<table>
<thead>
<tr>
<th>TAB</th>
<th>DESCRIPTION</th>
<th>ACTION</th>
</tr>
</thead>
</table>
| 1   | AMENDMENT TO BOARD POLICY  
Section V.B. – Budget Policies – First Reading | Motion to approve |
| 2   | AMENDMENT TO BOARD POLICY  
Section V.E. – Gifts and Affiliated Foundations – First Reading | Motion to approve |
| 3   | FY2019 PERMANENT BUILDING FUND  
Permanent Building Fund Advisory Council (PBFAC) Recommendations | Information item |
| 4   | BOISE STATE UNIVERSITY  
Authorization for Issuance of General Revenue Bonds | Motion to approve |
| 5   | IDAHO STATE UNIVERSITY  
One-time Transfer of NCAA Endowment Funds Through the ISU Foundation | Motion to approve |
| 6   | UNIVERSITY of IDAHO  
Authorization for Issuance of General Revenue Bonds | Motion to approve |
SUBJECT
Amendment to State Board of Education Policy V.B.—first reading

REFERENCE

October 2012  Idaho State Board of Education (Board) approved revisions to Occupancy Cost policy in Policy V.B.

December 2015  Board approved second reading of amendment to Policy V.B., revising Occupancy Cost request notification procedures

APPLICABLE STATUTES, RULE OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.B.

BACKGROUND / DISCUSSION
This proposed amendment to Board Policy V.B. revises and clarifies the process for notification and verification of Occupancy Cost requests. The amendment also incorporates a new paragraph to place the Board’s earlier-approved guidelines on minimum institutional financial reserve targets within Board policy.

The proposed revisions to Paragraph 10 of the policy clarify that the Occupancy Cost formula for the custodial costs of newly eligible space is a linear formula based on one custodian per each 26,000 square feet. An example is provided illustrating the computation for an incremental increase of 13,000 square feet. This wording aligns the text of the policy with current practice and does not increase or decrease the computed costs for custodial support. [Note: custodial cost computations can change from one year to another if the State’s pay grade for classified staff custodians are adjusted.] The policy recognizes that eligible new space, regardless of size, requires custodial support, and this requires allocation of custodians’ time, regardless of whether new custodians are hired or if the incremental workload is distributed among an institution’s pool of custodial employees.

An additional revision is proposed to Paragraph 10 to provide guidance to institutions to facilitate timely and accurate “verification” reports on Occupancy Costs, once an institution occupies a facility. This change complements the recent initiative to standardize Occupancy Cost request “notification” reports to the Division of Financial Management (DFM) and the Legislative Services Office (LSO). The streamlined process should significantly improve verification reporting. A link is provided to a standardized data sheet (Attachment 2), developed by Board Staff in coordination with the institutions, for consistent reporting of both initial notification and final verification for Occupancy Cost requests.

A new Paragraph 12 on “Target Reserves” is proposed to capture the Board’s previous guidance (that the affected institutions maintain at least 5% financial reserve levels, as computed by dividing available unrestricted funds by annual
operating expenses) which is relocated from its previous location in an earlier version of the Board’s Strategic Plan.

IMPACT
Approval of the proposed amendments will clarify and streamline Occupancy Cost request procedures and will improve the associated notification and verification reports submitted to DFM and LSO. There should be no fiscal impact to current budgets as a result of the proposed changes, beyond improving the accuracy of estimates and final computations of Occupancy Costs. The amendments also incorporate the Board’s guidance on minimum financial reserve levels into Board policy, thereby documenting the earlier-established minimum reserve level for use by institutions as they develop and implement their strategic plans.

ATTACHMENTS
Attachment 1 – Amendment to Board policy V.B. – first reading Page 3
Attachment 2 – Occupancy Cost notification/verification data sheet Page 11

STAFF COMMENTS AND RECOMMENDATIONS
The proposed revisions to Board Policy V.B. were reviewed by the Business Affairs and Human Resources Committee and Financial Vice Presidents on December 8, 2017. The revisions will improve the Occupancy Cost request process and assist the institutions as they manage financial reserves.

Staff recommends approval.

BOARD ACTION
I move to approve the first reading of the proposed amendments to Board policy V.B., Budget Policies, as presented in Attachment 1.

Moved by____________ Seconded by____________ Carried Yes ___ No ___
SUBJECT
   Amendment to Idaho State Board of Education Policy V.E. – First Reading

REFERENCE
   February 2006  Board approved the second reading of amendment to Board policy V.E.

APPLICABLE STATUTE, RULE, OR POLICY
   Idaho State Board of Education Governing Policies & Procedures, Section V.E.

