Executive and Audit Special Meeting
Market Center Building
1600 SW 4th Ave, Portland, Oregon 97201
Gold Conference Room, 541
Wednesday, 4/8/2015
3:30 - 4:30 PM PT

1. Approval of Resolution Approving Internal Financing for School of Business Administration and Stott Center/Viking Pavilion Projects
   - Cover Sheet - Page 2
   - Draft Resolution Approving Internal Borrowing - Page 5
   - Project Finance Plan presented Jan 30 2015 - Page 7
   - Revised Project Finance Plan March 31 2015 - Page 8
   - Debt Management Policy Approved Dec 11 2014 - Page 9
   - Resolution Approving SBA Project and Stott Center Approved Jan 30 2015 - Page 15
AGENDA ITEM: 1

DATE:        April 8, 2015

TITLE:      Approval of Resolution Approving Internal Financing for School of Business Administration and Stott Center/Viking Pavilion Projects

SUMMARY OF ITEM:

In 2013, the Legislature authorized the issuance of State of Oregon general obligation bonds under Article XI-G of the Oregon Constitution for the renovation and expansion of the School of Business Administration’s building (the “SBA Project”) and for the renovation of the Peter Stott Center, including the construction of an event pavilion (the “Stott Center/Viking Pavilion Project”).

Article XI-G of the Oregon Constitution requires that bonds issued under that article be matched by the University with an amount that is at least equal to the amount of the bonds. Article XI-G also requires that the matching amount be used for the same or similar purposes as the bond proceeds.

On January 30, 2015, the Board approved the SBA Project and the Stott Center/Viking Pavilion Project and authorized sale of the bonds under Article XI-G for both projects.

The Debt Management Policy adopted by the Board on December 11, 2014 provides that the University may use Internal Financing (as defined in the Debt Policy) for various purposes, including providing matching funds for Article XI-G bonds. The Debt Policy provides that the total value of Internal Financings shall not exceed 10% of the core cash balance of the University’s general operating bank account, as projected annually, unless a higher amount is authorized by the Board (or by the Executive and Audit Committee when the Committee is authorized to act on behalf of the Board). In its resolution on January 30, 2015, the Board acknowledged that Internal Financing would be used to provide a portion of the matching amount required for Article XI-G bonds for both projects.

It is anticipated that the State will issue the Article XI-G bonds for both projects during or near the week of May 11, 2015. In that case, the University will need to provide evidence of its qualified matching funds to the State Treasurer and the State’s Bond Counsel on or near April 21, 2015.
At the January 30, 2015 meeting, the plan of finance for the projects presented to the Board anticipated using approximately $6.5 million of Internal Financing for matching purposes to provide a bridge for pledged philanthropic gifts not yet received. The plan assumed approximately $23.5 million of qualified match in hand, prior to Internal Financing. However, as of March 31, 2015, the University had approximately $21.6 million of qualified matching funds in hand. Additional amounts have been pledged, or are subject to restrictions that prevent counting such funds for matching purposes. As a result, the revised plan of finance for the projects estimates a need for as much as $8.37 million of Internal Financing. The financing plan provided on January 30 and the revised financing plan are attached.

The success of these capital projects depends upon issuance of the full amount of Article XI-G bonds authorized by the Legislature. In order to assure that the University can provide evidence of qualified matching funds necessary for the issuance of the full amount of authorized bonding on the date required by the State, the University is seeking authorization to use up to $8.7 million of Internal Financings, if necessary, notwithstanding the limitations of Section V of the Debt Policy. This amount is higher than required by the most recent financing plan in order to provide some allowance for the possibility of either unanticipated delay in the collection of scheduled pledges between now and the date required for match verification or a determination by the State that disqualifies use for matching purposes of any portion of the funds on hand. $8.7 million is the maximum amount anticipated to be required; it is likely that the full amount will not be necessary.

The limit for Internal Financings under Section V of the Debt Policy is 10% of the core cash balance of the University’s general operating bank account. Currently, that limit is $7,540,970. Using $8.7 million of Internal Financing for matching purposes would cause the total amount of Internal Financings to exceed the Debt Policy limit by approximately $1.16 million, and would cause the amount of Internal Financings to equal approximately 11.5% of the University’s core cash balance.

