

May 15-16, 2024

**ITEM 212-2008-R0524**

**Request for Authorization to Issue Facilities Revenue Bonds; Montana State University**

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**THAT**

The Board of Regents previously authorized Montana State University to construct the Indoor Athletic Center (IAC), the Mark and Robyn Jones College of Nursing (CON), and certain Parking Improvements; and now adopts a Resolution for General Revenue Bonds for Montana State University and authorizes MSU and the Commissioner of Higher Education of the Montana University System to proceed with the issuance of revenue bonds in an amount up to \$55.0 million.

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**EXPLANATION**

1. MSU previously received construction authority for these three projects:
  - a. In November 2023 for the Indoor Athletic Center (IAC ) (ITEM 209-2007-R1123)
  - b. In September 2023 for the Mark and Robyn Jones College of Nursing (CON) (ITEM 208-2010-R0923)
  - c. In January 2024 for certain parking improvements (ITEM 210-2004-R0124)
2. MSU seeks authority to issue up to \$55 million in revenue bonds, consisting of:
  - a. Bridge financing up to \$12 million for the IAC, to be repaid over a period up to 5 years with gift proceeds (as received) according to the donor pledge schedules (to cover the gap between the timing of construction expenses and project donations).
  - b. Bridge financing up to \$35 million for the Mark and Robyn Jones CON, to be repaid over a period up to 5 years with gift proceeds (as received) according to the donor pledge schedule (to cover the gap between the timing of construction expenses and project donations).
  - c. Traditional, fixed-rate bond financing up to \$8 million for certain parking improvements, to be repaid over a period up to 15 years with parking operations revenues.
3. Debt is expected to be issued prior to June 30, 2024:
  - a. Bank bids for a private bond placement were sought through a Request for Proposal (RFP), which included options for bridge financing for the IAC and CON and a traditional loan for parking improvements.
  - b. Principal and interest payments will be scheduled over a period of up to 5 years for the bridge financing and up to 15 years for the parking improvements.
  - c. Fixed-rate interest will not be greater than 5.0% for the initial period.
  - d. Interest is expected to be tax exempt.
  - e. Early repayment of this debt is permitted (without penalty) and this will result in interest cost savings if donations are received ahead of schedule on bridge loans or net parking operation revenues allow it on the parking loan.
  - f. Interest rates may be subject to adjustment after the initial term and/or increase upon an event of taxability or event of default.
4. Bond issuance costs include:
  - a. Bond counsel fees required to prepare a supplemental indenture, disbursement/draw agreements with the lender, authorizing resolutions, preparing the bonds, closing documents and any other agreements or instruments required in connection with the financing, and to provide an opinion as to the tax-exempt status of debt.
  - b. Financial advisory fees to coordinate the private bond placement, prepare schedules, and act as fiduciary in the University's best interest.
  - c. Bank costs such as bank loan origination fees, interest rate spreads (points), and bank counsel fees.
5. Due to the strength of the University's credit rating (recently upgraded by Standard & Poor's Global to AA- with a stable outlook), the University does not expect to be required to attach bond insurance to this transaction or enter into additional covenants.

6. The bonds will be issued under, and secured by, the Indenture. The University's financial strength provides pledged revenues for debt service which will be 5.2 times its annual debt service after accounting for this additional debt (up to \$55 million).
7. The Commissioner of Higher Education, the MSU Vice President for Administration and Finance, and the Montana University System (MUS) Legal Counsel will determine the optimal time to execute this transaction based on the prevailing interest rates. This authorizes the Chair of the MUS Board of Regents and the Commissioner/Secretary to execute such documents as may be required to consummate the issuance of the bonds.

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**ATTACHMENTS**

Attachment #1: Facilities Bonds Resolution