BACKGROUND/DISCUSSION
   Board Policy V.E. provides guidance on institutions’ relationships with their affiliated foundations, and the Board’s role in approving institution-foundation operating agreements. Affiliated foundations operate as Idaho nonprofit organizations that are legally separate from the institutions and are recognized as 501(c)(3) public charities by the Internal Revenue Service. The institution is required to enter into a written operating agreement with each of its affiliated foundations.

   Current practice, in place since the main provisions of Policy V.E. were established, is that in cases where an affiliated foundation routes all donations, gifts, monies, properties, etc., to the host institution through another recognized foundation (e.g., if a booster organization routes all funds to the institution through the institution’s primary foundation), the Board must periodically approve the institution-operating agreement only for the foundation which transfers funds directly to the institution. The proposed amendment clarifies policy to conform to current practice, and it provides a template for use by institutions and the Board in developing and updating operating agreements submitted to the Board for approval.

IMPACT
   Under the proposed amendment, institutions and their affiliated foundations will continue to have the option to provide foundation-raised funding directly to the institution, on the basis of Board-approved operating agreements. Affiliated foundations that prefer to route all funds/gifts to the institution through another Board-approved foundation, could do so, and recurring approval of their operating agreements would not be required. This arrangement ensures continued Board oversight over resources provided to institutions under its authority, while maintaining a degree of flexibility in the operation of various foundations which support the institutions. This clarification to policy should have no direct financial impact on the institution’s finances/budget.

ATTACHMENTS
   Attachment 1: V.E. Gifts and Affiliated Foundations  Page 3
   Attachment 2: Affiliated Foundation Agreement Template  Page 15
STAFF COMMENTS AND RECOMMENDATIONS

The proposed amendment brings the text of the policy into conformance with current practice and the stated intent of the Board at the time the applicable sections of policy V.E. were established in 2006. The updated policy enables continued close oversight of funds/gifts/properties being conveyed between an institution and an affiliated foundation. The amendment also incorporates a number of minor technical revisions and a reorganization of material to improve clarity and user-friendliness. A standard template for foundation operating agreements has been developed in order to streamline the current review and approval process, and is provided at Attachment 2.

Staff recommends approval.

BOARD ACTION

I move to approve the first reading revisions to Board policy V.E. and use of the associated affiliated foundation agreement template, as presented in Attachments 1 and 2, respectively.

Moved by____________ Seconded by____________ Carried Yes____ No____
SUBJECT
FY 2019 Permanent Building Fund Advisory Council recommendations

REFERENCE
August 2017 State Board of Education (Board) approved the FY2019 Permanent Building Fund (PBF) capital project requests submitted by the universities and noted the capital project requests submitted by the community colleges

APPLICABLE STATUTE, RULE, OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.B.8. and Section V.K.

BACKGROUND/DISCUSSION
Annual budget requests for major construction projects—i.e. capital projects, alteration and repair (A&R) projects, and Americans with Disabilities Act (ADA) projects—follow a dual-track approval process. In addition to the oversight and approval process provided by the Board, major construction project budget requests are also subject to review and prioritization by the Permanent Building Fund Advisory Council (PBFAC), with staff assistance provided by the Division of Public Works (DPW). After the Board deliberated upon and approved PBF requests from the colleges and universities in August 2017, the requests were submitted to DPW for review, and DPW then developed recommendations for the distribution of limited PBF dollars for FY2019 which were considered and approved by the PBFAC on November 2, 2017.

The infrastructure needs of the higher education institutions significantly exceed the available resources within the PBF. Deferred maintenance needs at the institutions are calculated to be on the order of hundreds of millions of dollars. Idaho institutions’ needs reflect the national trend in which average deferred maintenance per square foot at public institutions is approximately $110 dollars per square foot. The four 4-year institutions in Idaho own and maintain over 15 million square feet of facilities, suggesting a deferred maintenance level (not counting the community colleges’ facilities) of over $1 billion. The PBF dollars available for allocation to all state agencies in FY2019 total approximately $33.2 million. Within that amount, the PBFAC has recommended approximately $3.0M for capital construction projects, $28.9M for A&R projects, and $1.3M for ADA projects.