The University anticipates that it will repay Internal Financing amount that is in excess of the otherwise applicable Debt Policy limit as soon as practicable with appropriate philanthropic contributions.

The Executive and Audit Committee is empowered to act for the Board between regular Board meetings on all matters except for certain enumerated actions. Exceeding the Debt Policy’s limit on Internal Financings is not one of the enumerated activities reserved for the full Board. (The incurrence of indebtedness is a power reserved to the full Board; however, the University is not seeking to incur additional indebtedness with this action. Rather, the University is seeking to obligate its own funds to satisfy the matching requirement.) Because time is of the essence and this issue is relatively narrow, this issue is being brought to the Executive and Audit Committee with a request that the Committee act on behalf of the full Board.
REQUESTED COMMITTEE ACTION: Approve the Resolution on behalf of the full Board of Trustees

ATTACHED DOCUMENTS:
1. Draft Resolution
3. Revised Project Financing Plan, March 31, 2015

BACKGROUND READING:
1. Debt Management Policy, approved December 11, 2014
2. Prior resolution approving SBA Project and Stott Center/Viking Pavilion Projects, approved January 30, 2015
RESOLUTION APPROVING INTERNAL FINANCINGS FOR
SCHOOL OF BUSINESS ADMINISTRATION AND STOTT CENTER/VIKING PAVILION PROJECTS

Approved by the Executive and Audit Committee
On Behalf of the Board of Trustees
April __, 2015

BACKGROUND

A. The Oregon Legislative Assembly has authorized the issuance of State of Oregon (“State”) general obligation bonds for the benefit of Portland State University (the “University”) under Article XI-G of the Oregon Constitution for the renovation and expansion of the School of Business Administration’s building (the “SBA Project”) and for the renovation of the Peter Stott Center, including the construction of an event pavilion (the “Stott Center/Viking Pavilion Project”). Article XI-G of the Oregon Constitution requires that the amount of any indebtedness incurred under that article be matched by an amount that is at least equal to the amount of the indebtedness. Article XI-G also requires that the matching amount be used for the same or similar purposes as the proceeds of the indebtedness.

B. On January 30, 2015, the Board of Trustees (the “Board”) approved the SBA Project and the Stott Center/Viking Pavilion Project and authorized the sale of bonds under Article XI-G for both projects. The Board also authorized the execution and delivery of such agreements, documents or certificates as may be required by the State Treasurer or the State’s Bond Counsel to establish that the University has properly matched the amount of the bonds in accordance with Article XI-G(1)(3).

C. The Debt Management Policy adopted by the Board on December 11, 2014 (the “Debt Policy”) provides that the University may use Internal Financings (as defined in the Debt Policy) for various purposes, including providing matching funds for Article XI-G bonds. The Debt Policy provides that the total value of Internal Financings shall not exceed 10% of the core cash balance of the University’s general operating bank account, as projected annually, unless a higher amount is authorized by the Board (or by the Executive and Audit Committee when the Committee is authorized to act on behalf of the Board). In its resolution on January 30, 2015, the Board acknowledged that Internal Financing would be used to provide a portion of the matching amount required for Article XI-G bonds for the SBA Project and Stott Center/Viking Pavilion Project.

D. It is anticipated that the State will issue Article XI-G bonds during or near the week of May 11, 2015. In that case, the University will need to provide evidence of its qualified matching funds to the State Treasurer and the State’s Bond Counsel on or near April 21, 2015.

E. The success of the SBA Project and the Stott Center/Viking Pavilion Project depend upon issuance of the full amount of Article XI-G bonds authorized by the Oregon Legislative Assembly. In order to assure that the University can provide evidence of qualified matching funds necessary for the issuance of the full amount of Article XI-G bonds for the SBA Project and the Stott Center/Viking Pavilion Project on the date required by the State, the University is seeking authorization for Internal Financing in excess of the limit stated in the Policy, if necessary. Doing so may be necessary if adequate contributions are not on hand, or if such contributions include
restrictions that cause them to not count for matching purposes, on the date required by the State.

