

**EXECUTIVE SUMMARY**

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**ACTION ITEM:** Arizona State University Research Park Bond Refinancing.

**ISSUE:**

Arizona State University (ASU) requests Arizona Board of Regents (ABOR) approval to refund selected maturities of the ASU Research Park (ASURP) bonds in order to obtain possible cost savings.

**BACKGROUND:**

The ASURP bonds were originally issued in 1984 and last advanced refunded in 1995.

IRS regulations permit a refinancing of these ASURP bonds any time after April 1, 2006.

On the basis of current interest rates, a refunding of the ASURP bonds would save \$569K over the next 16 years on a net present value basis, after all issuance costs, with the present final maturity of 2021 staying the same. This amounts to a savings level of 3.4% of the bonds being refunded.

The feasibility of the ASURP bonds being refunded is very interest rate sensitive. The currently estimated interest rate is 4.53%. If interest rates increased 25 basis points (25 one-hundredths of one percent), or to 4.78%, the net present value savings would be \$289K or 1.7% of the bonds being refunded. On the other hand, if interest rates decreased by 25 basis points, to 4.28%, the net present value savings would increase to \$856K, or 5.1% of the bond being refunded.

The norm within the municipal tax exempt bond industry is that a refunding not be done unless the net present value savings are at least 2 to 3% of the bonds being refunded. The goal for ASU and the ASURP is to achieve the best refunding debt service cost savings possible, and not less than a savings of at least 2% of the bonds being refunded.

The requested approval is to refund the ASURP bonds, and issue new bonds, maximum par amount of \$18.0 million, at any time that a net present value savings of at least 2% can be obtained.

**FINANCING PLAN:**

ASU and the ASURP intend to refund outstanding ASURP bonds by selling fixed interest rate bonds in a principal amount not exceeding \$18.0 million. The bonds would have a final maturity of July 1, 2021, the present maturity of the ASURP bonds.

ASU will enter into various agreements associated with the bond issue, such as bond insurance to lower the net borrowing costs, a bond purchase agreement, and a possible reserve fund surety bond agreement.

The bonds would be sold at current market rates at the time of pricing, as long as at least a net present value savings of 2% of the bond being refunded is achieved.

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ASU intends to utilize its current bond counsel, Snell & Wilmer, its current financial advisor RBC Dain Rauscher Incorporated, and its current trustee, Bank of New York Trust Company, all of whom were selected through a competitive proposal process and previously approved by the Board. The bonds would be marketed and sold on a negotiated basis to one or more of the investment banking firms previously selected by ASU through a competitive proposal process and previously approved by the Board.

The action being requested would authorize ASU to execute this financing within the parameters approved by the Board.

### **RECOMMENDATION/CONCLUSION:**

**RESOLVED: That ASU and the ASURP be, and hereby is, authorized to sell one or more series of ASURP Revenue Refunding Bonds up to a maximum of \$18.0 million, in amounts to produce sufficient proceeds to refinance all or a portion of its ASURP Revenue Bonds Series 1995 and to pay costs related to the refinancing, and to take all related actions, enter into all necessary agreements and execute all necessary documents, as provided in the Supplemental Resolution, reviewed by Board counsel and staff, as long as a net present value savings of at least 2% of the bonds being refunded is achieved.**