The recommended PBF allocation for FY2019 differs sharply from the FY2018 approach. For FY2018 a typical number of A&R and ADA requests were funded, while over $42M in additional funding was provided for new capital construction projects for higher education, including $10M for BSU’s Center for Materials Science; $10M for LCSC’s Career Technical Education Facility; $10M for UI’s Center for Agriculture, Food and the Environment; $10M for ISU's Gale Life Sciences Building; and $2.4M for the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) facility expansion in Moscow. This exceptional level of one-time capital project funding was made possible by the infusion of over $45M of General Fund dollars to supplement the FY2018 PBF pool.
The PBFAC’s recommendations for FY2019 emphasize A&R projects. The Governor and representatives of the Division of Financial Management (DFM) and Legislative Services Office (LSO) met with the PBFAC, the Director of the Department of Administration, DPW Staff, and Board Staff on the morning of November 2, 2017 to discuss the Governor’s PBF priorities for FY2019. The Governor stressed the need for increased focus on deferred maintenance needs, and he suggested that PBF support for construction of new facilities be limited. He stressed the need to maintain the facilities we have, even though that function often appears to be less glamorous and less likely to earn matching funds from external donors than building and naming brand new facilities. In response to the Governor’s questions, Board staff providing a brief outline of the higher education facilities Occupancy Cost process (which includes ongoing funding to maintain facilities), the scope of deferred maintenance needs at the institutions, and the significant resources that the colleges and universities have provided from internal and external sources to leverage the limited PBF pool of dollars—which has remained essentially constant for decades. Board staff also emphasized that addressing deferred maintenance needs and keeping higher education facilities in safe working order to support the education of students has been—and continues to be—a priority for the State Board of Education.

The table below summarizes the higher education capital project requests for FY2019.

<table>
<thead>
<tr>
<th>FY2019 Permanent Building Fund Requests</th>
<th>Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PBF Request</td>
</tr>
<tr>
<td>Boise State University</td>
<td></td>
</tr>
<tr>
<td>New Academic Building</td>
<td>10,000,000</td>
</tr>
<tr>
<td>College of Innovation and Design</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Science Laboratory Building</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Idaho State University</td>
<td></td>
</tr>
<tr>
<td>ISU Health and Wellness Center</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Relocate COT programs to Eames bldg (Phase 2)</td>
<td>6,510,000</td>
</tr>
<tr>
<td>Remodel Frazier Hall basement</td>
<td>1,299,700</td>
</tr>
<tr>
<td>Meridan dental expansion</td>
<td>2,300,000</td>
</tr>
<tr>
<td>University of Idaho</td>
<td></td>
</tr>
<tr>
<td>Library Renovations/Student Success Improvements</td>
<td>2,800,000</td>
</tr>
<tr>
<td>Research and Classroom Facility</td>
<td>4,000,000</td>
</tr>
<tr>
<td>College of Southern Idaho</td>
<td></td>
</tr>
<tr>
<td>Canyon Building Remodel and Modernization</td>
<td>829,000</td>
</tr>
<tr>
<td>College of Western Idaho</td>
<td></td>
</tr>
<tr>
<td>Nampa Campus Health Science Building</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Boise Campus Building &amp; Site Development</td>
<td>750,000</td>
</tr>
<tr>
<td>North Idaho College</td>
<td></td>
</tr>
<tr>
<td>Meyer Health Science Bldg addition</td>
<td>4,875,950</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

LCSC and EITC had no capital project PBF requests for FY 2019
The PBFAC’s FY2019 PBF recommendations for higher education conform to the Governor’s emphasis on deferred maintenance. Out of the $59.4 million in PBF requests by the colleges and universities for capital projects, only one institution (College of Southern Idaho) was recommended for PBF support—and that $830,000 recommendation was for the remodel of an existing facility. No “brand new” facility projects made the PBFAC recommendation list. In contrast to the austere recommendation for capital (new building) projects, the FY2019 PBF list provides a healthy allocation of funds for A&R projects and ADA requests. The PBF allocations to the higher education institutions in these categories is, on average, higher than the typical funding levels of recent years. The list of the PBFAC’s recommendations is summarized in the table below, and an itemized list of recommended projects for FY2019 is provided in Attachment 1.

<table>
<thead>
<tr>
<th>FY2019 PBF Recommendations</th>
<th>Capital Projects</th>
<th>Alteration &amp; Repair</th>
<th>ADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boise State University</td>
<td>-</td>
<td>4,439,791</td>
<td>350,000</td>
</tr>
<tr>
<td>Idaho State University (incl. $733,139 for CHE in IF)</td>
<td>-</td>
<td>5,152,279</td>
<td>350,000</td>
</tr>
<tr>
<td>University of Idaho</td>
<td>-</td>
<td>4,346,300</td>
<td>330,600</td>
</tr>
<tr>
<td>Lewis-Clark State College</td>
<td>-</td>
<td>900,000</td>
<td>-</td>
</tr>
<tr>
<td>Eastern Idaho Technical College</td>
<td>-</td>
<td>592,000</td>
<td>-</td>
</tr>
<tr>
<td>College of Southern Idaho</td>
<td>830,000</td>
<td>926,000</td>
<td>-</td>
</tr>
<tr>
<td>College of Western Idaho</td>
<td>-</td>
<td>385,000</td>
<td>-</td>
</tr>
<tr>
<td>North Idaho College</td>
<td>-</td>
<td>770,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>830,000</strong></td>
<td><strong>17,511,370</strong></td>
<td><strong>1,030,600</strong></td>
</tr>
</tbody>
</table>

