



Item: BF: A-2

BUDGET & FINANCE COMMITTEE

Tuesday, June 27, 2017

SUBJECT: Authorization for Refinancing of 2010 FAU Finance Corporation Stadium Bonds

PROPOSED COMMITTEE ACTION

Recommend refinancing the Series 2010 FAU Finance Corporation ("FAUFC") Stadium Bonds with Regions Bank or its affiliates ("Regions").

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 to be issued only during calendar year 2009 and 2010. The Series 2010 Bonds were purchased by Regions 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 recurring renewal provisions for terms 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 issued a competitive solicitation to interested financial institutions, including Regions, for a refinancing of the Series 2010 Bonds. The solicitation was conducted in accordance with all legislative and BOG requirements. FAUFC worked with its Financial Advisor, Dunlap and Associates, and Bond Counsel, Bryant Miller Olive, on the solicitation. The FAUFC received four proposals.

Regions proposed the most favorable rate and terms, with a tax-exempt rate of 2.61%, fixed for a period of 10 years and renewal provisions for recurring terms of five (5) year at 65.1% of the 10-year swap rate plus 121 basis points. The final maturity of the bonds is not extended. Regions also agreed to several beneficial modifications of the terms of the indenture, including eliminating a requirement that the FAUFC maintain a second reserve fund.

The FAUFC Board of Directors unanimously approved the proposed refunding with Regions on June 19, 2017. Final approval is subject to confirmation from staff of the Florida Board of Governors (BOG) that the refunding of the bonds does not require formal approval by the BOG.

IMPLEMENTATION PLAN/DATE

Complete the refunding on or before September 30, 2017.

FISCAL IMPLICATIONS

Net Present Value savings of \$6,226,119.

Supporting Documentation:

Proposed resolution

Presented by: Art Kite, Interim Vice President, Financial Affairs

Phone 561-297-6272

A RESOLUTION OF THE FLORIDA ATLANTIC UNIVERSITY BOARD OF TRUSTEES AUTHORIZING THE BOARD OF DIRECTORS OF THE FAU FINANCE CORPORATION TO REFINANCE THE FINANCE CORPORATION'S OUTSTANDING CAPITAL IMPROVEMENT REVENUE BONDS (FOOTBALL STADIUM PROJECT) SERIES 2010 THROUGH THE ISSUANCE OF ONE OR MORE SERIES OF THE FINANCE CORPORATION'S CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the FAU Finance Corporation (the "Finance Corporation") has been certified by the Florida Atlantic University Board of Trustees ("University") as one of its direct support organizations; and

WHEREAS, the Finance Corporation has previously issued its Capital Improvement Revenue Bonds (Football Stadium Project) Series 2010 (the "Refunded Bonds") to finance the FAU football stadium improvements and other related capital improvements; and

WHEREAS, the Refunded Bonds are subject to purchase by the Finance Corporation on October 1, 2017 from Regions Bank, the current holder of the Refunded Bonds; and

WHEREAS, the Refunded Bonds are currently direct pay subsidy bonds bearing interest at a taxable rate that has been offset by subsidy payments received from the United States Treasury which subsidy has been reduced each year following the year of issuance of the Refunded Bonds; and

WHEREAS, the Finance Corporation requested and received proposals from interested financial institutions to refinance the Refunded Bonds and the proposal received from Regions Bank (the "Regions Bank Proposal") contains terms most favorable to the Finance Corporation, a copy of which is attached hereto as Exhibit A; and

WHEREAS, the Finance Corporation desires to accept the Regions Bank Proposal and refinance the Refunded Bonds with one or more series of its Capital Improvement Revenue Refunding Bonds (the "2017 Bonds") to be purchased by Regions Bank or one of its affiliates in order to take advantage of lower interest rates; and

NOW, THEREFORE, BE IT RESOLVED BY THE FLORIDA ATLANTIC UNIVERSITY BOARD OF TRUSTEES:

SECTION 1. The Florida Atlantic University Board of Trustees hereby authorizes the Finance Corporation to refinance the Refunded Bonds and to issue the 2017 Bonds pursuant to the terms and provisions contained in the Regions Bank Proposal, subject to the negotiation of final agreements related to the issuance of the 2017 Bonds by the Finance Corporation.

SECTION 2. The President and Vice President for Financial Affairs of the University and other authorized representatives of the University, are hereby authorized to take all actions and steps, to execute all instruments and documents and contracts, and to take all other actions as they may deem necessary or desirable in connection with the refinance of the Refunded Bonds and the issuance of the 2017 Bonds. This approval is subject to confirmation from staff of the Florida Board of Governors that the issuance of the 2017 Bonds does not require formal approval by the Florida Board of Governors.

SECTION 3. This Resolution shall become effective immediately upon its adoption.

