

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Monday, September 27, 2010

10:30 a.m.

600 McNamara Alumni Center, Boardroom

Board Members

Clyde Allen, Chair
Linda Cohen, Vice Chair
Anthony Baraga
Richard Beeson
Dallas Bohnsack
John Frobenius
Venora Hung
Steven Hunter
Dean Johnson
David Larson
Maureen Ramirez
Patricia Simmons

AGENDA

1. Resolution Related to Issuance of Debt - Review/Action - R. Bruininks (pp. 2-7)



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Board of Regents

September 27, 2010

Agenda Item: Resolution Related to Issuance of Debt

review review/action action discussion

Presenters: President Robert H. Bruininks

Purpose:

policy background/context oversight strategic positioning

The purpose of the meeting is to review and take action on a resolution relating to the issuance of up to \$150 million in special purpose debt to support construction of a new Academic Ambulatory Care Center (AACC).

Outline of Key Points/Policy Issues:

Fairview Health Systems (Fairview), and University of Minnesota Physicians (UMP) have for some time been discussing the establishment of a new academic ambulatory care center (AACC), to coordinate and enhance existing ambulatory care services to provide improved access for patients and to enhance research and teaching activities conducted by the University's Academic Health Center. The facility will support and enhance the Medical School and the School of Dentistry.

A new opportunity to advance this critical project has arisen because the Infrastructure to Expand Access to Care (IEAC) Program, authorized by the Patient Protection and Affordable Care Act of 2010 (PPACA), provides funding for debt service on, or direct construction or renovation of, a health care facility that provides research, inpatient tertiary care, or outpatient clinical services through a competitive funding opportunity in the form of a grant of up to \$100 million (Grant Funding) available to institutions of higher education with an academic health center and the State's sole public academic medical and dental school, provided that such Grant Funding may total no more than 40 percent of the total eligible cost of the project, and the University qualifies as an applicant for the Grant Funding. The University intends to apply for the Grant Funding.

In addition to the Grant Funding, the University has received a commitment of \$10 million from the Minnesota Masonic Charities to support the construction of the AACC.

The AACC project cost is currently estimated at \$250 million. The source of financing for the project includes \$10 million from Masonic Charities, \$96.2 million from the IEAC grant (based upon a calculation of eligible costs defined in the grant application) and \$143.8 million of special purpose revenue bonds. The debt service requirement on the bonds issued by the University will be covered through lease payments from Fairview and UMP. The University will also receive corporate guarantees for the debt service payments from both parties in proportion to their occupancy of the facility.

Background Information:

The Board of Regents has previously reviewed and discussed the strategic goals of the Academic Health Center including the critical need for a healthy and vibrant clinic enterprise.

President's Recommendation for Action:

The President recommends approval of the resolution.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO
ISSUANCE OF DEBT

WHEREAS, the University is party to an Academic Affiliation Agreement with Fairview Health Services, a Minnesota nonprofit corporation (Fairview), pursuant to which the academic mission of the University and its Academic Health Center (AHC) is supported through collaboration in the provision of healthcare services to citizens of the State of Minnesota and others;

WHEREAS, University of Minnesota Physicians, the designated practice organization of the faculty of the University of Minnesota Medical School Twin Cities (UMP), is party to an affiliation agreement and various other agreements with Fairview pursuant to which the practice of medicine is conducted at Fairview facilities in a manner supportive of the academic mission of the AHC;

WHEREAS, in order to enhance the provision of greater access to health care within the State; ensure continued financial viability of the State's sole medical and dental school; and further the core mission of the AHC by enhancing research and educational opportunities for faculty, students, and residents; eliminating duplicative technology, equipment, and supplies; and better accommodating patients, it has been proposed that a new academic ambulatory care center (AACC) be constructed on the University campus that would enable direct and convenient patient access by physically consolidating outdated outpatient clinics currently existing in multiple locations, and also provide space for the conduct of related research, administrative, and teaching activities;

WHEREAS, the Infrastructure to Expand Access to Care (IEAC) Program, authorized by the Patient Protection and Affordable Care Act of 2010 (PPACA), provides funding for debt service on, or direct construction or renovation of, a health care facility that provides research, inpatient tertiary care, or outpatient clinical services through a competitive funding opportunity in the form of a grant of up to approximately \$100 million (Grant

Funding) available to institutions of higher education with an academic health center and the State's sole public academic medical and dental school, provided that such Grant Funding may total no more than 40 percent of the total eligible cost of the project;

WHEREAS, the University is an institution of higher education with an academic health center and is the sole public academic medical and dental school of the State of Minnesota, and is therefore eligible to participate in such competitive funding opportunity to obtain the Grant Funding;

WHEREAS, it has been proposed that to provide a dedicated funding mechanism for the AACC, the University proceed with a plan of financing which involves, among other things, the issuance and sale of special purpose revenue bonds (such indebtedness, whether issued in the form of bonds, notes or such other form of indebtedness as may be designated by the University, the Bonds), the proceeds of which will be used to provide all funds necessary, in addition to the Grant Funding, to complete the construction and equipment of the AACC and finance the costs of issuance of the Bonds;

WHEREAS, the Bonds will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee or pursuant to an Order of the University;

WHEREAS, the Indenture of Trust or Order pursuant to which Bonds will be issued will contain the terms of such Bonds and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such bonds;

WHEREAS, the principal amount of the Bonds authorized will be the amount of the Bonds outstanding at any time, and not an aggregate principal amount;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of the University of Minnesota (Board) as follows:

1. To provide a dedicated funding mechanism to finance the construction of the AACC, the acquisition and installation of equipment for the AACC, and costs of issuance of the Bonds, the Board hereby authorizes the sale and issuance of Bonds in one or more series in the principal amount of up to \$150,000,000. The Bonds shall be issued in one or more series and shall mature not later than the date that is 30 years after the date of issuance of each series. The Bonds shall be special purpose debt of the University. Interest on the Bonds may or may not be excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The Treasurer is authorized to negotiate with one or more banks, investment banking firms, or other financial institutions to be engaged by the University as the underwriter for the Bonds, the terms and conditions upon which the Bonds shall be sold and issued, and to approve the terms of such

sale and issuance. The Treasurer is further authorized to negotiate with one or more commercial banks the terms and condition of any credit support or liquidity facility for any series of Bonds and approve the terms of such credit support or liquidity facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel.

3. In connection with the issuance of any series of Bonds, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order or any supplement or amendment thereto under which the Bonds are to be issued in the form and containing such covenants, agreements, representations and warranties as may be approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Bonds in accordance with such Indenture of Trust or Order or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the Bonds may be by facsimile.

4. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of Bonds in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and General Counsel.

5. The Treasurer is authorized to approve the Preliminary Official Statement and the final Official Statement or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of Bonds, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto.

6. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Bonds.

7. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Bonds certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

8. The execution of any document by the appropriate University officers herein authorized shall be conclusive evidence of the approval of such

documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, final Official Statement, purchase agreement or any other document to be executed by the President or Treasurer in connection with the Bonds may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.