

## FAQs: Century Bonds

### 1. [Campus Actions to Date](#)

**Q: If my campus received an allocation of Century Bond proceeds from the University’s 2015 issue, what are we supposed to have done since the issue (March 2015)?**

A: Set up an FFE with the set-aside amount required to pay back the principal in the amount of the campus’ allocation in 100 years:

Campus	2012 Century Bond		2015 Century Bond		Total
	Proceeds	Set-Aside	Proceeds	Set-Aside	Set-Aside
Berkeley	\$150 MM	\$1.3 MM			<b>\$1.30 MM</b>
Davis	50 MM	440 K	90 MM	680 K	<b>1.12 MM</b>
Irvine			130 MM	990 K	<b>990 K</b>
Los Angeles	400 MM	3.5 MM			<b>3.5 MM</b>
Merced	100 MM	880 K			<b>880 K</b>
Riverside			130 MM	990 K	<b>990 K</b>
San Diego	110 MM	970 K			<b>970 K</b>
San Francisco	50 MM	500 K	90 MM	680 K	<b>1.18 MM</b>
Santa Cruz			60 MM	460 K	<b>460 K</b>
<b>Total</b>	<b>\$860 MM</b>	<b>\$7.6 MM</b>	<b>\$500 MM</b>	<b>\$3.8 MM</b>	<b>\$11.4 MM</b>

### 2. [Planning for Repayment of Principal](#)

**Q: By when do I have to set-aside my principal amount?**

A: June 30, 2015

**Q: What are my options for where to keep my set-aside?**

A: Campuses can set up an FFE (Fund Functioning as an Endowment) in GEP and fund it to have the needed set-aside amount listed above.

### 3. [Status of Unused Proceeds](#)

**Q: Where are the Century Bond proceeds now and what are they earning?**

A: By default they are currently in STIP. The expected rate of return of STIP is 1.6%.<sup>1</sup>

<sup>1</sup> Per OCIO, “Total-Return Investment Pool (TRIP) Asset Allocation & Investment Policy Review and Recommendations,” May 27, 2015

## Status of Unused Proceeds (continued)

**Q: Can I move the proceeds (e.g. to TRIP or an FFE?)**

A: Technically, yes, campuses can “keep” proceeds in TRIP or STIP. However, FFEs are intended for funds that are not needed for 10 or more years. The intention of Century Bond proceeds is to deploy funds into projects. STIP is designed to invest funds for up to 3 years and TRIP is designed for funds not needed for 3 - 7 years.

### **4. Using Proceeds**

*To use proceeds for a project, your campus must go through the project approval process. (See [Attachment #1](#)). Note: if your campus has already invested your proceeds in TRIP you must move them out of TRIP and back into STIP in order to access them for construction.*

**Q: What types of projects are eligible for and strategically make sense to use the Century Bonds?**

A: Century Bonds should be used for Capital projects (e.g. acquisitions, construction, improvements, deferred maintenance, capital equipment) that have been approved for external financing. Century Bonds should not be used for any other purpose, including paying for operating expenses or faculty recruitment or retention.

**Q: Do I need approval before accessing funds?**

A: The approval process for financing projects with Century Bond proceeds is essentially the same as the approval process for financing projects with other external financing vehicles. The main difference is in how to show the debt service for these projects in campus debt models (see section 6 of this document).

**Q: How do I access the funds to spend them? What is the process and how long does it take?**

A: To draw project funds once the project has been approved for external financing, follow the month end funding process and enter the amount in the Century Bond’s column as shown in the TM1 screen shot below ([Attachment #2](#)).

### **5. Managing/Tracking Campus Debt Service**

**Q: How can I see what I owe for debt service (interest payments)?**

A: Go to DIS, the Project Scheduled Amortization section, and select the Century Bond.

Managing/Tracking Campus Debt Service (continued)

**Q: By when do I need to make payments?**

A: Interest payments will be made on May 15th and November 15th each year. The campus must make project principal repayments each year on May 15<sup>th</sup>.

**Q: How do I make payments?**

A: Interest payments are made through the normal debt service payment process. To make project principal payments, future guidance to be provided.