The PBFAC will continue its efforts to educate lawmakers on the need for additional funding to support Idaho’s infrastructure, and the Council echoed the Governor’s point that deferred funding for maintenance of facilities is shifting a major burden onto the backs of future generations of Idahoans. The Council intends to explore avenues in which additional infusions of General Fund dollars into the PBF would be possible.

The next phase in the facilities funding process will be centered on the Joint Finance-Appropriations Committee’s consideration of the recommendations from the PBFAC and the Governor’s FY2019 budget request.

**IMPACT**

The PBFAC’s FY2019 PBF recommendations will be helpful to the institutions as they work to address the highest priority items on their deferred maintenance lists. The focus
on A&R projects for the FY2019 funding cycle complements the approach taken in FY2018 in which higher education received exceptional support for major capital projects. Regardless of the balance point between new facilities construction and maintenance of current facilities in annual PBF budgets, the total dollars available from the state at the current PBF funding levels are insufficient to sustain the infrastructure needs of higher education and sister agencies in the state.

ATTACHMENTS
Attachment 1-FY2019 PBFAC PBF recommendations

STAFF COMMENTS AND RECOMMENDATIONS
Efforts by the Board and the institutions and agencies under its authority to educate lawmakers and the public on infrastructure support needs should continue. The Governor has expressed his interest in revisiting the facility sustainment approaches and formulas established in the higher education Occupancy Cost process to improve the current system. Board staff will continue to point out the costs/benefits trade-off analysis that drives decisions to demolish and replace some of the system’s oldest, maintenance-intensive facilities with new, safe, and efficient facilities. There should be a balance of funding for capital projects, A&R projects, and ADA projects within annual budget cycles and over time. A process which could tap sufficient reserves to take advantage of economic cycles (the ability to continue infrastructure investments during economic downturns, when construction costs are most favorable) would be helpful.

BOARD ACTION
This item is for informational purposes only. Any action will be at the Board’s discretion.
BOISE STATE UNIVERSITY

SUBJECT
Authorization for issuance of general revenue project bonds

REFERENCE
August 2014  Idaho State Board of Education (Board) approved Alumni and Friends Center development and occupancy agreement

October 2015  Board approved planning and design of Center for Materials Science Research

December 2016  Board approved planning and design for relocation of displaced facilities operations and central receiving into a new Campus Planning and Facilities building

August 2017  Board approved construction of Micron Center for Materials Research

APPLICABLE STATUTE, RULE, OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.B.8, V.F, V.I, V.K
Title 33, Chapter 38, Idaho Code

BACKGROUND/DISCUSSION
Boise State University (BSU) requests approval to issue tax-exempt general revenue bonds ("Series 2018A Bonds") pursuant to a Supplemental Bond Resolution in an amount not to exceed $20,702,000.

<table>
<thead>
<tr>
<th>Construction Projects NTE</th>
<th>$16,500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni and Friends Center</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Estimated issuance costs</td>
<td>202,000</td>
</tr>
<tr>
<td>Maximum Bond Issue</td>
<td>$20,702,000</td>
</tr>
</tbody>
</table>

In October of 2015, after receiving a $25 million gift from Micron, BSU received Board approval for planning and design of a new Center for Materials Research to support the growth and prominence of the Materials Science and Engineering (MSE) program. In August 2017, the Board approved the project for construction. This request for financing approval is the final stage before bidding and entering into construction contracts.

Construction Projects
The MSE program is the leading program in the northwest and has the largest enrollment of any doctoral level engineering program in Idaho. The new state-of-the-art building will be located on University Drive on the block directly west of the Engineering Building/Micron Engineering building. The location and design of the building have been thoughtfully considered to showcase the engineering and research mission of the building and to allow for easy access to the new academic space.

