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State of Illinois
COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY
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February 24, 2011

MEMORAUNDUM

TO: John J. Cullerton, President of the Senate
Michael J. Madigan, Speaker of the House of Representatives
Christine Radogno, Minority Leader of the Senate
Tom Cross, Minority Leader of the House of Representatives
David Vaught, Governor's Office of Management and Budget
Dr. Al Goldfarb, President, Western Illinois University

RE: *Report of the Commission's Findings Concerning Western Illinois University's Issuance of \$12 million of Series 2011 Certificates of Participation*

The Commission met on Wednesday, February 9, 2011 to hear and take action on the proposed issuance of \$12 million of Certificates of Participation (COPs) by Western Illinois University. The following documentation details background information on the projects to be funded, the Certificates to be issued, and the University's debt.

BACKGROUND

Law:

Under the State University Certificates of Participation Act [110 ILCS 73], any State university planning to issue Certificates of Participation (COPs) must appear before the Commission at a public hearing to present the details of the proposal. Upon adoption by a vote of the majority of appointed members, the Commission shall issue a record of findings within 60 days after the request by the university. As part of the Commission's consideration and findings the Commission shall consider the effect the issuance of a certificate of participation shall have on the State University's annual debt service and overall fiscal condition. Within the findings shall be a statement in which the Commission makes a recommendation of either (i) "favorably recommended", (ii) "recommended with concerns", or (iii) "non-support of issuance". Findings shall be reported by the Commission within 15 days after the hearing. Upon a finding of "non-support of issuance", a State University may not proceed with the issuance of the certificate involved in the finding without the approval of the General Assembly through adoption of a joint resolution.

Reason for the State University COP Act:

The public universities needed the ability to cover certain projects with certificates of participation, in light of the political issues that can forestall passage of a capital program. In order to avoid the risks involved in seeking passage of what would be considered a "higher education capital program" by seeking General Assembly approval of any certificates of participation, it was believed that the Commission on Government Forecasting and Accountability would provide the correct level of oversight while providing universities with the funding flexibility they need.

Western Illinois University 2011 Certificates of Participation

Certificates of Participation Amount	\$12.0 million
Maturity	20 years
Net Debt Service	\$1.02 million annually

Terms of COPs

Approximately \$12.0 million in Certificates of Participation would be sold, with a maximum 20-year maturity. The University hopes to sell the Certificates in March 2011. Annual debt service would be approximately \$1.02 million annually.

Purpose of Projects:

The Certificates of Participation would be sold to fund approximately \$5 million of steam line replacements (Phase II of the project) campus-wide. WIU has experienced serious, multiple breaks in aging steam lines requiring parking lots to be torn up and leaving buildings without heating and cooling. Phase II is to install new steam lines serving approximately 1.5 million square feet of space including four academic buildings and six residence halls. This phase will include approximately 2700 linear feet of shallow tunnels to replace the original direct buried steam lines that are fifteen years beyond their life expectancy.

Another \$6.5 million will be used for various campus upgrades. Several campus roofs and high voltage electrical feeders have either reached or are beyond their life expectancy. Building repairs are needed for life safety, building comfort, aesthetics and to meet accreditation criteria. Roof replacements will include the Heating Plant Annex, Browne Hall, Morgan Hall, Waggoner Hall and Tillman Hall. Up to 25 high-voltage electric feeders will be replaced to ensure redundancy and uninterrupted electrical service to campus buildings. Crumbling retaining walls, building exteriors and interiors as well as HVAC systems will be addressed. There will also be the replacement of classroom equipment and the updating of electronic classrooms and science labs.

Western Illinois University 2011 Certificates of Participation		
Project Listing	Cost	Project Time Period
Phase II Steam Line Replacements	\$5,000,000	12-24 months
Roof Replacements on various campus buildings	\$1,500,000	12-36 months
Mechanical Maintenance: Air Handler and Chiller Replacements, Pumps, Piping, and Building Control Replacements in 10 different campus buildings	\$1,850,000	24 months
Various Electrical Feeder Replacements (25)	\$175,000	12-24 months
Malpass Library Retaining Walls	\$100,000	12 months
Sherman Hall Bell Tower and Acroteria	\$125,000	24 months
Science Lab and Classroom Upgrades and renovations in two academic buildings	\$1,700,000	24 months
Art Department Safety Upgrades	\$550,000	12-24 months
Engineering Program Industrial Equipment Purchase and Installation	\$350,000	by August 2011
Nursing Program Classroom and Lab renovation	\$150,000	by August 2011
TOTAL	\$11,500,000	

WIU did not receive any capital renewal from the State of Illinois from FY04 through FY09, which caused a loss of approximately \$7.0 million that would have been spent

on these upgrades. Western's deferred maintenance backlog is estimated to be almost \$500 million.