ADOPTED this 27th day of June, 2017.

**FLORIDA ATLANTIC UNIVERSITY
BOARD OF TRUSTEES**

By: _____
Chairperson

ATTEST:

Secretary

Exhibit A

Regions Bank Proposal



Corporate Banking Division

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Oscar Herrera
Vice President

June 8, 2017

Mr. Art Kite
Executive Director
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Reference: FAU Finance Corporation Capital Improvement Revenue Bonds (Football Stadium Project), Series 2010

Dear Art:

As expressed in recent conversations, Regions is very proud of having supported the University with a financing facility for the construction of the University's football stadium. We submit this letter in response to the Request for Proposals ("**RFP**") issued by FAU FC to refinance the Bonds.

Reference is made to certain Trust Indenture dated November 1, 2010 ("**Indenture**") by and between FAU FINANCE CORPORATION, a Florida single-purpose not-for-profit corporation ("**FAU FC**") and a direct support organization of the Florida Atlantic University Board of Trustees, and an instrumentality of Florida Atlantic University ("**University**"); and REGIONS BANK, a state banking corporation organized and existing under the laws of the state of Alabama, as trustee (in such capacity, "**Trustee**"). The terms used herein, unless the context hereof shall require otherwise, shall have the same meanings when used herein as assigned them in the Indenture, unless the context or use thereof indicates another or different meaning or intent.

In furtherance of the public purpose for which the FAU FC was created, the FAU FC issued its taxable \$44,500,000 FAU Finance Corporation Capital Improvement Revenue Bonds (Football Stadium Project), Series 2010 ("**Bonds**") pursuant to the Indenture. REGIONS BANK, a state banking corporation organized and existing under the laws of the state of Alabama (in such capacity, "**Bank**") is the Owner of the Bonds.

Pursuant to Section 4.01(a)(2) of the Indenture, the Bank is hereby responding to FAU FC's request notice

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dated March 31, 2017, as to whether or not the Bank shall tender the Bonds for purchase pursuant to Section 4.01(a)(1). The Bank is willing not to tender the Bonds for purchase and make modifications to the Indenture, not inclusive of all necessary changes, to accomplish the following:

Indenture Section	Indenture Term	FAU FC Request	Proposed Term
MODIFICATIONS REGARDING TERM			
Section 1.01	Definition of Initial Purchase Date , currently set at October 1, 2017	Adjust definition to extend as much as possible	Adjustment of definition to October 1, 2027 (10.3-yr extension)
Section 4.01	Mandatory Purchase of Bonds: If the Owner shall agree to an Extended Purchase Date , such extension and any subsequent extension of the applicable Purchase Date shall be for a period not to exceed three (3) years from the Initial Purchase Date or each Extended Purchase Date, as applicable.	Adjust clause to extend as much as possible	Adjustment of clause so that any extension of the applicable Purchase Date after October 1, 2027 shall be for a period not to exceed five (5) years from the Initial Purchase Date or each Extended Purchase Date, as applicable.

MODIFICATIONS REGARDING PRICING			
Section 2.02(a)	Definition of interest rate for the Bonds (until the Initial Purchase Date): The Bonds shall bear interest at an interest rate per annum equal to 5.78% , subject to adjustment as provided in the Indenture.	Convert to a market taxable or tax exempt rate	Beginning on the Closing Date and until the modified Initial Purchase Date of October 1, 2027 (10-yr interest rate) : <ul style="list-style-type: none"> • Conversion to a new fixed taxable interest rate of 4.10%, or • Conversion to a new fixed tax-exempt interest rate of 2.61% <p>This Rate is locked until August 31st, 2017.</p> <p>In the event that FAU FC chooses the tax-exempt option, Regions Capital Advantage Inc. (an affiliate of the Bank) will become the Owner and some additional legal disclaimers and language would have to be added to the Indenture to accommodate the tax exempt nature of the transaction.</p>
Section 1.01	Definition of Interest Rate Formula , currently set at 3-year LIBOR swap rate as of the applicable Extended Purchase Date and adding 336 basis points.	Convert to a market taxable or tax exempt rate	Definition of Tax Exempt Interest Rate Formula , currently set at 65.1% of the 10-year swap rate as of the applicable Extended Purchase Date and adding 121 basis points . <p>Definition of Taxable Interest Rate Formula, currently set at the 10-year swap rate as of the applicable Extended Purchase Date and adding 195 basis points</p>

