Agenda

**Board of Regents**

**Special Meeting of the Full Board**

Friday, February 24, 2012; 11:00 a.m. – 11:30 a.m.

AUDIOCONFERENCE

**I.** **Call to Order**

**II. Adoption of Agenda**

**MOTION**

**"The Board of Regents adopts the agenda as presented.**

**I. Call to Order**

II. Adoption of Agenda

**III.**  **Authorization of Sale of General Revenue Refunding Bond 2012 Series R**

**IV.** **Adjourn**

**This motion is effective February 24, 2012."**

**III. Authorization of Sale of General Revenue Refunding Bond 2012 Series R**

Reference 1

The President recommends that:

**MOTION**

**"The Board of Regents adopts the bond resolution for University of Alaska General Revenue Refunding Bonds 2012 Series R as presented. This motion is effective February 24, 2012."**

POLICY CITATION

In accordance with Regents’ Policy 05.04 – “Debt and Credit” specifies the guidelines for debt issuances and requires that all debt issuances for refunding debt must be approved by the Board of Regents.

RATIONALE AND RECOMMENDATION

Myron Dosch, controller, will report on the proposed sale of the Series R general revenue refunding bonds. The resolution authorizes the issuance and sale of the bonds. By approval of the above motion, the resolution is adopted.

This refunding opportunity arises because tax exempt interest rates are at historically low levels. As a result, management wishes to refund certain maturities of the 2002 Series K, 2003 Series L and 2004 Series M general revenue bonds in order to achieve debt service savings.

The proposed 2012 Series R bonds would refund debt previously issued for UAF West Ridge Research project, the UAA University Center purchase, the UAS Joint Readiness Center (2002 Series K), UAF West Ridge Research Building Phase II, UAF Athletics Facility Modification, UAF Electrical Power Grid Interface and Code Upgrades, Rural College Upgrades (2003 Series L), UAA and UAS acquisition of real estate, UAF IAB Logistics Facility and Hutch Career Center upgrade (2004 Series M).

Per Alaska Statute 14.40.257, the State of Alaska provides debt service reimbursement annually to the university for the UAA University Center and UAS Joint Readiness Center projects, originally financed in 2002 Series K. Accordingly, upon issuance of the proposed refunding bonds, the state will enjoy a portion of the overall savings.

A summary of the estimated debt service savings by benefitting party is provided below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Summary of Estimated Savings | | | | | |
|  | State | UAA | UAF | UAS | LGTF(a) |
| Average Annual | $190,610 | $4,546 | $141,510 | $31,910 | $10,699 |
| Average Annual after 2017(b) | $194,488 | $5,542 | $165,204 | $38,888 | $16,519 |
| Total over life of debt | $3,049,763 | $77,277 | $2,361,798 | $542,472 | $117,684 |
| Present Value | $2,365,281 | $58,730 | $1,796,860 | $412,370 | $89,430 |
| Present Value as % of proceeds | 15.3% | 10.7% | 11.5% | 10.0% | 10.7% |
| Savings through fiscal year | 2028 | 2029 | 2031 | 2029 | 2023 |

1. LGTF – The Land Grant Trust Fund endowment that originally purchased the University Lake Building
2. Certain bonds maturing in 2013 to 2016 are not planned to be refunded as savings are marginal. As a result, savings beginning in 2017 are substantially higher.

Bond issuance costs, including underwriting discount and fees for financial advisor, bond counsel, trustee, escrow services and rating agencies are estimated at $451,800 or 1.5 percent of bond principal. These costs are reflected in the total savings figures presented in the table above.

Upon approval of the bond sale by the board, the Series R bonds are expected to be sold competitively on February 29, 2012 with a closing date of March 14, 2012.

There are a significant number of standard bond sale documents in **Reference 1.** These documents include:

Sources and Uses of Funds Proposed, Estimated Annual Debt Service Proposed, Savings Report relating to the 2002 Series K Refunding, 2003 Series L Refunding, and 2004 Series M Refunding, Form of the Fifteenth Supplemental Indenture, Form of the Notice of Sale, and Form of the Preliminary Official Statement.

