	445,068.84	58,584.55

Resol	Project Name	Original Authorization	Current Project Auth Balance	FY2018 Activity	FY2017 Activity
38	Aux UMBC Event Center and Arena	31,600,000.00	14,957,183.19	8,868,742.42	7,774,074.39
39	Aux UMBC Event Center and Arena	11,000,000.00	11,000,000.00	0.00	0.00
33	Acad UMBC New Performing Arts & Humanities Facility	10,000,000.00	1,780,656.92	252,681.00	46,154.21
29	Aux UMBC Parking System Improvements	1,300,000.00	20,055.00	0.00	0.00
32	Aux UMBC Parking System Improvements	1,500,000.00	1,015,227.15	0.00	0.00
33	Aux UMBC Replacement of Communication Tower	1,560,000.00	228,388.98	0.00	559,794.95
37	Aux UMBC Residence Hall Renovations/Additions	3,900,000.00	449,464.43	0.00	437,501.05
27	Aux UMBC Student Recreation Fields & Courts	500,000.00	500,000.00	0.00	0.00
21	Acad UMCES Construct Aquaculture Building	3,445,000.00	5,573.07	0.00	0.00
39	Acad UMCP Brendan Iribe Center for Computer Science	10,000,000.00	10,000,000.00	0.00	0.00
35	Acad UMCP Campus-Wide Building System and Infrastructure	5,000,000.00	325,126.16	309,992.65	250,014.83
36	Acad UMCP Campus-Wide Building System and Infrastructure	5,000,000.00	879,652.52	33,454.41	19,488.29
37	Acad UMCP Campuswide Building System and Infrastructure Improvements	5,000,000.00	242,144.77	539,614.66	165,841.88
29	Aux UMCP CSS and Residence Halls SCUB Expansion	300,000.00	256,699.00	42,316.00	985.00
32	Aux UMCP CSS and Residence Halls SCUB Expansion	2,250,000.00	1,988,802.94	158.61	3,133.53
38	Aux UMCP Dorchester Residence Hall Renovation	10,300,000.00	9,603,066.76	241,641.53	326,340.23
32	Aux UMCP Fraternity/Sorority Houses Renov PH 9	11,670,000.00	185,561.49	0.00	5,597.02
28	Aux UMCP Fraternity/Sorority Houses Renovation	10,430,000.00	922,512.73	0.00	0.00
35	Aux UMCP High Rise Residence Hall A/C	9,560,000.00	3,122,988.03	0.00	0.00
27	Aux UMCP High Rise Residence Hall SCUB	4,900,000.00	4,248,312.40	0.00	0.00
39	Aux UMCP N. Campus Dining Hall Replacement	1,000,000.00	1,000,000.00	0.00	0.00
39	Acad UMCP New Bioengineering Building	5,000,000.00	5,000,000.00	0.00	0.00
34	Aux UMCP Replace Carrol, Caroline, Wicomico Halls, SCUB II Expansion	55,591,000.00	2,000,000.00	0.00	0.00
39	Aux UMCP Two New Residence Halls	23,500,000.00	23,500,000.00	0.00	0.00
37	Aux UMES Nuttle Hall Residence Renovation	800,000.00	800,000.00	0.00	0.00
20	Acad UMES Social Science, Education and Health Sci	10,000,000.00	145,202.71	0.00	0.00
22	Acad UMES Utilities Upgrade/Site Improvement	6,100,000.00	36,567.51	0.00	0.00
28	Aux UMES Wicomico Hall System Upgrade	1,500,000.00	1,045,430.55	0.00	0.00
various	Acad System Wide Facilities Renewal	253,378,000.00	35,274,055.77	3,766,201.90	7,225,524.25
	Cost of Issue		0.00		418,495.01