RESOLUTION

Now, therefore, be it Resolved by the Board of Trustees, that:

1. **Internal Financing.** In order to provide evidence of qualified matching funds necessary for the issuance of the full amount of Article XI-G bonds authorized for the SBA Project and the Stott Center/Viking Pavilion Project on the date required by the State, the University may use up to $8.7 million of Internal Financing, if necessary, notwithstanding the limitations of Section V of the Debt Policy. The University is expected to repay the Internal Financing amount in excess of the otherwise applicable Debt Policy limit as soon as practicable with appropriate philanthropic contributions.

2. **Effective Date.** This resolution shall take effect immediately upon adoption by the Executive and Audit Committee, acting on behalf of the Board of Trustees, and shall be reported to the Board at the next regular Board meeting.

APPROVED BY THE EXECUTIVE AND AUDIT COMMITTEE
ON BEHALF OF THE BOARD OF TRUSTEES
APRIL __, 2015

________________________________________
Secretary to the Board
### Project Finance Plan

<table>
<thead>
<tr>
<th>Project</th>
<th>Plan of Finance</th>
<th>Current Funds Committed</th>
<th>Match for Bond Sale</th>
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<tr>
<td>Deferred Maintenance</td>
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<tr>
<td>XI-Q</td>
<td>$ 5,586,152</td>
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<td>XI-G Bonds</td>
<td>$ 20,000,000</td>
<td>$ 20,000,000</td>
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<td>XI-Q</td>
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<td>F Bonds</td>
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<td>Excess/(Shortfall)</td>
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<td>SBA</td>
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<td>XI-G Bonds</td>
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<td>XI-Q Bonds</td>
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<td>Donations (match)</td>
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<td>Additional donations (goals)</td>
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<td>Excess/(Shortfall)</td>
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### Total Qualified Match In Hand

$ 23,523,843

*Assumed, not yet signed
### Revised Project Finance Plan

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<tr>
<th>Project</th>
<th>Plan of Finance</th>
<th>Current Funds Committed</th>
<th>Qualified In Hand</th>
<th>Pledged (Internal loan against pledges)</th>
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<tr>
<td>Deferred Maintenance</td>
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<th>Peter Stott Center/Viking Pavilion</th>
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<table>
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<td>XI-G Bonds</td>
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<td>XI-Q</td>
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</table>

**Total Qualified Match In Hand**

$21,629,256

- **Total Internal Loan Calculated:** $8,370,744
- **Operating Account Core Balance:** $75,409,700
- **10% Internal Financing Limit:** $7,540,970
- **Total Internal Loan Limit Requested:** $8,700,000

Internal Loan Limit, Requested As a % of Core: 11.5%
DEBT MANAGEMENT POLICY

This policy sets forth the principles that will govern the use of debt to finance University capital projects and assigns responsibilities for the management of University debt. This policy describes the framework for approving debt financing for projects and for managing the University’s debt capacity and debt affordability, which are important tools for furthering the University’s mission.

The University seeks to achieve the lowest cost of capital that is consistent with its risk tolerance and the principal of intergenerational equity. While the Debt Management Policy is a stand-alone policy, it should be considered in conjunction with liquidity and investment policies.

I. Definitions

A. “Bank Products” means financing obtained from banks or other third parties, rather than through capital markets, such as a line of credit.

B. “Board” means the Portland State University Board of Trustees or the Executive and Audit Committee when authorized to act on behalf of the Board of Trustees.

C. “Commercial Paper” is a form of short-term unsecured debt that is issued in tranches with maturities of 1-270 days and which must be redeemed or rolled over at maturity. Commercial Paper may provide interim financing for projects in anticipation of philanthropy, planned issuance of long-term debt or other sources of funds.

D. “State-Paid Debt” means borrowings that are expected to be repaid from state appropriations. This includes Article XI-G Bonds, Article XI-M Bonds, certain Article XI-Q Bonds, Lottery Bonds, and certain State Energy Loan Program (SELP) loans.

