



Item: AF: A-3

AUDIT AND FINANCE COMMITTEE

Thursday, October 18, 2012

SUBJECT: REVIEW AND REQUEST FOR APPROVAL OF REFINANCING THE INNOVATION VILLAGE HOUSING 2010 SERIES B BONDS.

PROPOSED COMMITTEE ACTION

Recommend approval of the resolution to authorize the Florida Atlantic University Finance Corporation to refinance the Innovation Village 2010 Series B bonds.

BACKGROUND INFORMATION

Florida Atlantic University, on behalf of the FAU Finance Corporation (FAUFC), a direct support organization of the University, solicited proposals for the purpose of refinancing the 2010 Series B bonds ("Bonds"). The Bonds were issued in March 2010 in the amount of \$3,365,000 as part of the Innovation Village project and were purchased as a private placement by the Developer at the maximum interest rate allowable under Chapter 218, Florida Statutes, 7.39 percent. Given the current favorable climate regarding interest rates, Florida Atlantic University desires to refinance the Bonds to reduce the long term financing cost of this portion of Innovation Village debt.

The University engaged a Financial Advisor, Dunlap & Associates, Inc., to prepare and distribute proposals for the refinancing. The University also engaged Bond Counsel, Bryant, Miller & Olive to review the legal structure. Proposals were received on October 5, 2012, and were reviewed by an evaluation committee of the FAUFC, which included the Executive Director of the FAU Finance Corporation. Final approval of the refinancing proposal and recommendation is subject to approval by the FAU Finance Corporation, FAU University Finance/Audit Committee and FAU Board of Trustees.

The University received two proposals to refinance the bonds. The interest rate on the selected proposal submitted by PNC is 1.66 percent. All proposals submitted included a "put option" which will allow for the resetting of the interest rate in seven years. While there is interest rate risk associated with the put option it is believed that the even in a worst case scenario

significant savings will occur. The PNC proposal recommended for approval includes the option to reduce the final maturity date from 2036 to 2025. While the payment remains nearly the same, principal is reduced by an additional \$735,000 as a result of the accelerated payoff schedule. There is sufficient debt service coverage at the same payment rate.

This refinancing is in compliance with the FAU Debt Management Guidelines.

IMPLEMENTATION PLAN/DATE

The closing is scheduled for the week of October 29, 2012.

FISCAL IMPLICATIONS

Based upon the proposal received, the present value savings will be \$2,471,725 over the remainder of the term.

Supporting Documentation: Resolution, Summary of Refinancing

Presented by: Dennis Crudele
Sr. Vice President for Financial Affairs

Phone: 561-297-3266

A RESOLUTION: AUTHORIZING THE REFUNDING BY THE FAU FINANCE CORPORATION OF ITS OUTSTANDING CAPITAL IMPROVEMENT REVENUE BONDS (INNOVATION VILLAGE PROJECT), SUBORDINATE SERIES 2010B; PROVIDING AN EFFECTIVE DATE.

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

WHEREAS, the Corporation previously issued its Capital Improvement Revenue Bonds (Innovation Village Project) Subordinate Series 2010B (the "2010 Bonds") in a principal amount equal to \$3,365,000 to finance a portion of the costs of the student housing facility commonly referred to as Innovation Village; and

WHEREAS, due to declining interest rates the Corporation may refinance the 2010B Bonds and reduce the aggregate debt service payments due on such bonds; and

WHEREAS, the Corporation desires to issue a series of its Capital Improvement Revenue Bonds (Student Housing Project), Series 2012B (the "2012B Bonds") pursuant to the terms and provisions of the Trust Indenture dated July 1, 2012 (the "2012 Indenture") by and between the Corporation and U.S. Bank National Association (the "Indenture") which provided for the issuance of the Corporation's outstanding Capital Improvement Revenue Bonds (Student Housing Project), Series 2012A (the "2012A Bonds") for the purpose of refunding the 2010 Bonds; and

WHEREAS, the 2012B Bonds will be secured by a lien on and payable from the Pledged Revenues, as defined in the 2012 Indenture, on a parity status to the lien granted to the holders of the 2012A Bonds; and

WHEREAS, the Corporation solicited and received bids from interested financial institutions; and

WHEREAS, it has been determined, based in part on the recommendation of the Corporation's financial advisor, that the bid received by PNC Bank contains the provisions most favorable to the Corporation which includes a shortening of the amortization period from 2036 to 2025 and reducing the interest rate from 7.39% per annum to approximately 2.00% for the first seven years following delivery of the 2012B Bonds; and

WHEREAS, the 2012B Bonds, together with interest thereon, will not be general or moral obligations of the Corporation and do not constitute an obligation, either general or special, of the State, the University or any political subdivision thereof, but are limited obligations payable solely and only from the Pledged Revenues; and

WHEREAS, pursuant to the University's debt management policy, all direct support organizations are required to seek the approval of the University Board of Trustees prior to the issuance of debt.

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

Section 1. The Florida Atlantic University Board of Trustees hereby authorizes the Corporation to refinance the 2010B Bonds and the issuance of the Series 2012B Bonds provided the initial interest rate for the 2012B Bonds does not exceed 2.00% per annum for the initial seven years following delivery of the 2012B Bonds and the principal amount of the Series 2012B Bonds does not exceed \$3,500,000.

Section 2. The President and the Sr. Vice President for Financial Affairs of the University and the Chair or Executive Director of the Corporation, and other authorized representatives of the University, and the Board of Trustees, and the Corporation, 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 Series 2010B Bonds and issuance of the Series 2012B Bonds.

Section 3. This Resolution shall become effective immediately upon passage.

CERTIFICATE OF THE CORPORATE SECRETARY

The Undersigned, Corporate Secretary of the Florida Atlantic University Board of Trustees, does hereby certify that the attached resolution is a true and accurate copy as adopted by the Florida Atlantic University Board of Trustees on _____, 2012.

THE FLORIDA ATLANTIC
UNIVERSITY BOARD OF TRUSTEES

Dated: _____

By: _____
Corporate Secretary

Florida Atlantic University
Capital Improvement Revenue Bonds, Series 2012B
(Refunding Innovation Village Revenue Bonds, Series 2010B)
Summary of Responses

	PNC-1 (1.66%)	PNC-2 (1.66%)	JPM (1.85%)
Par Amount of Loan	3,440,000.00	3,440,000.00	3,440,000.00
All-In TIC	1.86%	2.00%	2.05%
Total Principal and Interest	4,178,729.51	3,837,848.51	4,269,480.39
Present Value \$ Savings	2,471,752.26	2,471,725.74	2,347,371.50
Present Value % Savings	73.45%	73.45%	69.76%
Average Annual PV Savings	102,989.68	102,988.57	97,807.15
Final Maturity	7/1/2036	7/1/2025	7/1/2036
Outstanding Balance in 2019	2,715,000.00	1,980,000.00	2,725,000.00