This refunding is supported by an analysis of current market conditions that suggest the refunding is favorable. Market conditions could change by the time of the sale leading to the possibility of postponing the sale or canceling it altogether. The estimated savings could be more or less favorable than presented herein depending on market conditions on the sale date.

**UNIVERSITY OF ALASKA BOARD OF REGENTS**

RESOLUTION OF THE BOARD OF REGENTS OF THE UNIVERSITY OF ALASKA AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $38,000,000 PRINCIPAL AMOUNT OF UNIVERSITY OF ALASKA GENERAL REVENUE REFUNDING BONDS, 2012 SERIES R; AUTHORIZING THE OFFERING OF THE BONDS AT PUBLIC SALE; APPROVING THE FORM OF A SUPPLEMENTAL INDENTURE, A PRELIMINARY OFFICIAL STATEMENT, A NOTICE OF SALE FOR THE BONDS; AND AUTHORIZING AND APPROVING RELATED MATTERS.

WHEREAS, the University of Alaska (the "University") is authorized pursuant to Alaska Statutes Chapter 14.40, as amended (the "Act") to issue revenue bonds to pay the cost of acquiring, constructing, or equipping one or more projects that the Board of Regents (the "Board") of the University determines is necessary; and

WHEREAS, there are now outstanding revenue bonds of the University entitled "General Revenue Bonds, 2002 Series K," General Revenue Bonds, 2003 Series L," and "General Revenue Bonds, 2004 Series M" (collectively, the "Outstanding Bonds"); and

WHEREAS, after due consideration it appears to the Board that it is advisable for the University to provide for the refunding of the Outstanding Bonds, or a portion thereof, as further described herein (the "Refunded Bonds") by the issuance of general revenue refunding bonds to effect a savings in debt service; and

WHEREAS, the University intends to issue its General Revenue Refunding Bonds, 2012 Series R, in a principal amount not to exceed $38,000,000 (the "Bonds") for the purpose of (i) providing funds to redeem and refund the Refunded Bonds, and (ii) paying the costs of issuing the Bonds authorized herein; and

WHEREAS, the Bonds will be issued under and pursuant to, and are being secured by, a Trust Indenture dated as of June 1,1992, as amended (the "Master Indenture"), and a Fifteenth Supplemental Indenture (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"), which shall be in substantially the form presented to and made part of the records of this meeting; and

WHEREAS, there has been presented to this meeting the form of a Preliminary Official Statement for use in connection with the public offering of the Bonds; and

WHEREAS, the Bonds are to be offered at public sale, and there has been presented to this meeting the form of a Notice of Sale (the "Notice of Sale") for use in connection with the public offering of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF ALASKA AS FOLLOWS:

Section 1. The issuance of the Bonds in an amount not to exceed the aggregate principal amount of $38,000,000 is hereby authorized and approved, provided the realization of the herein defined Savings Target. Savings Target for purposes of this Resolution means a dollar amount equal to at least three percent (3%) of the outstanding Refunded Bonds, i.e., the present value of (i) the aggregate debt service on the Refunded Bonds minus (ii) the aggregate debt service on the Bonds, taking into account all costs of issuance on the Bonds, minus contributions to the refunding from other sources, shall be at least three percent (3%) of the outstanding principal of the Refunded Bonds.

Section 2. The President, the acting Vice President for Finance and Administration and Chief Financial Officer, the Controller, and the Associate Vice President for Budget (collectively, the "Authorized Officers") are, and each of them is, hereby authorized to cause the Bonds to be sold at public sale on a date no later than 120 days from the date of approval of this Resolution, subject to the terms and conditions of this Resolution and the Notice of Sale referred to below.

Section 3. The form and content of the Notice of Sale, in all respects, is hereby authorized, approved, and confirmed with such changes as the Authorized Officers consider necessary or appropriate. The Authorized Officers are, and each of them is, hereby authorized to offer the Bonds at public sale by the University subject to the terms and conditions of the Notice of Sale and this Resolution.

