



Item: AF: A-3

Thursday, October 18, 2012

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

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#### **PROPOSED BOARD ACTION**

Provide 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.

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**Supporting Documentation:** Resolution, Summary of Refinancing

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