The building will consist of approximately 97,000 gross square feet including world-class research laboratory and computational spaces that will ultimately accommodate MSE faculty/principal investigators in all of the following areas: DNA/bio nano, thin films, applied electrochemistry, computational, and materials chemistry research. In addition to the laboratory spaces, the building will house teaching laboratories, departmental and faculty offices, graduate student and postdoctoral spaces, informal learning areas, and associated support spaces. The building also includes a large tiered lecture hall and two 80-seat classrooms, which have been designed to facilitate active learning methodologies. These new classrooms will be general assignment classrooms and will help offset BSU’s need for additional medium/large classrooms on the southeastern side of campus. This project is anticipated to go out to bid in December 2017. Construction will be completed in early spring 2020 with occupancy the summer of 2020.

The corollary project within this larger project is the relocation of the Central Receiving building. The current Central Receiving building is located on the site of the Micron Center for Materials Research (MCMR). The Board has already approved the relocation of Central Receiving and Facilities under a separate project totaling $1.75 million; thus, the total cost to complete both projects is $52.25 million.

Financing Contingency and Volatility

The Division of Public Works (DPW) was authorized to secure design services and a construction manager-at-risk (CM) for the MCMR project. Current cost estimates include a construction cost of $42.5 million. Contingencies, architectural and engineering fees, commissioning, testing, audio visual, furniture/fixtures/equipment (FFE), and other administrative and soft costs bring the estimated total MCMR project cost to $50.5 million.

However, there remains substantial volatility in the construction market. Skilled trades, labor costs and material costs continue to escalate and vary in a sometimes unpredictable manner. In addition to the general construction market, the impact of three destructive Atlantic hurricanes making U.S. landfall this season has yet to materialize. The demand surge for construction workers and materials in Houston, Florida and Puerto Rico may impact the bidding climate this winter as has happened in other particularly bad hurricane seasons.
The architects and the CM have been providing input related to constructability, cost and timeline. To account for the market volatility, DPW is holding a project contingency of $1 million; the CM is holding a construction contingency of $1.9 million as well as an escalation contingency of $1.5 million. These contingencies are being held to ensure that the project can be built on the approved budget, but the final determining factor will be the amount of the bids opened on bid opening day, early February 2018. Also, to control for the volatility, portions of the building, including build-out of the third floor laboratories and offices and a portion of the first floor labs will be bid as additive alternates in an effort to assure a successful award within the budget. Even with the margin which additive alternates may provide, continuing volatility and inflation in the construction market create risk for the project.

The result of this is a request, as part of the bond resolution delegation that the maximum cost of the bond, and thus the maximum cost of the project, be allowed to increase if necessary to award the bids upon bid opening. Instead of fixing the amount of the bond at $15 million, BSU is requesting authority to issue bonds in the range of $15 million to $16.5 million. While none of the cost estimators feel that the upper range is likely, the flexibility to issue up to that amount will ensure that there is not a gap upon bid opening that could delay construction. In fact, the architects and CM feel that the original budget is sufficient given the contingencies they are holding and, in a worst case scenario, feel that additional budget authority of $1.5 million is the most that would be needed to ensure delivery of the building as planned. However, requesting up to $1.5 million in additional authority is considered prudent at this point to ensure delivery of the project.

The additional bond authority does not materially affect the bond rating, BSU financial ratios, or the ability to repay the bonds. Under the bond delegation statute, the delegation of the final bond amount is allowed, even without the setting of an upper range. BSU is requesting a fixed upper range for both the bond amount and construction project budget.

The effect of the request is to approve a bond issuance and construction budget up to the amount needed to accept the bids for the MCMR in amounts not to exceed $16.5 million in bonds and $42.5 million in construction budget.

Alumni and Friends Center

In August of 2014, BSU received Board approval to enter into an agreement for the development, occupancy, ownership and use of the Alumni and Friends Center. Subsequent to this agreement, the Foundation entered into an Idaho Housing and Finance Association $5 million Nonprofit Facilities Revenue Bond Series 2015 for the purpose of financing a portion of the construction. BSU leases space from the Foundation, under a capital lease, for an amount equal to the debt service payments of this debt. Upon repayment of the debt, the Foundation will donate the building to BSU (see Attachment 8, Paragraph 7).
The bonds carry a fixed interest rate of 2.38% plus $5,000 in fees annually (effectively 2.82%) with the final payment due May 1, 2025. The bonds are eligible for prepayment.

BSU intends to issue bonds to repay the Foundation debt allowing the cancellation of the capital lease and transfer of the Alumni and Friends Center to BSU. Under the current interest rate environment, it is projected that the new average interest rate would be approximately 1.83%, inclusive of issuance costs. In addition, once the building is owned by BSU it is eligible for additional occupancy funding. BSU bonds for the Alumni and Friends Center would be repaid by April 1, 2025.