Financing of Projects:

WIU will sell COPs under the State University Certificates of Participation Act to finance the 2011 projects over 20 years, a time period more in line with the useful life of the facilities being financed. Board approval for the projects to be paid for by the 2011 COPs was received on December 17, 2010.

Payment of COPs

The University assesses a Facilities Enhancement and Life Safety Fee which will be used to pay debt service. When the state mandated sprinkler installation in student housing in 2005, WIU established the Facilities Enhancement and Life Safety Fee to fund the installation of the sprinkler systems. Certificates of Participation were issued in November 2005 to pay for Phase I of the sprinkler projects. Because the Phase I projects were completed for less than original estimates, only \$1.5 million in additional funds were needed for Phase II. Since \$1.5 million was too small an amount to warrant a tax exempt financing, the University signed a reimbursement resolution and completed the Phase II projects with available local funds. Those local funds were reimbursed with proceeds of the 2010 Certificates of Participation. The 2010 COPs also funded \$5 million of heating plant capital improvements and \$5 million of steam line replacements.

The Facilities Enhancement and Life Safety Fee will be utilized to pay the debt service on the 2005, 2010 and now the 2011 Certificates of Participation. As shown below, the Facilities Enhancement and Life Safety Fees have been increased over the years, primarily for students at the main campus in Macomb.

	Spring/Fall	Summer
	per credit hour	per credit hour
2006-2008	\$7.00	\$4.48
2009	\$9.00	\$5.76
2010	\$11.00	\$7.04
2011	\$12.50	\$8.00

The following pages show the Estimated Fee Revenues from the Facilities Enhancement and Life Safety Fees and the debt service that it pays. Fees are locked in for four year terms due to the Truth in Tuition law, which states that students be given the same level of tuition for all four years of enrollment. Western Illinois University also applies this law to their room, board and fees. The Facilities Enhancement and Life Safety Fee revenues increase over the years as older fee rates cycle out based on the number of freshman through seniors under the older rates combined with students under the newer rate.

Current WIU Debt

The State University Certificates of Participation Act places a limit on Western Illinois University's COPs of a maximum \$10 million annually in debt service.

COP debt service in FY 2011 is \$1,826,462 for COPs Series 2005 and 2010. Series 2005 will be paid off in 2026, and Series 2010 will be paid off in 2030.

The COPs for 2011 will have an estimated debt service of \$1.02 million annually through 2031. The highest amount in combined COP debt service would be \$2.836 million in 2012 which is below the \$10 million limit for the University's COPs.

COP outstanding principal as of June 30, 2010 was \$21.1 million, while Auxiliary Facilities System Revenue Bond outstanding principal was \$36.4 million.

The debt service on most AFS bonds is paid by room & board and a bond revenue fee paid by students. A 2006 issuance of AFS bonds is paid for by the Life Safety and Facilities Enhancement fee, as seen in Table 1. These bonds were sold to pay for an Illinois unfunded mandate for residence hall fire sprinklers.

Standard & Poor's currently rates WIU's AFS bonds and COPs with an A rating and a negative outlook. The rating and outlook are in part affected by the fact that the State of Illinois pays for 40% of operating revenues which have been delayed. The University expects to get an AAA rating from S&P for these COPs because they will be purchasing bond insurance. Western will only be requesting ratings from S&P.

