

## OHIO BOARD OF REGENTS

Agenda Item 3.14 Clarification of the issue of refinancing outstanding bonds secured by a pledge of student fees

### **RESOLUTION**

WHEREAS, Section 7.06 of Am. Sub. H.B. 282 of the 123<sup>rd</sup> General Assembly provides that Board of Regents approval is required for the pledge of fees by a state-assisted institution of higher education to be effective to secure bonds or notes of the institution for a project for which bonds or notes were not previously outstanding, unless approved in a previous biennium; and

WHEREAS, the same provision has been included in the main appropriations acts for many prior bienniums and is included in the appropriations bill for the FY 2002-2003 biennium (H.B. 94 of the 124<sup>th</sup> General Assembly); and

WHEREAS, given prior Regents' approval of a fee pledge to secure bonds for a project, it is permissible under that provision for the institution to refinance those bonds by the issuance of refunding bonds without additional Regents' approval; and

WHEREAS, approving resolutions adopted by the Regents often contain references to a "not to exceed" principal amount of bonds initially to be issued; and

WHEREAS, most refinancings involve an "advance refunding" because the bonds to be refinanced, by their terms, are not prepayable immediately or in the near term, and in most cases are not callable for 10 or more years after issuance, and thus the structure of an advance refunding often requires the issuance of a larger principal amount of refunding bonds than the then outstanding principal amount of bonds that are to be refinanced; and

WHEREAS, even if the principal amount of the refunding bonds exceeds the principal amount of the outstanding bonds being refunded, the institution will usually realize annual and total debt service savings because of the lower interest rates on the refunding bonds; and

WHEREAS, institutions require certainty on this subject in order to react in a timely fashion to rapidly changing bond market conditions to accomplish a desirable refinancing, which requires commitments between the institution and investment banking firms to be made within a very brief period of time;

NOW, THEREFORE,

BE IT RESOLVED, upon the recommendation of the Chancellor and with the concurrence of the Resources Committee of the Board of Regents, that the Board confirms that a state-assisted institution of higher education may without any additional Board approval pledge fees to secure refunding bonds or notes issued by the institution to refund outstanding bonds or notes secured by a pledge of fees previously approved by the Regents. In a case of a refinancing resulting in an aggregate amount of outstanding bonds (those previously issued and not being refunded and those to be issued for the refunding) being higher than the amount referred to in the prior Regents resolution, additional Board approval is not required so long as the following two conditions are met and certified by the institution's fiscal officer to the Regents in advance of the delivery of the refunding obligations:

- (1) the refunding results in net present value total debt service savings to the institution, and
- (2) the weighted average maturity of the refunding obligations does not exceed the then remaining weighted average useful life of the capital facilities originally financed.