

EXECUTIVE SUMMARY

ACTION ITEM: The University of Arizona (UA) Requests Authority to (i) Sell System Revenue Refunding Bonds (Refunding SRBs) to Refinance All or a Portion of the UA System Revenue Bonds, Outstanding and Pay the Costs of Issuance of the Refunding SRBs, (ii) Sell Refunding Certificates of Participation (Refunding COPs) to Refinance All or a Portion of the UA Certificates of Participation Outstanding and Pay the Costs of Issuance of the Refunding COPs, and (iii) Take Related Actions, Enter into Necessary Agreements and Execute Necessary Documents.

ISSUE

UA seeks Board authorization to (i) sell one or more series of fixed or variable interest rate Refunding SRBs to refinance all or a portion of its outstanding System Revenue Bonds, and pay the costs of issuance of the Refunding SRBs and (ii) sell one or more series of fixed or variable interest rate Refunding COPs to refinance all or a portion of its outstanding Certificates of Participation, and to pay the costs of issuance of the Refunding COPs. In connection with these refinancings, UA seeks authorization to take all related actions and to enter into all necessary agreements and to execute all necessary documents related to the refinancings, including bond or certificate insurance, as applicable, reserve fund surety bonds and bond purchase, certificate purchase, depository trust, continuing disclosure, liquidity and interest rate exchange (swap) agreements.

BACKGROUND

UA currently has outstanding \$283,445,000 principal amount of System Revenue Bonds comprising eight (8) series and \$520,886,000 principal amount of Certificates of Participation comprised of twenty-five (25) series, all or a portion of which UA wishes to refinance through the issuance of Refunding SRBs and Refunding COPs, respectively. UA believes that the current low interest rate environment is an advantageous time to undertake such refinancings.

FINANCING PLAN

UA will monitor interest rates and, at an appropriate time, or times, refinance all or a portion of System Revenue Bonds or Certificates of Participation in amounts sufficient to defease outstanding System Revenue Bonds or Certificates of Participation and to pay the costs of issuance. The Refunding SRBs will be issued under an additional Supplemental Resolution to the UA System Revenue Bond Resolution presently in effect. UA expects that the Refunding COPs will be issued under common or similar financing documents and achieve a net present value savings of at least 2.50%.

CONTACT: Joel D. Valdez, (520) 621-5977
Senior Vice President for Business Affairs
jvaldez@u.arizona.edu

EXECUTIVE SUMMARY

UA will be called upon to enter in to various agreements in connection with the Refunding SRBs and Refunding COPs, such as bond insurance or, certificate insurance, reserve fund surety bonds, bond purchase, certificate purchase and liquidity agreements and, if UA decided to increase or decrease its variable rate component of the variable rate Refunding SRBs or Refunding COPs, interest rate exchange (swap) agreements with counterparties.

The Refunding SRBs will be payable solely from Gross Revenue of the UA System of Building Facilities, on a parity with UA's outstanding System Revenue Bonds. Payments under any swap agreement also would be payable solely from Gross Revenues. The Refunding COPs will not be payable from any pledged source of funds, but will be payable from annually appropriated lease payments. UA expects to pay the Refunding SRBs and the Refunding COPs from the same sources currently being used to pay the System Revenue Bonds and Certificates of Participations to be refunded.

Fixed rate Refunding SRBs and Refunding COPs will not exceed a yield of [7.5%] per annum and initial rates on variable rate Refunding SRBs and Refunding COPs will not exceed [5.00%] per annum.

UA intends to utilize its current bond counsel, Squire, Sanders & Dempsey L.L.P., and its current financial advisor, RBC Dain Rauscher Inc., in conjunction with the proposed refinancings. The Refunding SRBs and the Refunding COPs will be sold on a negotiated basis through or more of the investment banking firms previously selected by UA through a competitive process.

The action being requested would (i) adopt the Supplemental Resolution for the Refunding SRBs and (ii) adopt a resolution for the Refunding COPs and, thereby, authorize UA to execute these refinancings at times it deems prudent and within the parameters set by the Board.

RECOMMENDATION/CONCLUSION

RESOLVED: That The University of Arizona be, and hereby is, authorized at times it deems prudent to (i) sell one or more series of System Revenue Refunding Bonds in amounts sufficient to refinance all or a portion of its System Revenue Bonds, currently outstanding and to pay costs of issuance of the System Revenue Refunding Bonds, (ii) sell one or more series of Refunding Certificates of Participation in amounts sufficient to refinance all or a portion of its Certificates of Participation outstanding and pay the costs of issuance of the Refunding Certificates of Participation, and (iii) take all related actions, enter into all necessary agreements and execute all necessary documents, as provided in the Supplemental Resolution relating to the System Revenue Refunding Bonds or the resolution relating to the Refunding Certificates of Participation, each reviewed by Board Counsel and staff.