

July 12-13, 2018

ITEM 180-2001-R0718

Request for authorization to refinance Series J 2005 Bonds, Montana State University

THAT

The Montana Board of Regents of Higher Education adopts a resolution authorizing Montana State University and the Commissioner of Higher Education to amend its bond indenture and execute other required documents in connection with the refinancing of its Series J 2005 Debt currently outstanding, as provided in this item.

EXPLANATION

1. Montana State University (the University) currently has outstanding \$19,800,000 of Series J 2005 debt, the original proceeds of which were used to renovate the Marga Hosaeus Health & Fitness Center, construct the Black Box Theater, and renovate portions of the Strand Union Building. The Series J 2005 bonds are currently owned by Wells Fargo Bank, which purchased them in September 2010 pursuant to a 3-year direct purchase agreement that was renewed in 2013 for a period of 5 years. The bonds pay a variable rate to the bondholder (Wells Fargo), and pay/receive interest to/from two swap counterparties. The final maturity of the bonds is December 2035.
2. The 2013 direct purchase agreement expires September 7, 2018; as such, the University, Commissioner's Office Staff, and the University's financial advisors are evaluating available refinancing options. Such options are as follows:
 - a. Refunding the Series J debt by issuing new bonds in the public market, either in fixed or variable rate mode.
 - b. Remaining in the Direct Purchase mode with an extension of the current index rate mode with either Wells Fargo Bank or with another party (dependent on cost).
 - c. Remarketing the Series J debt in the public market, in an index rate mode.
 - d. Retaining the current interest rate swap agreements or unwinding one or both agreements (dependent on market conditions).

The different options' key evaluation criteria are potential interest cost savings, risk of future interest rate fluctuations, the risk that markets may not be favorable when the agreement must be renewed again in the future, and complexity to administer.

3. This item authorizes the University and the Commissioner to amend the University's bond indenture and execute documents necessary to complete the refunding of the Series J bonds in the public market if the University and the Commissioner, with advice of legal counsel and financial advisors, determine that a refunding of the Series J bonds is in the best interest of the University.
4. If a refunding of the Series J bonds in the public market is not deemed to be the most advantageous option for the University, then the Commissioner may instead choose to modify certain other agreements to extend the Series J 2005 debt in the current index rate mode (direct purchase or public offering).
5. The Board has previously delegated to the Commissioner the authority to enter into or alter certain agreements relative to the Series J 2005 debt. With this item, the University seeks to re-authorize and update the approvals granted in Board Items 138-2005-R0308, 139-101-C0408, and

147-2001-C0610, continuing to delegate to the Commissioner the authority to perform the following actions to achieve the most cost-effective strategy in a timely manner:

- a. Execute or amend certain agreements currently outstanding, including approval to execute, terminate, amend, modify, supplement, and/or alter ISDA Master Agreements and related documentation.
 - b. Change interest rate modes.
 - c. Enter into or discontinue liquidity facilities (such as a bank letter of credit or stand-by bond purchase agreement) with respect to the University's variable rate bond series.
 - d. Modify the University's bond indenture to permit remarketing of the bond in various interest rate modes.
6. Professional and bond underwriting fees will be incurred for making such changes; these costs will be considered in determining the most cost-effective strategy for refinancing the Series J debt.
 7. Appropriate notice will be given to specified parties as has been previously set forth in the University's bond indenture
 8. This authorization does not include authority to borrow additional funds or extend debt maturity dates.

ATTACHMENTS

- Attachment #1- Authorizing Resolution
- Attachment #2- Board Item 138-2005-R0308
- Attachment #3- Board Item 139-101-C0408
- Attachment #4- Board Item 147-2001-C0610