

Approval of Authorization for Commercial Paper Increase

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

The university utilizes a pooled commercial paper program managed by the Virginia Municipal League/Virginia Association of Counties (VML/VACo). Under the program, the university has access to a revolving tax-exempt facility to finance, or refinance, up to \$50 million for capital projects approved for debt financing by the Board of Visitors.

Given the size and scope of the strategic initiatives in the greater Washington, D.C. metro area, Roanoke, and Blacksburg and the anticipated growth in the capital improvement program in the next few years, the university is seeking approval to increase the authorized maximum amount of commercial paper issuance to \$120 million. The commercial paper program provides flexibility in managing the university's overall debt by providing a short-term, temporary funding source for capital improvements, pending the issuance of permanent long-term debt. The program allows the university to aggregate borrowings to achieve economies of scale, while keeping university cash balances fully invested. The principal and interest payments under the program are secured by a pledge of university general revenues.

The proposed resolution reauthorizes the use of the Virginia Municipal League/Virginia Association of Counties (VML/VACo) commercial paper program, authorizes the pledge of university general revenues as security for the payments, and increases the borrowing capacity through the program to \$120 million.

The resolution also authorizes the Vice President for Finance and the University Treasurer, in consultation with the Chief Business Officer, to negotiate, execute, deliver, and enter into extensions and amendments of all certificates, documents, and instruments related to the commercial paper program.

**RESOLUTION OF AUTHORIZATION FOR
COMMERCIAL PAPER INCREASE**

WHEREAS, Chapter 26, Title 23.1 of the Code of Virginia of 1950, as amended (Virginia Code), establishes a public corporation under the name and style of Virginia Polytechnic Institute and State University (university) which is governed by a Board of Visitors (Board); and

WHEREAS, by Chapter 10, Title 23.1 of the Virginia Code, Restructured Higher Education Financial and Administrative Operations Act (Act), the university entered into a management agreement with the Commonwealth of Virginia, which was enacted as Chapter 1 of Chapter 933 of the 2006 Virginia Acts of Assembly, as amended, pursuant to which the university is (a) classified as a public institution of higher education and (b) granted the authority, pursuant to the Act, to issue bonds, notes, or other obligations that are consistent with debt capacity and management policies and guidelines established by the Board and without (i) obtaining the consent of any legislative body, elected official, commission, board, bureau, political subdivision, or agency of the Commonwealth, (ii) the approval required by the provisions of Article 8 of Chapter 24 of Title 2.2 of the Virginia Code, or (iii) any regulation or procedure, including a review or approval procedure, adopted pursuant to Chapter 11 of Title 23.1 of the Virginia Code; and

WHEREAS, by Resolution adopted March 31, 2008, the Board has previously determined to facilitate the financing or refinancing from time to time of costs associated with capital projects of the university approved by the Board or the Virginia General Assembly on a short-term basis through the issuance of commercial paper in an aggregate outstanding principal amount not to exceed \$50 million pursuant to the Virginia Municipal League/Virginia Association of Counties (VML/VACo) Commercial Paper Program; and

WHEREAS, the Board desires to increase the amount of the VML/VACo Commercial Paper Program to a principal amount not to exceed \$120 million; and

WHEREAS, the Board desires to authorize the pledge of the university's general revenues as security for the university's payments under the VML/VACo Commercial Paper Program; and

WHEREAS, the university will need to enter into one or more loan agreements, credit agreements, commercial paper resolutions or other financing documents, or amendments to the university's existing VML/VACo Commercial Paper Program documents, to evidence and secure its obligations related to the VML/VACo Commercial Paper Program, collectively referred to as the Financing Documents.; and

WHEREAS, the Board intends (a) to reauthorize the VML/VACo Commercial Paper Program, (b) authorize the execution and delivery of the Financing Documents, (c) increase the amount of the VML/VACo Commercial Paper Program to \$120 million, and (d) take such other actions as are authorized in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors of Virginia Polytechnic Institute and State University approves

Section 1, Reauthorization of Commercial Paper Program: For the purpose of financing or refinancing from time to time of costs associated with capital projects of the university approved by the Board or the Virginia General Assembly on a short-term basis, the Board reauthorizes the VML/VACo Commercial Paper Program in an aggregate principal amount of up to \$120 million. The payment of principal and interest under the VML/VACo Commercial Paper Program shall be from the general revenues of the university or such other source authorized by the Act, as determined by an Authorized Officer, as defined below.

Section 2, Delegation and Execution: The Board authorizes the Vice President for Finance and the University Treasurer, collectively known as the Authorized Officers, in consultation with the Chief Business Officer, to negotiate, execute, and deliver all Financing Documents, certificates, documents, and instruments related to the VML/VACo Commercial Paper Program. The final approval of the terms and conditions of the VML/VACo Commercial Paper Program and the Financing Documents shall be evidenced by the execution and delivery of the Financing Documents by one or more Authorized Officers. The Board authorizes all university officers and staff to take such other actions as may be necessary or desirable in connection with entering into and maintaining the VML/VACo Commercial Paper Program. The Board authorizes the Authorized Officers, in consultation with the Chief Business Officer, to enter into extensions of and amendments to the Financing Documents from time to time, so long as such extensions and amendments are not inconsistent with the intent of this Resolution and the aggregate principal amount of the VML/VACo Commercial Paper Program does not exceed \$120 million.

Section 3, Other Acts: All other acts of the Authorized Officers and other officers and staff of the university that are in conformity with the purpose and intent of this Resolution are hereby approved, ratified and confirmed.

Section 4, Not a Debt of the Commonwealth: The Commercial Paper Program shall not be in any way a debt of the Commonwealth and shall not create or constitute any indebtedness or obligation of the Commonwealth, either legal, moral, or otherwise.

Section 5, Effective Date: This Resolution shall take effect immediately upon adoption.

RECOMMENDATION:

That the above Resolution reauthorizing the use of the VML/VACo Commercial Paper Program, authorizing the pledge of university general revenues as security for the payments under the program, and increasing the borrowing capacity of the program up to \$120 million be approved.

November 18, 2019