



Item: BF: A-2

Tuesday, May 16, 2017

SUBJECT: AUTHORIZATION FOR REFINANCING OF 2010 FAU FINANCE CORPORATION STADIUM BONDS.

PROPOSED BOARD ACTION

Authorize a refinancing of the 2010 FAU Finance Corporation (FAUFC) Stadium Bonds and the commencement of a competitive solicitation from interested financial institutions.

BACKGROUND INFORMATION

The FAUFC, an FAU direct-support organization, issued \$44,500,000 Capital Improvement Revenue Bonds (Series 2010 Bonds) in November of 2010 for the construction of the FAU football stadium. These Series 2010 Bonds were issued as taxable Build America Bonds, authorized by the American Recovery Act. These Build America Bonds were authorized to be issued only during calendar year 2009 and 2010. The Series 2010 Bonds were purchased by Regions Bank as a direct bank loan. The final maturity of the Series 2010 Bonds is July 1, 2040 and the outstanding principal amount will be \$39,775,000 as of July 1, 2017.

At the time of the issuance of the Bonds, the Federal Government was providing an interest rate subsidy of 35% on Build America Bonds. The initial taxable interest rate was 5.78 percent and after application of the subsidy, the initial Net Rate being paid by the FAUFC was 3.76% (5.78% x .65). Subsequently, the Federal Government reduced the interest rate subsidy to 28% as a result of Sequestration Legislation. This action caused the Net Rate to increase 4.16% (5.78% x .72). This initial rate is fixed until October 1, 2017.

After the initial seven year term, the indenture contains renewal provisions for a term of three (3) years at the 3 year LIBOR swap rate plus 336 basis points. That taxable rate today is 5.14% and the Net Rate would be 3.70% (5.14% x .72). Under current market conditions, the Administration believes this rate would not be competitive for a three year period.

The FAUFC requests authorization to issue a competitive solicitation to interested financial institutions, including Regions Bank, for a refinancing of the Series 2010 Bonds. The solicitation will be conducted in accordance with all legislative and BOG requirements. FAUFC is working with its Financial Advisor, Dunlap and Associates, and Bond Counsel, Bryant Miller Olive, on the solicitation. The FAUFC expects

it will receive proposals for refinancing the outstanding balance with rates and terms that are more favorable to it than those under the current indenture.

IMPLEMENTATION PLAN/DATE

The FAUFC shall issue the solicitation immediately upon authorization by this Board. Any proposed refinancing terms agreed to by the FAUFC would be brought to this Board for final approval, in accordance with BOG regulations and guidelines.

FISCAL IMPLICATIONS

Debt service savings TBD.

Supporting Documentation: N/A

Presented by: Mr. Art Kite, Interim VP for Financial Affairs

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