In addition to approval for issuing the bonds, BSU is requesting approval to waive the requirement to have an appraisal performed to acquire the Alumni and Friends Center through donation from the Foundation. The original cost of the building was $13,822,477.

**Principal Amount**

Total not to exceed $20,702,000; approximately $16.5 million in MCMR construction funding and $4 million to finance the Alumni and Friends Center.

**Maturities and Amortization Plan**

To be determined the day of pricing, scheduled for February 13, 2018. The maturity structure for the Alumni and Friend Center, 2018-2025, mimics the current maturity structure for the Foundations outstanding debt. The Micron Center for Materials Research construction portion will be amortized on a level debt service basis 2018-2048.

**Source of Security**

General Revenue pledge of BSU, excluding appropriated funds, direct grant and contract revenues and restricted gifts.

**Ratings**

BSU’s current ratings are Aa3/A+ by Moody’s Investors Service and Standard & Poor’s, respectively (see 2016A reports as Attachments 3 and 4).

Rating agency updates will be conducted in January 2018, in anticipation of the 2018A issuance.

The materials science building was noted in the previous rating reports and was anticipated to be $27 million. The Foundation’s debt profile is considered by the ratings agencies when reviewing financial information. This bond will not impact
the total outstanding debt on the Alumni and Friends Center, but it will reduce the associated interest payments. BSU's financial profile at June 30, 2017 is consistent with the profile as of June 30, 2016. As such, it is management's expectation that the ratings will remain the same after the 2018A issuance.

IMPACT

Construction Projects

The funding for the projects leverages the strategic facility fee by utilizing several additional funding sources including a donation from the Micron Corporation, $10 million in Permanent Building Fund (PBF) Major Capital Project funding, and additional cash donations and pledges.

The projected base funding package is as follows:

- PBF funds (FY2018): $10,000,000
- Fundraising and Other Proceeds: 25,750,000
- Strategic Facilities Fees Bonds: 16,500,000

Total Not to Exceed: $52,250,000

This project will be procured through the Construction Manager at Risk process through the Division of Public Works and/or the Idaho Division of Purchasing standard process as appropriate.

The Alumni and Friends Center

The impact of the request is to allow BSU to reduce its current borrowing costs via a reduction in the interest rate on outstanding debt and to increase revenues associated with occupancy appropriations. This action has no impact on bond ratings as both capital leases and bonds are considered when evaluating debt capacity.

BSU’s current debt service ratio is 4.78 percent. The projected maximum ratio, after the 2018A issuance, is 5.68 percent.

ATTACHMENTS

Attachment 1 - Draft Supplemental Bond Resolution Page 7
Attachment 2 - Draft Bond Purchase Agreement Page 41
Attachment 3 - Moody's 2016A Rating Report Page 69
Attachment 4 - Standard & Poor's 2016A Rating Report Page 77
Attachment 5 - Debt Service Projection Page 87
Attachment 6 - Ten Year Debt Projection Page 89
Attachment 7 - Draft Preliminary Official Statement Page 91
Attachment 8 - Alumni and Friends Center Agreement Page 139
STAFF COMMENTS AND RECOMMENDATIONS

BSU senior administration coordinated in advance with the Board’s Executive Director and fiscal staff on the approach being proposed to combine the bond financing for the MCMR and acquisition of the Alumni and Friends Center. The proposed financing plan makes efficient use of resources, keeps BSU within the Board’s maximum debt coverage limit, and prudently addresses the risk associated with current construction costs at a time of high volatility of building costs throughout the country. Staff concurs that it makes sense to waive the Board’s requirement for an appraisal of the value of the Alumni and Friends Center facility in this particular case—the price equates to the outstanding loan balance ($4 million) for the Center.

Staff recommends approval.

BOARD ACTION

I move to approve the finding that the Center for Materials Science Research is economically feasible and necessary for the proper operation of Boise State University, and to approve a Supplemental Resolution for the Series 2018A Bonds, the title of which is as follows:

A SUPPLEMENTAL RESOLUTION of the Board of Trustees of Boise State University authorizing the issuance of General Revenue Project Bonds, in one or more series, of Boise State University; delegating authority to approve the terms and provisions of the bonds and the principal amount of the bonds up to $20,702,000; authorizing the execution and delivery of a Bond Purchase Agreement upon sale of the bonds; and providing for other matters relating to the authorization, issuance, sale and payment of the bonds

and to approve a not to exceed budget for the Micron Center for Materials Research of $52,250,000.

[Roll call vote is required.]

Moved by __________ Seconded by __________ Carried Yes _____ No _____

I move to waive the appraisal requirement set forth in Idaho State Board of Education Governing Policies & Procedures, Section V.I.2.f for Boise State University to purchase the Alumni and Friends building from the Boise State University Foundation.