E. “University-Paid Debt” means borrowings that are expected to be repaid from revenues of the University. This includes Article XI-F(1) Bonds, certain Article XI-Q Bonds, certain SELP loans, Revenue Bonds, Bank Products, Commercial Paper, and alternative financing structures, such as public-private partnerships, that would be either included in the University’s balance sheet or considered on-credit by rating agencies.

F. “Internal Financing” means the short-term loaning of University funds for use on a particular University project. Internal Financing may be utilized for emergency physical plant needs or for other purposes, such as to provide matching funds for Article XI-G Bonds in anticipation of philanthropy.

G. “Revenue Bonds” means bonds issued by the University based on its own credit rating. For the purpose of this policy, Revenue bonds includes all debt, obligations, or extensions of credit incurred or received by the University, both short- and long-term, that are not Article XI-F(1) Bonds, Article XI-G Bonds, Article XI-M Bond, Article XI-Q Bonds, Lottery Bonds, or SELP loans. Revenue Bonds may be backed by a general or specific revenue pledge of the University and do not require legislative approval.
II. Roles and Responsibilities

A. The Board of Trustees retains authority and responsibility for:

1. Reviewing and approving capital projects in an amount greater than $5 million, regardless of source of funding or consideration of debt financing.
2. Reviewing and approving any debt financing in an amount greater than $5 million.
3. Reviewing and approving land and improvement leases with a total consideration exceeding $5 million or a lease term over 15 years.
4. Approving this policy, amending this policy as necessary, and reviewing this policy at least every five years.

B. The Board delegates to the President, who may further delegate to the Vice President for Finance and Administration and University Treasurer, authority and responsibility for:

1. Implementing this policy.
2. Reviewing and approving, provided that doing so is consistent with the best interests of the University and sound fiscal management and does not fundamentally and detrimentally affect the financial condition of the University or the ratios identified in Section IV of this policy:
   a. capital projects in an amount up to $5 million, regardless of source of funding or consideration of debt financing;
   b. debt financing in an amount up to $5 million; and
   c. land and improvement leases with a total consideration up to $5 million or a lease term up to 15 years.
3. Establishing a comprehensive compliance program for debt management and post-issuance compliance. Such a program is to clearly assign responsibilities within the University, require the prudent investment of unspent bond funds, and require regular monitoring to satisfy continuing disclosure requirement and ensure compliance with this policy, bond resolutions, bond covenants, and applicable laws, regulations and other requirements. This program must include a post-issuance compliance policy addressing legal requirements imposed by the Securities and Exchange Commission and Internal Revenue Service and all other relevant laws relating to the use of debt, particularly tax-advantaged debt. The post-issuance compliance policy must include, at a minimum, the procedures and systems used to monitor compliance, the responsibilities of the compliance officer, private use and arbitrage analysis requirements, and records management and retention guidelines.
4. Retaining expert advisors, including bond counsel, financial advisors, underwriters, paying agents, and other related service providers. The solicitation and selection process for such services will comply with the University’s procurement requirements. The retention of such advisors should be reconsidered at least every five years.
5. Analyzing and presenting recommendations to the Board in connection with each proposed debt financing transaction, after (1) identification of the source of repayment for each project, together with pro forma financial statements and related assumptions, and (2) consideration of internal coverage requirements for each project and/or auxiliary providing repayment.
6. Pricing of University Revenue Bonds, recognizing that the Oregon State Treasurer possesses authority to price debt issued as part of the debt programs administered by the State.

7. For previously issued state general obligation bonds from which PSU received proceeds, approval of refunding opportunities determined by the State Treasurer to be in the best interests of the State of Oregon.

8. Overseeing management of daily activities relating to debt and debt issuance.

9. Entering into or endorsing reimbursement resolutions, authorization resolutions, and such other documents as may be necessary for any debt issuance previously authorized by the Board.

10. Approving Internal Financings up to limit provided in Section V of this policy.

III. Conditions Governing Issuance of Debt

A. The University may use debt financing for academic, administrative, and auxiliary facilities and equipment, as well as any other infrastructure needs or property acquisitions, that are consistent with the University’s mission and strategic priorities and part of the University’s capital plan.