**6. Managing/Tracking Proceeds**

**Q: What will be my reporting responsibilities over the life of the Century Bonds? What does the University need for purposes of tracking/reporting and remaining in compliance?**

A: Since the issue is taxable there are fewer compliance requirements than for tax-exempt financing. Campus reporting responsibilities are to provide:

- The status of your FFE (amount and earnings)
- Confirmation that your campus has paid the debt service as agreed for *projects*, which will include repayment of principal during the life of each project’s financing

**Q: How do I reflect the Century Bonds and the projects financed by the Century Bonds in my debt profile?**

A: Interest payments due to external bondholders each year will be reflected in DIS for every year through FY 2112 or 2115. This means they will automatically appear on the tab “Current Gen Campus & Aux Debt,” which is populated by the DIS download.

In addition campuses should show each project to be financed with Century Bond proceeds on the tabs “Approved Projects” or Proposed Projects,” as appropriate, on its own row. Amortize the principal for the project. For example:

Credit	Project	Amount	Term (yrs)	First Year Repayment	Last Year Repayment	Taxable/ Tax-Exempt/ Century	Interest Rate	Years Interest Only	2016	2017	2018	2019	2020	2021	2022	2023	2024
GRB	Century Bond Sample Project	20,000	10	2017	2027	Century Bond	0.000%	5	-	-	-	-	-	-	4,000	4,000	4,000

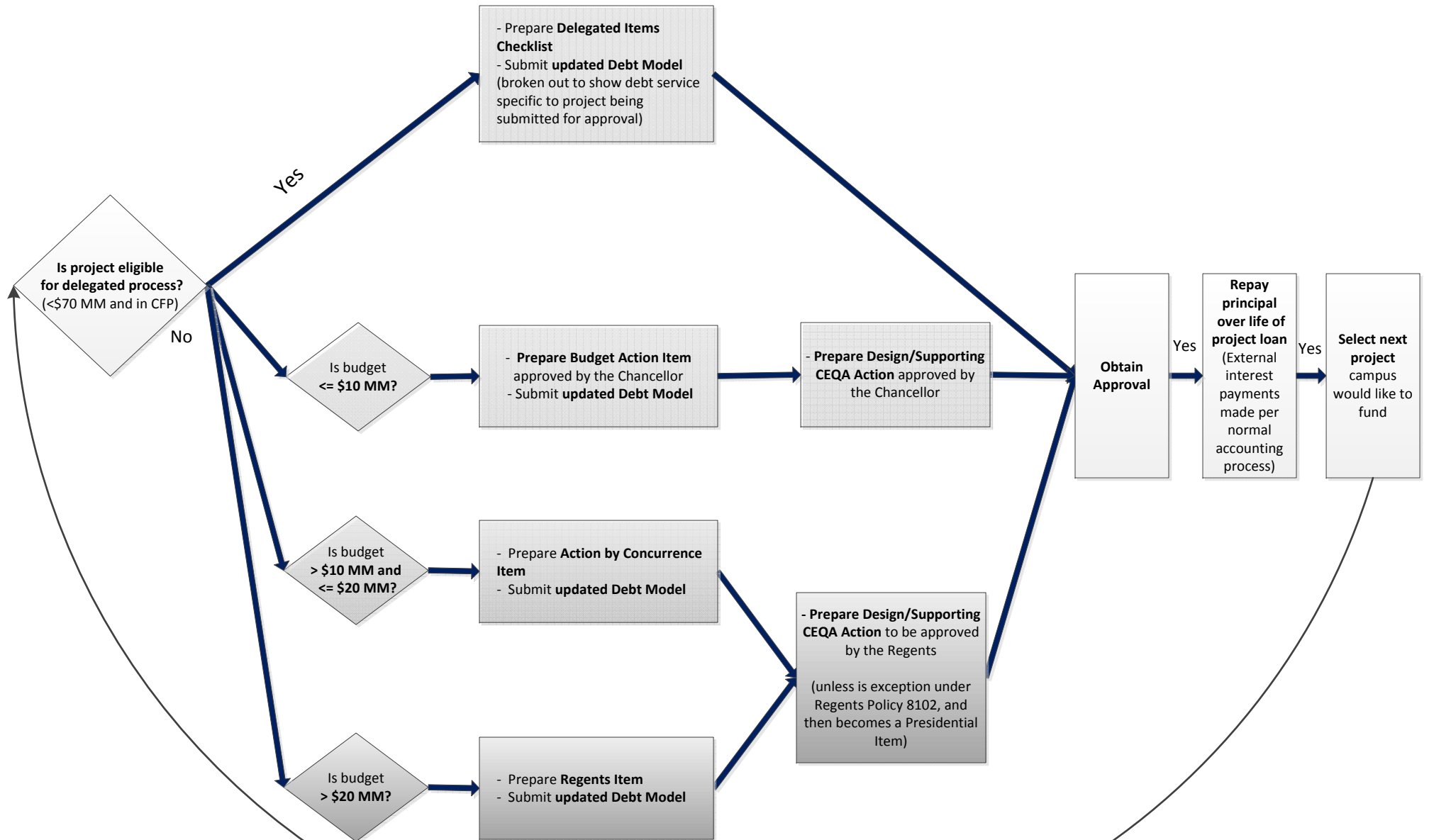
Campuses can choose to defer principal repayment for a few years into the life of the project. The guideline for the maximum amount of time that principal can be deferred is half the life of the project financing (e.g. for a 10-year loan, defer principal up to 5 years).