All bids for the sale of the Bonds will be submitted in their entirety on the Grant Street Group's MuniAuction website pursuant to the Notice of Sale. The bidders will be given the option to secure municipal bond insurance for all or a portion of the Bonds.

Section 4. The Authorized Officers are, and each of them is, hereby authorized to issue the Bonds in an aggregate principal amount determined by such Authorized Officers as the amount necessary to redeem the Refunded Bonds, or a portion thereof, as described in Exhibit B to the Supplemental Indenture, subject to the limitations set forth herein at Section 1. Provided, however, the terms of this Resolution do not require the Authorized Officers to redeem any or all of the Refunded Bonds.

Section 5. The Authorized officers are, and each of them is, hereby authorized to call for redemption of the Refunded Bonds, or a portion thereof, on the first available date or dates on which such Refunded Bonds may be redeemed.

Section 6. The form and content of the Supplemental Indenture are hereby, in all respects authorized, approved, and confirmed, and the Authorized Officers are hereby, in all respects severally authorized, empowered, and directed to execute and deliver the Supplemental Indenture for and on behalf of the University to the Trustee named therein for the security of the Bonds, including necessary counterparts, in substantially the form now before this meeting, but with such changes, modifications, additions, and deletions therein as shall to them seem necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all changes, modifications, additions, or deletions thereto from the form, and after the execution and delivery of the Supplemental Indenture, the Authorized Officers are, and each of them is, hereby authorized, empowered, and directed to do all such acts and things and to execute all such documents as may be necessary or convenient to carry out and comply with the provisions of the Supplemental Indenture as executed.

The form and content of the Bond as set forth in the Supplemental Indenture is hereby, in all respects, authorized, approved, and confirmed subject to appropriate insertions and revisions as the Authorized Officers consider necessary or appropriate.

Section 7. The form and content of the Preliminary Official Statement are hereby in all respects authorized, approved and confirmed. The Authorized Officers are, and each of them is, hereby authorized, empowered, and directed to approve the final form of a Preliminary Official Statement and to declare such final form as "deemed final" by the University for purposes of Rule 15c2-12 of the Securities and Exchange Commission (17 CFR 240.15c2-12) (the "Rule") and to approve the final form of the Official Statement. The final form of the Preliminary Official Statement and the Official Statement shall be in substantially the same form as the Preliminary Official Statement presented to and as a part of the records of this meeting, and with such changes as the Authorized Officers consider necessary or appropriate to fully disclose to the purchasers of the Bonds all material information relating thereto. The distribution of the Preliminary Official Statement and the Official Statement, as each is completed by the Authorized Officers, to prospective purchasers and the use thereof by the purchasers in connection with the offering of the Bonds is hereby ratified, confirmed, and approved.

Section 8. The Authorized Officers are, and each of them is, hereby authorized, following the selection of the winning bidder for the Bonds to deliver the Bonds to the Trustee for authentication under the Indenture, and, upon authentication and receipt of the balance of the purchase price of the Bonds, to deliver to the Trustee a written order in the name of the University directing the Trustee to deliver the Bonds, to or upon the order, of the respective purchasers thereof and to receive the proceeds of sale of the Bonds and give a written receipt therefore on behalf of the University, to apply said proceeds and the other moneys required to be transferred or deposited in accordance with the terms of the Indenture and in such manner as is required to cause the conditions precedent to the issuance of the Bonds to be complied with, and to do and perform or cause to be done and performed, for and on behalf of the University, all acts and things that constitute conditions precedent to the authentication and delivery of the Bonds or that are otherwise required to be done and performed by or on behalf of the University prior to or simultaneously with the delivery of the Bonds.

Section 9. The Authorized Officers are, and each of them is, hereby authorized, empowered, and directed to enter a "continuing disclosure undertaking" pursuant to the Rule.

Section 10. The Authorized Officers are, and each of them is, hereby authorized to execute all documents, including an escrow agreement, and to take any action necessary or desirable to carry out the provisions of this Resolution and to effectuate the issuance and delivery of the Bonds and the redemption of the Refunded Bonds.

Section 11. This Resolution shall take effect immediately upon approval by the Board.

**IV. Adjourn**