B. No University-paid Debt or State-paid Debt in an amount greater than $5 million will be issued or sought without prior approval of the Board, including land and improvement leases with total payments greater than $5 million over the term of the lease. When the University issues or seeks University-paid Debt, the Board’s authorizing resolution will generally include its finding, based on an analysis of debt affordability and capacity, that the financed project is both self-liquidating and self-supporting. The Board may make exceptions for projects that further the University’s mission, even if not self-liquidating and self-supporting, taking into consideration other unobligated and legally-available revenues of the University.

C. No University-paid Debt in an amount greater than $5 million will be issued or sought without prior analysis and notification to the Board of all covenants associated with such issue.

D. University-paid Debt may be repaid from general revenues of the University or may be secured by a specified revenue stream.

E. When issuing or seeking University-paid Debt or State-paid Debt:

1. The University will evaluate the form of debt that is best suited for the project, taking into consideration debt-type characteristics, costs and risks.

2. The University will seek the lowest available cost of capital, taking into consideration administrative capacity, the University’s risk tolerance, and the need to sustain adequate flexibility to allow the University to achieve its strategic goals.

3. The University will determine whether to issue debt through the State (if eligible) or independently, taking into consideration the cost of capital, financial flexibility and the use of debt capacity.

4. The University will identify a source of repayment and demonstrate that sufficient revenues are available to support debt service over the life of the financing.
5. The maturity and term of debt repayment will be determined based on the expected availability of resources, other long term goals and obligations of the borrowing unit and the University, the useful life of the assets being financed, and market conditions at the time of financing. The term of a debt financing will not exceed 1.2 times the estimated useful life of the property and equipment being financed.

6. If debt is issued through the State, the University will adhere to the requirements set forth by the State.

7. As long as the University intends to remain eligible to receive proceeds from Article XI(F)(1) Bonds or Article XI-Q Bonds to be repaid from University revenues or other University moneys, the University will not issue Revenue Bonds without first obtaining the approval of the State Treasurer, as provided in ORS 351.369.

8. The University will utilize tax-advantaged debt when legally possible and when tax-advantaged debt does not unnecessarily restrict the anticipated usage of the financed facilities. Projects financed with tax-advantaged debt will be identified and tracked to ensure compliance with all tax and reimbursement regulations. Taxable debt will be utilized when the project does not qualify for tax-advantaged debt. The University will aim to amortize any taxable debt before any tax-advantaged debt if that reduces the overall debt cost of the University.

9. In general, fixed-rate debt will be utilized. However, the University may utilize variable-rate debt when appropriate for a particular financing plan, taking into consideration bond market conditions, the University's liquidity position, and risks associated with variable-rate debt (including interest rate risk, remarketing risk and liquidity renewal risk). The University will not issue more than 20% variable-rate debt (including synthetic fixed-rate debt) as a percentage of all University-paid Debt.

10. Financial covenants and restrictions will be minimized to the extent possible, taking into consideration the long-term capital requirements of the University.

11. The University will utilize debt which provides for sufficient ability to refinance if market conditions or other factors warrant that action. Refinancing may be appropriate if doing so relieves the University of covenants, payment obligations, constraints or reserve requirements that limit flexibility, consolidates debt into a general revenue pledge, or reduce the cost and administrative burden of managing small outstanding obligations. The University recognizes that the Oregon State Treasurer retains authority to refinance debt issued as part of the debt programs administered by the State.

F. The University will not enter into any derivative transactions without first adopting a derivatives policy.

IV. Debt Ratios

A. Debt capacity is a subjective measure, typically associated with balance sheet strength and the ability to repay debt on demand. The University’s risk tolerance will inform the amount of leverage that can comfortably be assumed.
B. Debt affordability is also a subjective measure and typically associated with income statement strength. Operating performance and the ability to meet debt service requirements will inform the affordability of existing and additional debt.

C. The University recognizes that its strategy and mission must be the primary drivers of its capital investment and use of debt. Although external credit ratings provide a view on debt capacity and affordability, the University does not manage its debt portfolio to achieve a specific rating. Success in achieving University objectives will over time result in a stronger financial profile and higher ratings.