Table 1

**The Board of Trustees of Western Illinois University
Certificates of Participation, Series 2011
Facilities Enhancement and Life Safety Fee Funds
Estimated Revenue Stream for Repayment**

Fiscal Year	COPS Series 2011 Ending Debt Service ¹	COPS Series 2010 Net Debt Service ²	AFS Series 2006 Debt Service ³	COPS Series 2005 Debt Service ⁴	Combined Net Debt Service	Estimated Fee Revenues ⁵	Estimated Ending Fee Balance ⁶
6/30/2012	1,022,567	797,040	557,250	711,621	3,088,478	3,135,858	379,519 ⁶
6/30/2013	1,024,486	797,003	561,375	706,749	3,089,613	3,331,331	426,899
6/30/2014	1,024,276	800,265	559,175	710,796	3,094,513	3,415,885	989,989
6/30/2015	1,022,275	801,887	556,575	708,789	3,089,526	3,423,995	1,324,458
6/30/2016	1,023,210	801,757	558,575	710,744	3,094,286	3,423,995	1,654,168
6/30/2017	1,026,803	804,791	559,975	706,641	3,098,210	3,423,995	1,979,953
6/30/2018	1,023,263	806,446	560,775	706,570	3,097,053	3,423,995	2,306,895
6/30/2019	1,022,343	811,579	555,975	710,299	3,100,195	3,423,995	2,630,695
6/30/2020	1,023,565	814,831	560,775	707,806	3,106,978	3,423,995	2,947,712
6/30/2021	1,022,033	816,518	559,275	709,138	3,106,964	3,423,995	3,264,743
6/30/2022	1,022,726	816,985	561,638	704,348	3,105,696	3,423,995	3,583,042
6/30/2023	1,025,230	821,203	558,150	708,236	3,112,819	3,423,995	3,894,218
6/30/2024	1,024,556	824,147	559,025	710,488	3,118,216	3,423,995	4,199,997
6/30/2025	1,025,733	825,570	558,463	711,238	3,121,002	3,423,995	4,502,990
6/30/2026	1,023,496	829,888	557,025	710,638	3,121,047	3,423,995	4,805,938
6/30/2027	1,022,570	831,808	559,075		2,413,453	3,423,995	5,816,480
6/30/2028	1,022,508	831,949			1,854,456	3,423,995	7,386,019
6/30/2029	1,022,840	835,450			1,858,290	3,423,995	8,951,724
6/30/2030	1,023,308	842,093			1,865,400	3,423,995	10,510,318
6/30/2031	1,023,660				1,023,660	3,423,995	12,910,653
	20,471,445	15,511,209	8,943,100	10,634,100	55,559,855	68,090,989	

¹ Estimated, subject to change.

² Net of federal government interest subsidy equal to 35% of interest payments due.

³ Includes debt service on the Student Recreation Center and sprinkler system projects only.

⁴ Includes debt service on the Multicultural Center and Stadium Renovation projects only.

⁵ Includes Facilities Enhancement and Life Safety Fee revenues, net of expenses. Estimates are based on current enrollment and current fee levels.

⁶ Estimated Facilities Enhancement and Life Safety Fee balance at 6/30/2011.

Table 2

**The Board of Trustees of Western Illinois University
Certificates of Participation, Series 2011
Pro Forma COPs Debt Service**