[Managing/Tracking Proceeds \(continued\)](#)

Because interest for the Century Bonds is already shown on the "Current Gen Campus & Aux Debt" tab, do not show interest on the "Approved Projects" and "Proposed Projects" tabs. On these tabs the debt model will automatically default to 0% interest on Century Bond projects.

**Q: Why do I have to show both the Century Bond debt service payments to external bondholders and debt service for each project financed by Century Bonds?**

A: The reason for showing both is to make explicit the revolving nature of the funds, that after the life of the project the funds will be re-deployed to future projects.



Attachment #2

Proceeds Management | Available | Helios Energy Research Facility-912313 - Mozilla Firefox  
 https://ermtm1p.ucop.edu/tm1web/Contributor.jsp

Project Information | Financing Summary | Commercial Paper Financing | Long Term Bond Financing | Draw Request for Financing | Draw Request from Excess STIP | Draw Request from Excess TRIP | Draw Certification

Rows: CDRC\_Campus Draw Request [CDRC\_Campus Draw Request]  
 Columns: aDynamic\_Draw\_Request [Debt Instrument]  
 Context: Actual [Versions] | Apr-15 [Period] | Helios Energy Research Facility-912313 [Project by Location] | External Financing [Funding Source]

	All Debt Instruments				GRB 2009 Q		GRB 2009 R		GRB 2011 AC		GRB 2012 AD
	All Commercial Paper	Bond Series	GRB								
<b>A. AS OF May-15</b>											
Construction Financing Approved	83,099,057.20	35,762.50	83,063,294.70	83,063,294.70	20,403.68	12,139,595.63	25,500,000.00	45,403,295.39			
Construction Financing Utilized	(82,259,066.70)	89,229.16	(82,348,295.86)	(82,348,295.86)	(20,404.07)	(12,139,596.40)	(25,500,000.00)	(44,688,295.39)			
Construction Financing Unutilized	839,990.50	124,991.66	714,998.84	714,998.84	(0.39)	(0.77)	0.00	715,000.00			
Approved IDC Financing	1,783,409.11	0.11	1,783,409.00	1,783,409.00	3,259.00	543,275.00	1,236,875.00	0.00			
IDC Financing Utilized	(1,872,638.20)	(89,229.21)	(1,783,408.99)	(1,783,408.99)	(3,258.34)	(543,275.27)	(1,236,875.38)	0.00			
IDC Financing Unutilized	(89,229.09)	(89,229.10)	0.01	0.01	0.66	(0.27)	(0.38)	0.00			
<b>B. CURRENT MONTH (Jun-15)</b>											
Draw Request for Construction	(4,000.00)	0.00	(4,000.00)	(4,000.00)	0.00	0.00	0.00	(4,000.00)			
<b>Purpose of Funds</b>											Construction
Adjusted Draw	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Final Draw	(4,000.00)	0.00	(4,000.00)	(4,000.00)	0.00	0.00	0.00	(4,000.00)			0.00
Draw Request for IDC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
<b>C. PROJECTED DRAWS</b>											
Jul-15 Projected Draw Override	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Jul-15 Projected Draw	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Aug-15 Projected Draw Override	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Aug-15 Projected Draw	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Sep-15 Projected Draw Override	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00

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