

BOARD OF REGENTS
BRIEFING PAPER

1. Agenda Item Title: Resolution, Expense Reimbursement from Proceeds of Tax Exempt Securities – E. L. Wiegand Fitness Center

Meeting Date: March 6-7, 2014

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

At the October 18, 2013 special meeting of the Board of Regents, the Board approved the development of a proposed new Fitness Center to be located on the main campus of the University of Nevada, Reno. At the same meeting the Board also approved naming the new facility the “E. L. Wiegand Fitness Center” in recognition of the \$8 million lead donor gift from The E. L. Wiegand Foundation.

Construction of the new E. L. Wiegand Fitness Center, currently estimated at \$46 million , will be financed primarily through the issuance of tax-exempt bonds, certificates of participation or other obligations (to be approved by the Board at its June 2014 meeting and issued later this summer) and private donor gifts and pledges. The expected primary source of debt service for the tax-exempt securities will be 1) student capital improvement fees previously used to service Fire Science Academy capital debt, and 2) the new undergraduate fitness fee approved by the Board at its regular December 2013 meeting.

There are certain anticipated construction expenses that may be incurred prior to the issuance of the tax-exempt securities that may be advanced from institutional reserves, which will need to be reimbursed when the tax-exempt securities are issued and proceeds received. This resolution, prepared by NSHE’s bond counsel Sherman & Howard, declares the official intent for purposes of the Internal Revenue Code of 1986, as amended, to allow for such reimbursements (see attached Resolution).

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

President Marc A. Johnson requests approval of a resolution that would permit the reimbursement from the proceeds of tax-exempt securities for certain “up-front” construction related expenses associated with the new E. L. Wiegand Fitness Center.

4. IMPETUS (WHY NOW?):

Certain anticipated construction expenses (i.e., utilities relocation, site work) may be incurred by the University near term that will need to be reimbursed from the sale proceeds of the tax-exempt securities. A resolution declaring the official intent for purposes of the Internal Revenue Code of 1986, as amended, to allow for such reimbursements must be made prior to or within 60 days of incurring such expenses.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- The building project for the new E. L. Wiegand Fitness Center was previously reviewed and approved by the Board of Regents at the October 18, 2013 special Board meeting.
- This resolution permits the reimbursement of certain up-front construction expenses from the proceeds of tax-exempt securities in accordance with the Internal Revenue Code of 1986, as amended.

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

Should the E. L. Wiegand Fitness Center project fail to go forward any upfront construction costs incurred by the University would not be reimbursed and would therefore become “sunk costs”.

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

Delay the start of the E. L. Wiegand Fitness Center to avoid incurring any upfront construction costs but substantially delay the start of the project.

8. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- Amends Current Board Policy: Title #____ Chapter #____ Section #____
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other:_____
- Fiscal Impact: Yes____ No X
Explain:_____

RESOLUTION NO. ____

A RESOLUTION PERTAINING TO THE ISSUANCE OF OBLIGATIONS FOR THE PURPOSE OF FINANCING A FITNESS CENTER FOR THE UNIVERSITY OF NEVADA, RENO; AUTHORIZING THE VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION OR THE DIRECTOR OF BANKING AND INVESTMENTS TO ARRANGE FOR THE SALE OF OBLIGATIONS; AND PROVIDING OTHER MATTERS PERTAINING THERETO.

WHEREAS, the Board of Regents (the "Board") of the Nevada System of Higher Education ("NSHE") is authorized pursuant to chapter 501, Statutes of Nevada 1991, as last amended by Chapter 179, Statutes of Nevada 2011(as amended, the "Act") to issue bonds, notes, installment or lease purchase agreements, including certificates of participation in such installment or lease purchase agreements, or other obligations (the "Obligations"); and

WHEREAS, pursuant to the Act, NSHE may issue Obligations in order to finance the costs of improvements at the University of Nevada, Reno, including the construction, land and other acquisition, rehabilitation and improvement or any combination thereof of campus facilities required or desired by the university master plan at the University of Nevada, Reno, including, but not limited to the acquisition, rehabilitation and improvement or any combination thereof for a fitness center (the "Project"); and

WHEREAS, the Board anticipates issuing Obligations in the amount of up to \$30,000,000 to finance the Project, anticipates making expenditures for the Project prior to the issuance of the Obligations and expects to reimburse such expenditures from the issuance of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION:

Section 1. In order to permit the System to reimburse itself for prior expenditures relating to the Project with the proceeds of the Obligations, the Board hereby determines and declares as follows:

(a) The System reasonably expects to incur expenditures with respect to the Project prior to the issuance of the Obligations for financing the Project and to reimburse those expenditures from the issuance of the Obligations; and

(b) The maximum principal amount of Obligations expected to be used to reimburse such expenditures is \$30,000,000.

Section 2. The Vice Chancellor for Finance and Administration or the Director of Banking and Investments of NSHE is hereby authorized to arrange for the issuance and sale of the Obligations in order to finance the Project in a total principal amount of not more than that which is necessary to carry out the Project in accordance with the Act and not in excess of the outstanding authorization under the Act.

Section 3. The Vice Chancellor for Finance and Administration or the Director of Banking and Investments is authorized to specify the method of sale, the terms of the Obligations, the date of their sale, the final principal amount of the Obligations, the terms of their repayment and security therefor, and other details of the Obligations, subject to the University Securities Law and to adoption by the Board of one or more resolutions specifying certain of the terms and details of the Obligations and delegating certain terms of the sale of the Obligations pursuant to chapter 396 of Nevada Revised Statutes (the "Resolution").

Section 4. The officers of NSHE are hereby authorized to take all action necessary or appropriate to effectuate the provisions of this resolution, including without limitation (a) assembling of financial and other information concerning NSHE, the Project and the Obligations, and (b) if deemed appropriate by the Vice Chancellor for Finance and Administration or the Director of Banking and Investments, the preparation and circulation of a preliminary official statement, a notice of bond sale for the Obligations, and an official statement in the forms specified by the Vice Chancellor for Finance and Administration or the Director of Banking and Investments. The Vice Chancellor for Finance and Administration or the Director of Banking and Investments is authorized to deem the official statement, if any, "final" for purposes of Rule 15(c)2-12 of the Securities and Exchange Commission.

Section 5. All action, proceedings, matters and things heretofore taken, had and done by the Board, and the officers thereof (not inconsistent with the provisions of this resolution) directed toward the Project and the financing thereof be, and the same hereby is, ratified, approved and confirmed. This resolution shall be effective on its passage and approval.

PASSED AND ADOPTED on this _____, 2014.

Chairman
Board of Regents of the
Nevada System of Higher Education

(SEAL)
Attest:

Chief Executive Officer to the
Board of Regents