



The following Motions and Documents were considered by electronic vote of the Board of Governors on Wednesday, October 29, 2014:

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Agenda Title: **Internal Loan/Bridge Financing for Peter Lougheed Leadership College**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve an internal loan for up to \$18,500,000 with a term up to 10 years for the construction and operation of the Peter Lougheed Leadership College.

Final Item: 1a

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Item No. 1a

**OUTLINE OF ISSUE**

Agenda Title: **Internal Loan/Bridge Financing for Peter Lougheed Leadership College**

**Motion:** THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve an internal loan for up to \$18,500,000 with a term up to 10 years for the construction and operation of the Peter Lougheed Leadership College.

**Item**

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Facilities and Operations & Finance and Administration
Presenter	Phyllis Clark, Vice-President, Finance and Administration
Subject	Internal Loan for Peter Lougheed Leadership College

**Details**

Responsibility	Finance and Administration
The Purpose of the Proposal is (please be specific)	This internal loan supports the construction of the Peter Lougheed Leadership College (PLLC).
The Impact of the Proposal is	This internal loan will allow the completion of the PLLC in a timely manner. Construction delays would impact teaching capabilities, student space, and programming opportunities for the College.
Replaces/Revises (eg, policies, resolutions)	n/a
Timeline/Implementation Date	Construction on PLLC is scheduled to begin in November 2014, and completed in summer of 2016. Because of this timeline, <b>the Board Finance and Property Committee and Board of Governors are being asked to consider this proposal by electronic vote during the week of October 27 – 31, 2014.</b>
Estimated Costs	Construction costs of PLLC are estimated at \$40,000,000.
Sources of Funding	PLLC construction funding is as follows: <ul style="list-style-type: none"> <li>- \$17,500,000 from ACFA mortgage.</li> <li>- \$ 4,000,000 from donor commitments received by end of 2015</li> <li>- \$18,500,000 from internal loan</li> </ul> <p>-----</p> <p style="text-align: center;">\$40,000,000 Total Construction costs</p>
Notes	<p>On June 20, 2014, the Board of Governors approved a total expenditure of \$40,000,000.00 to complete the construction of the Saskatchewan Drive Student Residence in East Campus Village. The Board also approved the execution of a Borrowing Resolution requesting approval of mortgage financing for the design and construction of the Saskatchewan Drive Student Residence project for a total borrowing amount not to exceed seventeen million five-hundred thousand dollars (\$17,500,000.00) in Canadian funds for a term of not more than twenty-five (25) years at an interest rate of not more than five and one-half percent (5.5%).</p> <p>At that time, the project was anticipated to commence construction upon confirmation of the donor commitment of twenty-two million, five hundred thousand dollars (\$22,500,000.00) and upon approval of borrowing and receipt of an Order In Council from the Government of Alberta and targeted to reach substantial completion in August 2016. Current donor commitments are \$12,500,000 short and therefore the University must now seek an internal loan. The required internal loan is</p>

Item No. 1a

	<p>\$6,000,000 higher than the shortfall since \$6,000,000 of the \$10,000,000 in pledged donations will be received between 2016 and 2025.</p> <p>As of September 30, 2014 total internal loans outstanding were \$16.9 million. The following three internal loans make up the majority of this balance; Soaring Estates \$8.0 million, East Campus Housing \$4.8 million and Mattheis Ranch \$2.2 million.</p> <p>From an investment perspective internal loans form part of the University’s mid-term investment strategy for the non-endowed funds. Based on the constraints contained in the University Funds Investment Policy, the maximum available for investment in internal loans is currently \$53 million.</p>
Alignment with Guiding Docs	Dare to Discover, Dare to Deliver, Comprehensive Institutional Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<p><b>UAPPOL Internal Loan Policy states:</b></p> <p>3 (b) “Internal loans in excess of one (1) million dollars but less than five (5) million dollars and internal loans with amortization periods in excess of five (5) years will require the approval of the Board Finance and Property Committee.”</p> <p><b>Board Finance and Property Committee Terms of Reference:</b></p> <p>MANDATE OF THE COMMITTEE</p> <p>3. Without limiting the generality of the foregoing, the Committee shall:</p> <p>...</p> <p>f) approve original Capital Expenditure Authorization Request (CEAR) or individual Supplemental CEARs up to a maximum of \$7 million and aggregate total CEAR and Supplemental CEARs up to a maximum of \$14 million. The Vice-President (Facilities and Operations) is authorized to approve original CEARs or individual Supplemental CEARs up to \$2 million and aggregate total CEAR and Supplemental CEARs up to \$4 million.</p> <p><b>The Internal Loan Policy is a Board of Governors approved policy. Board of Governors approval is being sought for an exception to this policy in support of this strategic initiative.</b></p>

**Routing** (Include meeting dates)

Consultative Route	Phyllis Clark, Vice-President (Finance and Administration) Don Hickey, Vice-President (Facilities and Operations)
Approval Route (Governance) (including meeting dates)	Board of Governors – information briefing – October 24, 2014 Board Finance and Property Committee –for recommendation (by electronic vote) – October 27, 2014 Board of Governors - for approval (by electronic vote) - Oct 29, 2014
Final Approver	Board of Governors

Attachment:

