

November 17-18, 2022

ITEM 203-2005-R1122

Request for Authorization to Execute the Refinancing of the Series F 2018 Bonds; Montana State University

THAT

The Board of Regents adopts a Resolution for the refinancing of Series F 2018 Facilities Revenue Bonds for Montana State University (MSU).

EXPLANATION

1. In August of 2018, the Board of Regents authorized the issuance of the Series F 2018 Facilities Refunding Revenue Bonds. The Series F 2018 Bonds were issued at a par amount of \$19,800,000, and the proceeds were used to refund Series J 2005 Bonds. The proceeds of the Series J 2005 Bonds which were used to renovate Marga Hosaeus Health & Fitness center, construct the Black Box Theater, and renovate portions of the Strand Union Building.
2. The Series F 2018 Bonds are subject to mandatory tender for purchase on September 1, 2023 (the Scheduled Mandatory Tender Date) and the Board's first optional date to refund the principal balance of the Series F 2018 Bonds is March 1, 2023. As such, the University is seeking authorization to refund the Series F 2018 Bonds as early as March 1, 2023, but no later than September 1, 2023, depending on market conditions. In the alternative, the University is seeking authority to remarket the Series F 2018 Bonds if market conditions are more favorable than refunding the Series F 2018 Bonds.
3. This item authorizes MSU and its financial advisors the flexibility to execute the refinancing of the Series F 2018 Bonds in light of the mandatory tender date through the following options, depending on market conditions:
 - a. Refunding the Series F 2018 Bonds by issuing a new series of bonds in a public offering or private placement transaction, either in a fixed or variable rate mode, in which case the Series F 2018 Bonds shall be retired and a new series of bonds will be issued for purposes of repaying the Series F 2018 Bonds.
 - b. If market conditions are not favorable for refunding the Series F 2018 Bonds, remarketing the Series F 2018 Bonds in a public offering or private placement transaction with a new interest rate, new interest rate mode and new scheduled mandatory tender date, in which case the Series F 2018 Bonds shall remain outstanding with new terms.
 - c. Retaining the current interest rate swap agreements that hedge interest rate exposure with respect to the Series F 2018 Bonds or terminating one or both interest rate swap agreements using either taxable bond proceeds or University cash on hand.
4. The refinancing is expected to be completed between March 2023 and September 2023.
 - a. Principal and interest payments will be scheduled over a period of time not to exceed the term of outstanding Series F 2018 Bonds from the closing date.
 - b. Fixed-rate interest on the Series J 2023 Bonds shall not exceed 6.0% per annum.

5. Bond issuance costs may include:
 - a. Bond counsel fees required to prepare a supplemental indenture, disclosure documents, authorizing resolutions, the bonds, closing documents and any other agreements or instruments required in connection with the financing, to prepare any swap necessary swap documentation, and to provide an opinion as to the tax-exempt status of debt.
 - b. Financial advisory fees to coordinate the public offering or private placement transaction, prepare schedules, and act as fiduciary in the University's best interest.
 - c. Underwriting fees and/or bank costs such as bank loan origination fees, interest rate spreads (points), and underwriter and/or bank counsel fees.
6. The bonds will be issued under and secured by the Indenture.
7. The Commissioner/Secretary and the MSU Vice President for Administration and Finance will determine the optimal time to execute the refinancing of the Series F 2018 Bonds based on the prevailing interest rates. This authorizes the Chair and the Commissioner/Secretary to execute such documents as may be required to consummate the refinancing of the Series F 2018 Bonds.

ATTACHMENTS

Attachment #1: Resolution Relating to the Refunding or Remarketing of the Series F 2018 Bonds