

March 5-6, 2020

ITEM 187-2005-R0320

Request authorization to issue Series G&H 2020 Refunding Revenue Bonds; Montana State University

THAT

The Montana Board of Regents of Higher Education adopts a Resolution to issue Series G&H 2020 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.

EXPLANATION

1. Interest rates are monitored frequently by the University and its financial advisors. Rates are currently at levels that make it beneficial for the University to refund all or a portion of its outstanding Series N 2012, Series O 2012, Series A 2013, Series C 2016, and Series E 2018 bonds ("Refunded Bonds"). Such Refunded Bonds were issued for various purposes, including to refund prior outstanding bonds for savings, or to finance residence halls, parking, dining, auxiliary and athletic revenue-generating facilities, and utility infrastructure.
2. The University is requesting authorization to issue Series G&H 2020 Refunding Bonds in an amount not to exceed \$139 million for the purpose of:
 - a. Paying bond issuance costs including legal, financial advisor, underwriting, credit rating, printing, etc., and
 - b. Redeeming and/or refunding the principal and interest on the Refunded Bonds.
3. This issuance will not extend the final maturity date of the Refunded Bonds, nor will it include additional borrowing, except to pay costs related to the transaction.
4. The Series G&H 2020 Refunding Bonds will be issued at an interest rate that will provide aggregate debt service savings of not less than 3.0% on a net present value basis (NPV). Currently, the NPV savings for this refunding is approximately 5.0%, 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 3.00% - 4.00% (N); 2.50% - 3.10% (O); 4.00% - 5.00% (A); 2.92% (C) and 3.125% - 5.00% (E). The Series G&H 2020 Refunding Bonds are expected to be issued at effective yields ranging from 1.00% - 3.75%, 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 G&H 2020 Facilities Revenue Refunding Bonds. This authorization to proceed with the issuance of the Series G&H 2020 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 G&H 2020