



Item: AF: A-2

Thursday, October 18, 2012

**SUBJECT: REVIEW AND REQUEST FOR APPROVAL OF REFINANCING OF THE HONORS COLLEGE RESIDENCE HALLS.**

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#### **PROPOSED BOARD ACTION**

Provide approval of the resolution to authorize the Florida Atlantic University Foundation to refinance the debt of the Honors College Residence Halls.

#### **BACKGROUND INFORMATION**

Florida Atlantic University, on behalf of the FAU Honors College, and the FAU Foundation, Inc., a direct support organization of the University, solicited proposals for a Bank Term Loan for the purpose of refinancing the 1999 and 2000 Certificates of Participation (COP) series that financed the Honors College residence halls. The proposed Series 2012 Honors College Housing System Refunding Certificates of Participations ("2012 Refunding Issue") will be a full refunding of the existing Series 1999 and 2000 COP issues, with a final maturity on May 1, 2030.

The University engaged a Financial Advisor, Larson Consulting Services, 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 reviewed by an evaluation committee which included a member of the FAU Foundation. 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 1999 and 2000 COP's were issued with a fixed rate, 5 percent and 5.723 percent respectively, over thirty years. With the favorable interest rate climate Florida Atlantic University desires to refinance the two series to reduce the overall financing cost of the Honors College residence halls and to release the reserve fund to be used to renovate a portion of the facility to accommodate post-doctoral students on the Jupiter campus.

The interest rate on the selected proposal by PNC Bank is 1.67 percent. All proposals

submitted included a “put option” which will allow for the resetting of the interest rate in seven years. None of the bank submittals included a fixed rate for the remainder of the term. 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.

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

#### **IMPLEMENTATION PLAN/DATE**

The closing will be scheduled upon final execution of the documents by the Florida Atlantic University Foundation, Inc.

#### **FISCAL IMPLICATIONS**

Based upon the proposal received the present value savings will be \$2,970,814 over the remainder of the term at 1.67 percent. In addition, the debt reserve fund of approximately \$858,000 would be released to the project fund to allow for the renovation of the facility.

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

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