Moved by __________ Seconded by __________ Carried Yes _____ No _____
IDAHO STATE UNIVERSITY

SUBJECT
   Endowment of one-time NCAA money

APPLICABLE STATUTE, RULE, OR POLICY
   Idaho State Board of Education Governing Policies & Procedures, Section V.E.2.b.v.

BACKGROUND/DISCUSSION
   The Board of Governors of the National Collegiate Athletic Association (NCAA) and the NCAA Division I Board of Directors approved a $200 million one-time distribution to Division I institutions as the result of the liquidation of an NCAA quasi-endowment. The money is intended to assist Division I schools in their efforts to provide support to student-athletes in four different areas: 1) academics, 2) life-skills and career programs, 3) diversity and inclusion, and 4) health and well-being.

   Idaho State University (ISU) submitted its Spending Plan Questionnaire to the NCAA, which was approved on August 21, 2017. ISU received a distribution in the amount of $549,267.00.

   ISU’s approved plan includes the investment of its one-time money into a permanent endowment through the ISU Foundation. The money that will be spent each year represents five percent (5%) of the anticipated investment income, which is estimated to be $27,463.35.

   The principal amount will not be used to pay any fee by the Foundation as all money must be used for the benefit of student-athletes. However, the Foundation endowment management fee of one and a half percent (1½%) per annum will be paid from investment earnings on the endowment. Detailed records will be kept regarding the investment rate, spending, and uses of the funds as the NCAA will conduct random audits.

   Boise State University and the University of Idaho chose to spend the money over time pursuant to their submitted and approved spending plans. Each institution placed its money into a university account, earmarked for the purposes stated in the plans. ISU chose to endow its funds to be able to support our student-athletes in perpetuity in the four areas identified by the NCAA, as ISU has never before had the funding to be able to do so.

IMPACT
   Approval will allow ISU to transfer the NCAA distributed funds to the ISU Foundation to be used as set out in Attachment 1.
ATTACHMENTS
Attachment 1 – Proposed endowment agreement with ISU Foundation  Page 3

STAFF COMMENTS AND RECOMMENDATIONS
Pursuant to Board Policy V.E.2.b.v., Board approval is required for the transfer of institutional funds to one of its affiliated foundations, unless one of the specific exceptions listed in the policy applies. In this instance, the exceptions do not apply, and Board approval is required. Following transfer of ISU’s funds, the resulting Foundation endowment will benefit the university’s student-athletes and programs.

Staff recommends approval.

BOARD ACTION
I move to approve the request by Idaho State University to transfer $549,267.00 of one-time money to an endowed fund within the Idaho State University Foundation, to be used as set forth in the NCAA-approved spending plan as described in Attachment 1.

Moved by __________ Seconded by __________ Carried Yes _____ No ______
UNIVERSITY OF IDAHO

SUBJECT
Authorization for issuance of General Revenue Bonds, Series 2018A

REFERENCE

APPLICABLE STATUTE, RULE OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.F.
Section 33-3804, Idaho Code

BACKGROUND/DISCUSSION
In 2007 the University of Idaho (UI) issued its Series 2007B Bonds in the par amount of $35,035,000 to finance an Energy Service Company (ESCO) Project for certain electrical equipment upgrades and certain capital maintenance and replacement of UI's utility corridor, central steam plant and central chiller and related improvements. The 2007B Bonds were issued as “variable rate” bonds with a final maturity of April 1, 2041, but with an interest rate set only for the first 10 years. The 2007B Bonds must be refinanced or the interest rate changes to a weekly floating rate after the initial 10 year period. The financing mechanism utilized in 2007 anticipated that UI could elect to repeat a second 10 year fixed rate, and then a third in another 10 years if it chose. This allowed UI to take advantage of the shorter end of the yield curve in 2007, but exposes UI to interest rate risk to the prevailing market conditions at the end of each term. However, due to changes in the bond market and federal regulations this mechanism is effectively no longer available, and continuing with the original plan of 10 year rate periods is no longer an option.

Thus, UI must either issue new bonds prior to April 1, 2018 to defease and redeem the outstanding 2007B Bonds, or remarket the 2007B Bonds as variable rate bonds subject to a weekly interest rate reset. Based on the fact that prevailing interest rates remain in the range of historic lows, UI's municipal advisor, PFM Financial Advisors LLC ("PFM"), has recommended issuing new bonds at fixed rates to provide funds to defease and redeem the 2007B Bonds.

Principal Amount
Total not to exceed $35,000,000.

