



MEETING OF THE BOARD OF GOVERNORS
Committee on Budget and Finance
October 30, 2017

AGENDA ITEM

A-3. Sale of Special Obligation Bonds – ASU Jonathan Pruitt

Situation: Appalachian State University requests that the Board issue special obligation bonds in one or more series in an aggregate principal amount not to exceed \$76,500,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings; and (2) paying the costs incurred in connection with the issuance of the 2017 Bonds.

Background: The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. These projects have been previously approved by the Board of Governors and the General Assembly and have been approved for financing. This request is for refinancing the previously issued bonds.

Assessment: Due to the favorable interest rate environment, up to \$66,865,000 of outstanding special obligation bonds issued on behalf of ASU may be refinanced for debt service savings. ASU conservatively estimates that it can achieve approximately (1) \$340,000 in net present value savings by refunding the 2008A Bonds, representing approximately 3.6 percent of the par amount refunded, (2) \$870,000 in net present value savings by refunding the 2010B-1 Bonds, representing approximately 6.5 percent of the par amount refunded, and (3) \$1,505,000 in net present value savings by refunding the 2011 Bonds, representing approximately 3.4 percent of the par amount refunded. ASU is seeking authority to refund each series of bonds to streamline costs of issuance and provide ASU with maximum flexibility to take advantage of prevailing market conditions, but ASU will not pursue any refunding that fails to produce net present value savings in excess of 3 percent of the par amount refunded.

ASU currently has an issuer credit rating of “Aa3” with a Stable Outlook by Moody’s Investor Service. This transaction is expected to have no impact on the ASU’s credit rating.

Action: This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.