MODIFICATIONS REGARDING REPORTING REQUIREMENTS			
Section 5.01.07(b)	Delivery of audited annual financial reports of the Foundation , within 180 days after the close of the Foundation's Fiscal Year.	N/A	<ul style="list-style-type: none"> • Delivery of audited annual financial reports of the University and the Foundation, within 10-days after delivery to the Board of Trustees, but no later than 270 days after the close of the University's and the Foundation's Fiscal Year.
Section 5.01.07(c)(i)	Delivery of unaudited financial reports of the Issuer, the University and the Foundation , within 30 days following the close of each of the first 3 Fiscal Year quarters .	Eliminate requirement for quarterly monitoring	<ul style="list-style-type: none"> • Elimination of reporting requirement for the first three fiscal year quarters. • Delivery of unaudited financial reports of the University and FAU FC, within 30 days following the close of the second Fiscal Year quarter. • Delivery of an actual to budget report of the University (as presented to the Board of Trustees-BOT), within 10 days after presentation to the BOT, but no later than 90 days following the close of the second Fiscal Year quarter. • Delivery of unaudited financial reports of the Issuer, the University and the Foundation, within 120 days following the close of such Fiscal Year end.
Section 5.01.010	Delivery of a certificate of compliance with the ratio of System Revenues and Direct Pay Subsidies to Bond Service Requirements on an accrual basis for the previous 12-month period , within 30 days following the close of the first 3 Fiscal Year quarters .	Eliminate requirement for quarterly monitoring	<ul style="list-style-type: none"> • Elimination of certification requirement for the first and third Fiscal Year quarters. • Delivery of a certificate of compliance with the ratio of System Revenues and Direct Pay Subsidies (as applicable) to Bond Service Requirements for the previous 12-month period, within 30 days following the close of the second Fiscal Year quarter and within 90 days following the close of such Fiscal Year end. • System Revenues and Direct Pay Subsidies (as applicable) for the aforementioned calculation will be presented on a consolidated basis for the certificate due following the second Fiscal Year quarter. • The Bank will provide the template to perform the aforementioned calculation.

MODIFICATIONS REGARDING COLLATERAL			
Section 1.01	Definition of Reserve Requirement , currently set at \$2,598,663 determined on a net basis	Adjust definition to match new MADS	Adjustment of definition to match the new either taxable or tax-exempt MADS, as applicable.
Section 6.02	Establishing with the Trustee of a Revenue Fund (Conference Payment subaccount and Athletic Fee subaccount), Rebate Fund, a Debt Service Fund, Costs of Issuance Fund, Reserve Fund, Construction Fund (Loan Proceeds Subaccount and Contributed Funds Subaccount), Renewal and Replacement Fund, Surplus Fund (Restricted Subaccount and Unrestricted Subaccount)	Eliminate the Restricted Subaccount of the Surplus Fund	Elimination of the required Restricted Subaccount within the Surplus Fund.

Section 6.04(c)	Disposition of Pledge Revenues; Application of Amounts on Deposit in Revenue Fund.: Pledged Revenues that cannot be deposited directly with the Trustee shall be deposited into a Deposit Account by either the University or the Foundation and shall be immediately transferred therefrom by the University or Foundation, respectively to the Trustee and deposited into the Revenue Fund. The University will establish a Deposit Account and enter into a Deposit Control Agreement (DACA) with the Trustee.	Eliminate the DACA requirement	Elimination of DACA requirement
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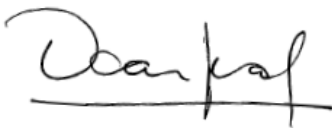
Subject to approval deadlines by the FAU FC, the Bank is prepared to close the aforementioned modifications on or before **August 31, 2017 (“Closing Date”)**, and upon your concurrence to the terms above we commit to working with you and your advisors to close the transaction in the most expeditious manner. Upon return by FAU FC to the Bank of a fully executed copy of this letter, by the time set forth below, this commitment will constitute an agreement of FAU FC to accept the terms and conditions set out above regarding the Bonds. This includes payment by FAU FC of all legal fees and expenses, including those of Bank counsel, associated with effecting the modifications described herein.

Closing is subject to, amongst other things, an opinion of Bond Counsel in form and substance acceptable to the Bank. FAU FC agrees to take such actions as may be necessary for Bond Counsel to render such opinion.

Unless an executed copy of this Commitment Letter is received by the Bank by **1:00 p.m. Eastern Daylight Time on Friday, June 30, 2017**, this commitment shall, at the Bank's option, be null and void and of no further force and effect. If accepted, the modifications shall close on or before the Closing Date. Any extension of the validity of these terms beyond the Closing Date is subject to the Bank's sole consent.

Finally, thank you for providing the Bank with this opportunity to continue developing a financial partnership with FAU FC. We are grateful for your consideration and remain available to promptly respond to any questions that you may have regarding this document. I look forward to hearing from you.

Best regards,



Oscar Herrera
Vice President

The above terms and conditions are accepted

FAU FINANCE CORPORATION

By: _____

Title: _____