Maturities and Amortization Plan
To be determined the day of pricing, currently scheduled for January 22, 2018. The maturity structure will amortize the 2018A Bonds over the same time frame as the 2007B Bonds, with a final maturity of April 1, 2041.
Source of Security
General Revenue pledge of UI, excluding appropriated funds, direct grant and contract revenues and restricted gifts.

Ratings
Rating agency surveillance calls were conducted in May and August of 2017. UI’s current ratings are Aa3/A+ by Moody’s Investors Service (Moody’s) and S&P Global Ratings, respectively. UI intends to request a rating only from Moody’s for this issue. PFM has advised UI that in the current market underwriters do more in house credit analysis than in years past. With the volume of debt issuance that UI plans to issue, there is less need and less value to continue holding two ratings.

Manner of Sale of Bonds
UI is proposing to sell the 2018A Bonds through a “competitive” bond sale based on the analysis of our municipal advisor, PFM.

UI engaged the services of PFM, a large, national municipal advisory firm, in 2017, and PFM is the municipal advisor for the issuance of the proposed 2018A Bonds. The role of municipal advisor rose to the forefront in 2013 when the Securities and Exchange Commission promulgated extensive rules on the municipal finance industry as part of the Dodd-Frank financial reforms. Significantly, the regulations limited the role of bond underwriting firms (firms that sell bonds to their customers) and required an underwriter to specifically disclose to the public entity whose bonds it was selling that the underwriter does not act in a fiduciary role to the bond issuer. In contrast, a “municipal advisor,” which advises the issuer but does not sell bonds, acts with a fiduciary duty to the issuer. UI has elected to adopt this model for its bond issuances so that it has services of a municipal advisor that has a fiduciary duty to UI.

With utilization of PFM as our municipal advisor, many of the tasks historically performed by our underwriter have been assumed by PFM; such as analyzing UI’s debt, reviewing documents provided by bond counsel, and orchestrating the rating agency presentations. With the role of the underwriter greatly reduced, PFM believes the most financially advantageous method for selecting an underwriter and selling the bonds is through a “competitive” sale. On the day of the bond sale, UI will receive bids from underwriting firms through an electronic bid platform. Bidders must bid for all the 2018A Bonds and specify the all-in true interest cost. The underwriter whose bid provides the lowest overall interest cost, which is verified by PFM, is the winning bidder, and that underwriting firm then places the bonds with its customers. Attachment 7 contains a memorandum by PFM with respect to a competitive sale and the advantages for UI.

The use of a municipal advisor in this bond transaction results in some minor variations in the documentation trail typically provided to the Board for a competitive sale. For example, note that in Attachment 6—Draft Preliminary
Official Statement—there is a form of Notice of Bond Sale. This has replaced the form of Bond Purchase Agreement with the Underwriter, which was historically attached to bond requests to the Board. The Bond Purchase Agreement was the contract with a single underwriter selected in advance. The Notice of Sale (page 83) specifies the criteria under which all underwriters must bid.

IMPACT
UI is not incurring additional debt, but replacing existing debt that was incurred for essential University infrastructure, which has a long useful life. Since this transaction only replaces existing debt, UI does not expect its current debt burden ratio to be materially impacted.

ATTACHMENTS
Attachment 1 – Draft Supplemental Bond Resolution Page 5
Attachment 2 – Moody’s 2017 Rating Report Page 59
Attachment 4 – Debt Service Projection Page 73
Attachment 5 – Ten Year Debt Projection Page 75
Attachment 6 – Draft Prelim. Official Statement (with Notice of Sale) Page 77
Attachment 7—Memo from PFM on Competitive Sale Methodology Page 145

STAFF COMMENTS AND RECOMMENDATIONS
The proposed issuance of refunding bonds at fixed interest rates is a prudent strategy to replace the current debt structure which would expose the university to unpredictable and volatile varied interest rates after 2017. The proposed use of competitive bidding to select an underwriter should help the university obtain a favorable interest rate.

Staff recommends approval.

BOARD ACTION
I move to approve a Supplemental Resolution for the Series 2018A Bonds, the title of which is as follows:

A SUPPLEMENTAL RESOLUTION of the Board of Regents of the University of Idaho authorizing the issuance of General Revenue Refunding Bonds, delegating authority to approve the terms and provisions of the bonds and the principal amount of the bonds up to $35,000,000, authorizing the acceptance of the winning bid for sale of the bonds; and providing for other matters relating to the authorization, issuance, sale and payment of the bonds.

Moved by __________ Seconded by __________ Carried Yes_____ No _____

A roll call vote is required.