Fiscal Year Ending	Certificates of Participation						Combined Gross Total	Series 2010 Gov't Subsidy	Combined Net Total	AFS ³	University
	Series 2011 COPs ¹			Outstanding COPs Debt Service						Outstanding	Combined Net
	Principal	Interest	Total	Series 2010	Series 2005	Total				Debt Service	Debt Service
6/30/2012	370,000	652,567	1,022,567	989,293	824,035	1,813,328	2,835,894	(192,252)	2,643,642	5,098,685	7,742,327
6/30/2013	395,000	629,486	1,024,486	986,543	821,779	1,808,321	2,832,808	(189,540)	2,643,268	5,099,747	7,743,015
6/30/2014	405,000	619,276	1,024,276	986,178	823,266	1,809,444	2,833,720	(185,912)	2,647,808	5,094,465	7,742,273
6/30/2015	415,000	607,275	1,022,275	983,288	823,541	1,806,829	2,829,104	(181,401)	2,647,703	5,091,807	7,739,510
6/30/2016	430,000	593,210	1,023,210	977,703	822,626	1,800,329	2,823,539	(175,946)	2,647,593	5,083,837	7,731,430
6/30/2017	450,000	576,803	1,026,803	974,294	820,496	1,794,790	2,821,593	(169,503)	2,652,090	5,075,127	7,727,217
6/30/2018	465,000	558,263	1,023,263	968,763	822,150	1,790,913	2,814,175	(162,317)	2,651,858	5,078,579	7,730,437
6/30/2019	485,000	537,343	1,022,343	965,891	822,459	1,788,349	2,810,692	(154,312)	2,656,380	5,073,473	7,729,853
6/30/2020	510,000	513,565	1,023,565	960,125	821,398	1,781,523	2,805,088	(145,294)	2,659,794	5,080,845	7,740,639
6/30/2021	535,000	487,033	1,022,033	951,951	823,912	1,775,863	2,797,896	(135,433)	2,662,463	4,392,164	7,054,626
6/30/2022	565,000	457,726	1,022,726	941,900	820,063	1,761,963	2,784,689	(124,915)	2,659,774	4,397,576	7,057,350
6/30/2023	600,000	425,230	1,025,230	934,928	824,636	1,759,564	2,784,794	(113,725)	2,671,069	3,380,279	6,051,348
6/30/2024	635,000	389,556	1,024,556	925,995	822,413	1,748,408	2,772,964	(101,848)	2,671,116	3,381,849	6,052,964
6/30/2025	675,000	350,733	1,025,733	914,723	823,550	1,738,273	2,764,005	(89,153)	2,674,852	2,652,046	5,326,898
6/30/2026	715,000	308,496	1,023,496	905,213	823,113	1,728,325	2,751,821	(75,324)	2,676,497	2,648,950	5,325,446
6/30/2027	760,000	262,570	1,022,570	892,013		892,013	1,914,583	(60,204)	1,854,378	2,651,226	4,505,604
6/30/2028	810,000	212,508	1,022,508	876,075		876,075	1,898,583	(44,126)	1,854,456	2,094,504	3,948,960
6/30/2029	865,000	157,840	1,022,840	862,616		862,616	1,885,456	(27,165)	1,858,290	2,094,279	3,952,570
6/30/2030	925,000	98,308	1,023,308	851,297		851,297	1,874,604	(9,204)	1,865,400	2,089,811	3,955,211
6/30/2031	990,000	33,660	1,023,660			0	1,023,660		1,023,660	2,092,451	3,116,111
6/30/2032										2,093,086	2,093,086
6/30/2033										2,090,289	2,090,289
	12,000,000	8,471,445	20,471,445	17,848,784	12,339,436	30,188,219	50,659,665	(2,337,574)	48,322,091	81,835,074	130,157,164
Pro Forma Principal Outstanding ^{1,2} :			\$12,000,000	\$11,170,000	\$9,045,000	\$32,215,000				\$61,870,000	\$94,085,000

¹ Estimated, subject to change.

² Assuming issuance of the Series 2011 COPs in March 2011.

³ Outstanding Auxiliary Facilities System Bonds include Series 2010, Series 2006, Series 2005, and Series 2002. Debt service on the Series 2010 Bonds is net of the government interest subsidy.

After carefully reviewing the information submitted by Western Illinois University to issue \$12 million in Certificates of Participation, the Commission voted on February 9, 2011, by a vote of 8-0-0, to favorably recommend the issuance of the COPs. A copy of the motion and vote tally appears on the following page.

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<u>Recommendation:</u>	Favorably Recommended
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Senator Jeffrey M. Schoenberg
CGFA Co-Chair



Representative Patricia R. Bellock
CGFA Co-Chair

DRL:lk
S241

**Western Illinois University Series 2011
Certificates of Participation Issuance**

Pursuant to 110 ILCS 73/15, I make a motion to *favorably recommend* Western Illinois University's issuance of \$12 million of Series 2011 Certificates of Participation.

COMMISSION MEMBERS ROLL-CALL			
<i>Hearing Date: Wednesday, February 9, 2011 – 3:00 p.m.</i>			
<i>Room 212, State Capitol, Springfield, IL</i>			
<i>Proposed Western Illinois University Issuance of 2011 Certificates of Participation</i>			
<i>Commission Member</i>	MOTION VOTE		
	<i>YES</i>	<i>NO</i>	<i>Present</i>
Representative Patricia Bellock (R)	✓		
Senator Bill Brady (R)	✓		
Senator Michael Frerichs (D)	✓		
Representative Kevin McCarthy (D)	✓		
Senator Matt Murphy (R)	✓		
Representative Elaine Nekritz (D)	✓		
Representative Raymond Poe (R)			
Representative Al Riley (D)			
Senator Jeffrey Schoenberg (D)	✓		
Senator David Syverson (R)			
Senator Donne Trotter (D)			
Representative Michael Tryon (R)	✓		
Attendance/Vote	8	0	0

Motion - Rep. Nekritz
Seconded - Sen. Brady