

ENGINEERING CENTER REIMBURSEMENT RESOLUTION

A Recommendation

1. **Division and Department:** Finance and Administration Division, Treasury Management Department.
2. **Introduction:** In December 2010, the Governor of the State of Michigan signed a Capital Outlay Appropriation, House Bill No. 5858, which is Public Act 329 of 2010, allocating a capital appropriation of \$30 million for Oakland University (University) to build an Engineering Center at a total cost of \$74,551,739. The \$44,551,739 University match will be funded from private support and/or bond proceeds. Expenditures for the Engineering Center are expected to begin in FY2011, and may include, but not be limited to, initial architectural and engineering services, site surveys, testing, and boring.

In order for expenditures made prior to the issuance of tax-exempt bonds to be subsequently reimbursed out of bond proceeds, Internal Revenue Service regulations require that a resolution be adopted by the bond issuer evidencing its intent to issue a specified maximum principal amount of bonds in the future for the project to be financed. The proposed "Reimbursement Resolution" satisfies the Internal Revenue Service's requirements in this regard.

The proposed Reimbursement Resolution does not commit the Board of Trustees (Board) to issue bonds for the Engineering Center, nor to issue any particular amount of bonds, nor to proceed with the construction of the Engineering Center. Its sole purpose is to satisfy the Internal Revenue Service's regulations in the event that tax-exempt bonds are issued by the Board for the Engineering Center. If the resolution is adopted, any expenditure with respect to the Engineering Center made after the adoption of the Reimbursement Resolution and any expenditures made within sixty (60) days prior to the adoption of the Reimbursement Resolution can subsequently be reimbursed out of bond proceeds.

The proposed Reimbursement Resolution was prepared by Miller Canfield, external Bond Counsel.

3. **Previous Board Action:** On December 9, 2010, the Board approved the Fiscal Year 2012 Capital Outlay Project request which indicated the Engineering Center as the University's highest priority capital outlay funding need.
4. **Budget Implications:** Beginning in FY2015, debt service on the Engineering Center project will be budgeted in the General Fund.
5. **Educational Implications:** The Engineering Center will be the new home for the School of Engineering and Computer Science, as well as general purpose classrooms.
6. **Personnel Implications:** None.

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7. University Reviews/Approvals: The resolution was prepared by Miller Canfield, external Bond Counsel, and reviewed by the Vice President for Legal Affairs and General Counsel, Treasury Management Department, Vice President for Finance and Administration, President and the Finance, Audit and Investment Committee on March 15, 2011 and recommended to the Board of Trustees for its approval at its March 30, 2011 Formal Session.

8. Recommendation:

RESOLVED, that the Board of Trustees approve the following Reimbursement Resolution:

WHEREAS, the United States Department of Treasury has promulgated final regulations that, among other things, impose requirements on governmental entities such as the Board of Trustees of Oakland University (the "University") when they desire to reimburse themselves for expenditures made for capital improvements from the proceeds of tax-exempt debt obligations issued after the making of the expenditures; and

WHEREAS, the University has identified a certain capital project, namely the Engineering Center, which is to become the new home of the University's School of Engineering and Computer Science, as well as general purpose classrooms (the "Project"), and with respect to which the University expects to expend its funds prior to the issuance of tax-exempt debt obligations, and to reimburse itself from the proceeds of those obligations upon their issuance; and

WHEREAS, the University intends to state at this time its declaration of official intent to reimburse itself for the capital expenditures made for the Project in accordance with Treasury Regulation Section 1.150-2.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The BOARD OF TRUSTEES OF OAKLAND UNIVERSITY makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. Section § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended:
 - a. As of the date hereof, the University reasonably expects to expend funds for the Project and to reimburse itself for the capital expenditures in connection therewith with the proceeds of debt to be incurred by the University.
 - b. The design phase of the Project has commenced, and it is currently contemplated the Project will be completed on or before June 30, 2014.
 - c. The maximum principal amount of debt expected to be issued by the University for the capital expenditures described herein, including issuance costs, is \$50,000,000.
 - d. The expenditures described above will be "capital expenditures" as defined in Treas. Reg § 1.150-1(h), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of "placed in service" under Treas. Reg. § 1.150-

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2(c)) under general Federal income tax principles (as determined at the time the expenditures are paid).

2. Pursuant to Treasury Regulation Section 1.150-2, the University hereby authorizes each of the President and the Vice President for Finance and Administration to execute and file in the place where minutes of the Board of Trustees of Oakland University are kept, Reimbursement Orders for future projects, evidencing the intent of the University to reimburse itself for capital expenditures from the proceeds of subsequently issued debt.

3. This resolution shall be operative, effective and valid upon its passage.

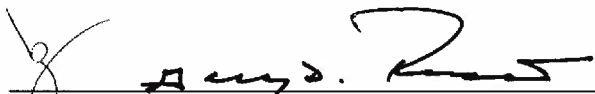
9. **Attachments:** None.

Submitted to the President
on 3/22, 2011 by



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

Recommended on 3/22, 2011
to the Board of Trustees for Approval



Gary D. Russi
President