D. The University will monitor five financial ratios to assist the Board in evaluating debt capacity and affordability, as described below.

1. Viability Ratio (balance sheet leverage ratio)
   
   Expendable Resources (including available resources of the PSU Foundation) / Debt
   
   *Measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the University’s mission*

2. Primary Reserve Ratio (income statement leverage ratio)
   
   Expendable Resources (including available resources of the PSU Foundation) / Total Expenditures
   
   *Measures whether financial resources are sufficient and flexible enough to support the University’s mission*

3. Debt Burden Ratio (affordability ratio)
   
   Debt Service / Total Expenditures Minus Depreciation Plus Principal Payments
   
   *Measures the University’s dependence on debt to finance its mission and the relative cost of borrowing to overall expenditures*

   Guideline maximum debt burden ratio = 7%

4. Debt Service Coverage (affordability ratio)
   
   3-Year Average Net Operating Income Plus Non-Operating Revenues Plus Interest and Depreciation / Debt Service
   
   *Measures the sufficiency of operations on a cash flow basis to cover debt service*

5. Debt / Revenues (income statement leverage and affordability ratio)
   
   *Measures the amount of leverage relative to the size of operations*

E. All ratio calculations will be based on industry standards and include all “direct debt”. In addition to bonds and bank debt, direct debt includes capital leases and any off-balance sheet or similar financing structures that would be considered on-credit.

F. Indirect debt, such as operating leases, is excluded from the above calculations. However, indirect debt is considered part of the University’s “comprehensive debt”, which is a broader measure of
the University’s debt obligations. The University recognizes that the use of indirect debt has an impact on debt capacity and affordability.

V. **Internal Financings**

Internal Financing may be used when it is determined to be the most appropriate and cost-efficient mechanism for meeting certain financing needs. Unless authorized by the Board, the total value of Internal Financings shall not exceed 10% of the core cash balance of the University’s general operating bank account, as projected annually. If the core cash balance of the University’s general operating bank account is projected to be inadequate to cover liquidity requirements for any 30-day period in the following 12 months, no Internal Financing will be permitted unless approved by the Board. The maximum term of any single Internal Financing shall not exceed three (3) years.

VI. **Short-Term Financings**

The University will not issue Commercial Paper or enter into other short-term financing arrangements using Bank Products without first adopting a Short-Term Financings Policy and seeking input from a consultant with expertise with short-term financing products.

VII. **Reporting Requirements**

The Board’s Finance and Administration Committee is to be provided a detailed report and update including:

A. At least annually or when additionally requested, all outstanding University-paid Debt and State-paid Debt (by type, purpose and repayment source, where applicable).

B. At least annually or when additionally requested, the amount of outstanding principal, interest rates, maturity dates, debt service requirements and changes in outstanding debt since the previous year’s report.

C. Upon the release of annual audited financial statements, the debt ratios identified in Section IV above.

D. At least annually or when additionally requested, for any variable rate debt, the status and remaining term of any letter of credit or similar liquidity source.

E. At least quarterly or when additionally requested, any known or anticipated new debt issuance, use of Internal Financing mechanisms, or accessing of Short-Term Financings regardless of value.

F. Significant restructuring or refinancing opportunities.

APPROVED BY THE BOARD OF TRUSTEES
December 11, 2014
RESOLUTION APPROVING SCHOOL OF BUSINESS ADMINISTRATION,
STOTT CENTER/VIKING PAVILION AND DEFERRED MAINTENANCE PROJECTS
AND THE ISSUANCE OF STATE OF OREGON GENERAL OBLIGATION BONDS

Approved by the Board of Trustees
January 30, 2015

BACKGROUND

A. The Oregon Legislative Assembly has authorized the issuance of State of Oregon ("State") general obligation bonds for the benefit of Portland State University (the "University") under Article XI-G, Article XI-Q and Article XI-F(1) of the Oregon Constitution, applicable provisions of ORS Chapters 286A, 351 and 352 (collectively, the "Act"), and chapter 705, Oregon Laws 2013, as amended by chapter 121, Oregon Laws 2014 (together the "2013-2015 Bond Bill").

