



Item: AF: A-2

AUDIT AND FINANCE COMMITTEE

Thursday, October 18, 2012

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

PROPOSED COMMITTEE ACTION

Recommend 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.

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

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

Phone: 561-297-3266

A RESOLUTION: AUTHORIZING THE FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC. TO CAUSE TO BE ISSUED A SERIES OF CERTIFICATES OF PARTICIPATION FOR THE PURPOSE OF REFUNDING ITS OUTSTANDING CERTIFICATES OF PARTICIPATION, SERIES 1999 AND SERIES 2000; PROVIDING AN EFFECTIVE DATE.

WHEREAS, The Florida Atlantic University Foundation, Inc. (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 caused U.S. Bank National Association, as trustee, as successor in interest to SunTrust Bank (the "Trustee") to issue the Certificates of Participation, Series 1999 and Series 2000 (the "Refunded Certificates") pursuant to the terms of the Trust Agreement dated as of January 1, 1999 (the "Trust Agreement") the proceeds of which were used to finance the cost of certain student housing facilities at its Honors College located on the University's Jupiter campus; and

WHEREAS, due to declining interest rates the Corporation may refinance the Refunded Certificates and reduce the aggregate debt service payments due on such certificates; and

WHEREAS, the Corporation desires to cause the Trustee to issue a series of Refunding Certificates of Participation, Series 2012 (the "2012 Certificates") pursuant to the terms and provisions of the Trust Indenture which provided for the issuance of the Certificates for the purpose of refunding the Refunded Certificates; and

WHEREAS, the 2012 Certificates will be secured by a lien on and payable from certain lease payments to be received by the Corporation, as lessor, from the University, as lessee, pursuant to an Amended and Restated Operating Lease; 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 reducing the average interest rate of 5.00% per annum to approximately 2.00% for the first seven years following delivery of the 2012 Certificates; and

WHEREAS, the 2012 Certificates, 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 from the lease payments due under the Amended and Restated Operating Lease and amounts payable under a Guaranty Agreement by and between the Corporation and the Trustee; 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 Refunded Certificates and the issuance of the 2012 Certificates provided the initial interest rate for the 2012 Certificates does not exceed 2.00% per annum for the initial seven years following delivery of the 2012 Certificates and the principal amount of the Series 2012B Bonds does not exceed \$9,800,000.

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 Refunded Certificates and issuance of the 2012 Certificates.

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: _____

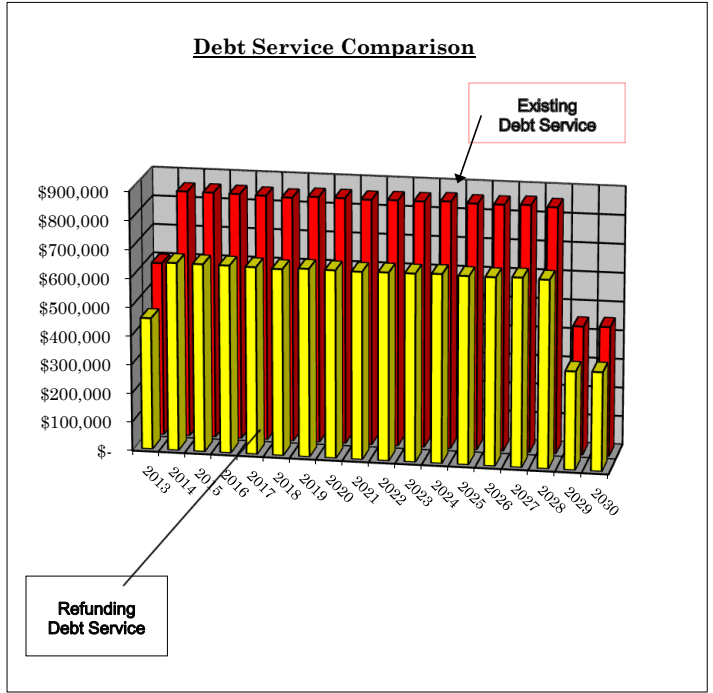
By: _____
Corporate Secretary

Florida Atlantic University Foundation
Certificates of Participation, Series 2012
(Refunding of 1999, 2000 COP's)
Summary of Responses

Item	PNC	Comerica	Sun Trust
Par Amount of Loan	9,382,988.00	9,382,988.00	9,382,988.00
New Interest Rate	1.66%	2.36%	2.41%
Total Principal and Interest	10,907,978.00	11,571,157.00	11,574,157.00
Present Value \$ Savings	2,970,814.00	2,314,231.40	2,255,458.00
Average Annual PV Savings	195,129.00	158,224.00	156,946.00
Final Maturity	5/1/2030	5/1/2030	5/1/2030

Florida Atlantic University Foundation
Honors College Housing System Refunding COP's, Series 2012
(Current Refunding of Series 1999 & Series 2000 COP's)
PNC Non BQ Rate as of 10/08/2012

Refunding Savings Comparison to Outstanding Debt			
Fiscal Year	2012 ⁽¹⁾		Annual Savings
	Refunding Payments	Combined Existing Payments	
2013	\$ 456,825	\$ 601,893	\$ 145,068
2014	\$ 651,920	\$ 854,841	202,921
2015	\$ 651,570	\$ 854,810	203,240
2016	\$ 651,086	\$ 853,691	202,605
2017	\$ 649,469	\$ 851,485	202,016
2018	\$ 646,735	\$ 848,704	201,969
2019	\$ 651,901	\$ 854,860	202,959
2020	\$ 650,833	\$ 854,423	203,590
2021	\$ 649,631	\$ 852,641	203,010
2022	\$ 651,296	\$ 854,548	203,252
2023	\$ 651,777	\$ 854,658	202,881
2024	\$ 654,091	\$ 858,163	204,072
2025	\$ 651,204	\$ 854,778	203,573
2026	\$ 651,201	\$ 854,788	203,587
2027	\$ 654,031	\$ 857,738	203,707
2028	\$ 650,643	\$ 853,538	202,894
2029	\$ 341,139	\$ 447,438	106,299
2030	\$ 342,628	\$ 449,438	106,810



Total	\$ 10,907,978	\$ 14,312,430	\$ 3,404,452
Present Value Savings			\$ 2,970,814
Average Annual Savings			\$ 195,129

← Total Savings (1)
 ← Present Value Savings Equals 31.76% of Bonds to be Refunded (1)
 ← Average Annual Savings (1)

	New	Existing
Average	1.67%	5.000%
Coupon	1.67%	5.723%

← Interest Rate Reduction

(1)

Estimated Sources and Uses of Funds at Closing (11/20/2012)

Sources of Funds		Uses of Funds	
Par Amount	\$ 9,483,000	Cost of Payoffs ⁽²⁾	\$ 9,382,988
Reserve Fund - Series 1999	408,280	Estimated Cost of Issuance	100,000
Reserve Fund - Series 2000	450,163	Deposit to Project Fund	858,443
		Other	12
Total Sources of Funds	\$ 10,341,443	Total Uses of Funds	\$ 10,341,443

(1) Estimated, subject to change, based on changing market conditions

(2) LCS to review need for escrow, refunding structural requirements with Bond Counsel.