1. Peter Lougheed Leadership College Internal Loan Amortization (1 page)

Prepared by: Richard Allin, Cash Manager, [richard.allin@ualberta.ca](mailto:richard.allin@ualberta.ca)

Revised: 10/29/2014

**Attachment 1: PLLC Internal Loan Amortization**

**Loan Amount:** \$18,500,000.00  
**Date of Loan Valuation:** 01-Jan-15  
**Valuation Rate :** 2.437% *ACFA 10 year rate, set at time of internal loan.*  
**Payment Frequency:** 4 per Year  
**Term:** 10 Years  
**Amortization Period:** 10 Years  
**Payment:** - 522,542.88 *(quarterly)*  
**Annual Payment:** - 2,090,171.52  
**Maturity Date :** 01-Jan-25

Date	Beginning Principal	Payment	Interest	Principal	Closing Principal
1-Apr-2015	18,500,000.00	-522,542.88	112,711.25	-409,831.63	18,090,168.37
1-Jul-2015	18,090,168.37	-522,542.88	110,214.35	-412,328.53	17,677,839.84
1-Oct-2015	17,677,839.84	-522,542.88	107,702.24	-414,840.64	17,262,999.20
1-Jan-2016	17,262,999.20	-522,542.88	105,174.82	-417,368.06	16,845,631.14
1-Apr-2016	16,845,631.14	-522,542.88	102,632.01	-419,910.87	16,425,720.27
1-Jul-2016	16,425,720.27	-522,542.88	100,073.70	-422,469.18	16,003,251.09
1-Oct-2016	16,003,251.09	-522,542.88	97,499.81	-425,043.07	15,578,208.02
1-Jan-2017	15,578,208.02	-522,542.88	94,910.23	-427,632.65	15,150,575.37
1-Apr-2017	15,150,575.37	-522,542.88	92,304.88	-430,238.00	14,720,337.37
1-Jul-2017	14,720,337.37	-522,542.88	89,683.66	-432,859.22	14,287,478.15
1-Oct-2017	14,287,478.15	-522,542.88	87,046.46	-435,496.42	13,851,981.73
1-Jan-2018	13,851,981.73	-522,542.88	84,393.20	-438,149.68	13,413,832.05
1-Apr-2018	13,413,832.05	-522,542.88	81,723.77	-440,819.11	12,973,012.94
1-Jul-2018	12,973,012.94	-522,542.88	79,038.08	-443,504.80	12,529,508.14
1-Oct-2018	12,529,508.14	-522,542.88	76,336.03	-446,206.85	12,083,301.29
1-Jan-2019	12,083,301.29	-522,542.88	73,617.51	-448,925.37	11,634,375.92
1-Apr-2019	11,634,375.92	-522,542.88	70,882.44	-451,660.44	11,182,715.48
1-Jul-2019	11,182,715.48	-522,542.88	68,130.69	-454,412.19	10,728,303.29
1-Oct-2019	10,728,303.29	-522,542.88	65,362.19	-457,180.69	10,271,122.60
1-Jan-2020	10,271,122.60	-522,542.88	62,576.81	-459,966.07	9,811,156.53
1-Apr-2020	9,811,156.53	-522,542.88	59,774.47	-462,768.41	9,348,388.12
1-Jul-2020	9,348,388.12	-522,542.88	56,955.05	-465,587.83	8,882,800.29
1-Oct-2020	8,882,800.29	-522,542.88	54,118.46	-468,424.42	8,414,375.87
1-Jan-2021	8,414,375.87	-522,542.88	51,264.58	-471,278.30	7,943,097.57
1-Apr-2021	7,943,097.57	-522,542.88	48,393.32	-474,149.56	7,468,948.01
1-Jul-2021	7,468,948.01	-522,542.88	45,504.57	-477,038.31	6,991,909.70
1-Oct-2021	6,991,909.70	-522,542.88	42,598.21	-479,944.67	6,511,965.03
1-Jan-2022	6,511,965.03	-522,542.88	39,674.15	-482,868.73	6,029,096.30
1-Apr-2022	6,029,096.30	-522,542.88	36,732.27	-485,810.61	5,543,285.69
1-Jul-2022	5,543,285.69	-522,542.88	33,772.47	-488,770.41	5,054,515.28
1-Oct-2022	5,054,515.28	-522,542.88	30,794.63	-491,748.25	4,562,767.03
1-Jan-2023	4,562,767.03	-522,542.88	27,798.66	-494,744.22	4,068,022.81
1-Apr-2023	4,068,022.81	-522,542.88	24,784.43	-497,758.45	3,570,264.36
1-Jul-2023	3,570,264.36	-522,542.88	21,751.84	-500,791.04	3,069,473.32
1-Oct-2023	3,069,473.32	-522,542.88	18,700.77	-503,842.11	2,565,631.21
1-Jan-2024	2,565,631.21	-522,542.88	15,631.11	-506,911.77	2,058,719.44
1-Apr-2024	2,058,719.44	-522,542.88	12,542.75	-510,000.13	1,548,719.31
1-Jul-2024	1,548,719.31	-522,542.88	9,435.57	-513,107.31	1,035,612.00
1-Oct-2024	1,035,612.00	-522,542.88	6,309.47	-516,233.41	519,378.59
1-Jan-2025	519,378.59	-522,542.88	3,164.28	-519,378.60	-0.01

-20,901,715.20