B. The 2013-2015 Bond Bill authorizes funding for three University projects: (1) the renovation and expansion of the School of Business Administration's building (the "SBA Project"), (2) the renovation of the Peter Stott Center, including the construction of an event pavilion (the "Stott Center/Viking Pavilion Project"), and (3) campus-wide deferred maintenance (the "Deferred Maintenance Project").

C. The SBA Project is anticipated to be a $60,000,000 to $65,000,000 project. The 2013-2015 Bond Bill authorizes the issuance of State general obligation bonds for the SBA Project as follows: $10,000,000 of Article XI-G bonds and $30,000,000 of Article XI-Q bonds. In addition, the SBA Project is expected to be financed with $10,000,000 of University matching funds and approximately $10,000,000 to $15,000,000 of additional University funds.

D. The Stott Center/Viking Pavilion Project is anticipated to be an approximately $44,000,000 project. The 2013-2015 Bond Bill authorizes the issuance of State general obligation bonds for the Stott Center/Viking Pavilion Project as follows: $20,000,000 of Article XI-G bonds, $2,000,000 of Article XI-Q bonds, and $2,000,000 of Article F(1) bonds. In addition, the Stott Center/Viking Pavilion Project is expected to be financed with $20,000,000 of University matching funds and potentially additional University funds.

E. The Deferred Maintenance Project is anticipated to provide approximately $5,500,000 to fund deferred maintenance needs on the University campus. The 2013-2015 Bond Bill authorizes the issuance of Article XI-Q bonds for statewide deferred maintenance projects at public universities.

F. On December 11, 2014, the Board of Trustees (the "Board") of the University approved the University's Debt Management Policy, addressing among other things the issuance of "State-Paid Debt," defined as borrowings that are expected to be repaid from state appropriations including Article XI-G Bonds and certain Article XI-Q Bonds, and the issuance of "University-Paid Debt," defined as borrowings that are expected to be repaid from revenues of the University including Article XI-F(1) Bonds.

G. Under Section II.A.2 of the Debt Management Policy, the Board retains authority and responsibility for reviewing and approving any debt financing in an amount greater than
$5,000,000. Under Section III.B of the Debt Management Policy, no debt financing in an amount greater than $5,000,000 is to be issued or sought without prior approval of the Board.

H. Consistent with Section III.E of the Debt Management Policy, the University has evaluated the form of debt that is best suited for the SBA Project, Stott Center/Viking Pavilion Project, and Deferred Maintenance Project, has considered the cost of capital, and has determined to issue debt through the State for a portion of the costs of these projects, taking into consideration the cost of capital, financial flexibility and the use of debt capacity.

I. This Board desires to approve Article XI-G and Article XI-Q bonds for the benefit of the SBA Project, Stott Center/Viking Pavilion Project, and Deferred Maintenance Project, consistent with the authorization of the 2013-2015 Bond Bill, and as may be provided by law and as otherwise required by law for the 2013-2015 biennium without requiring further action of this Board.

J. Under Section II.B.2.b of the Debt Management Policy, the Board has delegated to the President, who may further delegate to the Vice President for Finance and Administration and University Treasurer, authority and responsibility for debt financing in an amount up to $5,000,000, and therefore the President (or his delegatee) may approve the $2,000,000 in Article XI-F bonds and the $2,000,000 in Article XI-Q bonds for the Stott Center/Viking Pavilion Project, consistent with the 2013-2015 Bond Bill and without further Board action.

K. Article XI-G of the Oregon Constitution requires that the amount of any indebtedness incurred under that section in any biennium shall be matched by an amount that is at least equal to the amount of the indebtedness, and may include moneys available to the University. Article XI-G also requires that the matching amount be used for the same or similar purposes as the proceeds of the indebtedness.

