

May 4, 2017

ITEM 175-2002-C0517

**Request authorization to issue Series D 2017 Refunding Revenue Bonds; Montana State University**

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**THAT**

Consistent with Section 20-25-402, MCA, Borrowing by the regents, the Montana Board of Regents of Higher Education adopts a Resolution to Issue Series D 2017 Facilities Refunding Revenue Bonds for Montana State University and authorizes Montana State University and the Commissioner of Higher Education to proceed with the issuance of these bonds.

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**EXPLANATION**

1. Interest rates are monitored frequently by the University and its financial consultants. Rates are currently at levels that may make it beneficial for the University to refund all or a portion of its Series K 2006, Series C 2016, and Series M 2011 bonds. Such bonds had been issued to finance residence halls, parking, dining, auxiliary and athletic revenue-generating facilities, and utility infrastructure.
2. The principal balance of the Series K, C and M Bonds (including the remaining Series C debt commitment) is \$37.875 million. Up to \$19 million is expected to be refinanced, with the remainder paid as scheduled through November 2035.

The Series D 2017 Refunding Bonds will consist of fixed rate tax-exempt debt, and will be issued for up to \$20 million, in an amount sufficient to:

- a. Pay bond issue costs including legal, underwriting, credit rating, printing, etc.
  - b. Establish a debt service reserve fund (if required), and
  - c. Deposit in escrow an amount sufficient (with interest earned) to retire bond principal upon its call date.
3. This issuance will not extend the due date of the original bonds, nor will it include additional principal borrowing, except to pay costs related to the transaction.
  4. The Series D 2017 bonds will be issued at an interest rate that will realize a savings on refunding not less than 3.0% net present value (NPV). The expected NPV savings for this refunding is currently 4.8%, or \$769,000, though fluctuations in interest rates between now and the time of issuance are expected which could alter the savings realized. The Government Finance Officer Association's published guidelines relative to advance refunding of tax-exempt bonds sets 3.0% NPV as a target savings amount that justifies refunding.

Existing bonds carry effective yields ranging from 4.41% - 4.57% (K); 2.10% - 3.93% (M) and 2.92% (C). The Series D debt is expected to be issued at effective yields ranging from 1.06% - 3.92%, depending on maturity dates.

5. This item authorizes the Chair of the Board of Regents, the Commissioner of Higher Education, the President of Montana State University, and the Vice President for Administration and Finance of Montana State University to execute such documents as may be required to consummate the issuance of the Series D 2017 Facilities Revenue Refunding Bonds. This authorization to proceed with the issuance of the Series D 2017 Facilities Revenue Refunding

Bonds is subject to final approval by the University and the Commissioner of Higher Education, who will determine whether and when to execute this transaction based on the prevailing interest rates.

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**ATTACHMENTS**

Attachment 1: Facilities Refunding Revenue Bonds Resolution, Series D 2017