L. Under Section V of the Debt Management Policy, Internal Financings may be used to provide matching funds for Article XI-G Bonds in anticipation of the receipt of philanthropic funds for a project, up to the total amount permitted by Section V of the Debt Management Policy. Under Section II.B.10 of the Debt Management Policy, the Board has delegated to the President, who may further delegate to the Vice President for Finance and Administration and University Treasurer, authority to approve Internal Financing up to the total amount permitted by Section V of the Debt Management Policy without further Board action. It is anticipated that Internal Financings will be used to provide a portion of the matching amount required for Article XI-G Bonds.

M. The Board hereby finds that moneys available to the University have been and will be applied to pay a portion of the costs of the projects to be financed in part with the proceeds of Article XI-G bonds to be issued in the 2013-2015 biennium to satisfy this match requirement.

N. Under Section II.B.9 of the Debt Management Policy, the Board has delegated to the President (who may further delegate to the Vice President for Finance and Administration and University Treasurer) authority to enter into or endorse reimbursement resolutions, authorization resolutions, and such other documents as may be necessary for any debt issuance authorized by the Board, including debt authorized by the President or his delegatee pursuant to the Debt Management Policy.
RESOLUTION

Now, therefore, be it Resolved by the Board of Trustees, that:

1. **Project Approvals.** The SBA Project, the Stott Center/Viking Pavilion Project, and the Deferred Maintenance Project are approved. The President or his designee is authorized to make adjustments to the project budgets and financing plans as necessary, within the limits of applicable law and Board policy.

2. **Article XI-G Bonds.** Article XI-G Bonds are authorized to be sold under the Act for the benefit of the University. The University hereby approves the Article XI-G bonds, as authorized by the 2013-2015 Bond Bill, for the SBA Project and the Stott Center/Viking Pavilion Project.

3. **Article XI-Q Bonds.** Article XI-Q Bonds are authorized to be sold under the Act for the benefit of the University. The University hereby approves the Article XI-Q Bonds for the SBA Project, Stott Center/Viking Pavilion Project, and Deferred Maintenance Project.

4. **Terms, Sale and Issuance.** The Article XI-G and Article XI-Q bonds authorized by this resolution (the “Bonds”), shall be issued in such series and principal amounts as the State Treasurer, after consultation with the applicable related or project agency(ies), shall determine are required to pay or reimburse costs of the projects described in Sections 1 and 2 of this resolution. The Bonds shall mature, bear interest and otherwise be structured, sold and issued as the State Treasurer determines after such consultation.

5. **Maintenance of Tax-Exempt Status.** The President of the University, who may further delegate to the Vice President for Finance and Administration and University Treasurer (each an "Authorized University Representative") is hereby authorized to covenant, on behalf of the University, to comply with the provisions of the Internal Revenue Code of 1986, as amended, that are required for interest on tax-exempt bonds to be excluded from gross income for federal income taxation purposes, for bonds issued on a tax-exempt basis and to execute and deliver such agreements, documents or certificates required for such bonds to be issued on a tax-exempt basis.

6. **Ratification and Approval of Actions.** The Board hereby ratifies and approves all prior actions taken on behalf of the Board or the University related to the Bonds. The Board hereby authorizes, empowers and directs the Authorized University Representative to take further actions as may be necessary or desirable related to the Bonds and bonds authorized to be approved by the President or his delegatee under the Debt Management Policy, including, without limitation, (i) requesting the issuance of bonds; (ii) covenanted to perform on behalf of the University, and performing, any actions necessary to comply with requests from the State Treasurer authorized under ORS chapter 286A to administer the bonds, (iii) the execution and delivery of any agreements, documents or certificates, including any grant or trust agreements with the State Treasurer and any other party, if necessary, as may be necessary or desirable to carry out such actions or arrangements, and (iv) to take such other actions as are necessary or desirable for the purposes and intent of this resolution.
7. **Matching Funds.** The Authorized University Representative is hereby authorized to execute and deliver such agreements, documents or certificates required by the State Treasurer or the State’s Bond Counsel to establish that the University has properly matched the amount of the Bonds in accordance with the provisions of Article XI-G(1)(3).

8. **Effective Date.** This resolution shall take effect immediately upon adoption by the Board.

APPROVED BY THE BOARD OF TRUSTEES
JANUARY 30, 2015

[Signature]
Secretary to the Board