

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance and Facilities Committee **Date of Meeting:** January 16, 2013

Agenda Item: Itasca Community College 2004 Revenue Bond Refunding

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

Itasca Community College is seeking approval to proceed with a tax exempt bond refunding for the 2004 Series Student Housing Lease Revenue Bonds originally issued by Itasca County Housing and Redevelopment Authority (HRA) to finance the design and construction of the Itasca Residence Hall on the Itasca Community College campus.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Gregory Ewig, Director – Capital Development

Outline of Key Points/Policy Issues:

The true interest cost of the 2004 Series Student Housing Lease Revenue bonds is 5.7%. The 2004 bonds were originally structured as unrated, bank qualified bonds and the expectation is that the HRA will be using the same approach. Notwithstanding the unrated status of the refunding bonds, the college still expects to take advantage of low bond interest rates and estimates cost savings of approximately \$34,000 in annual cash savings on the refunding bonds debt service.

Background Information:

The Board of Trustees approved the original bond sale in October 2004 by an authorizing resolution for the Itasca County Housing and Redevelopment Authority (HRA) to issue Student Housing Lease Revenue bonds to finance the design and construction of Itasca Hall. The Itasca County HRA subsequently issued the tax exempt 20 year, \$2,640,000 Student Housing Lease Revenue Bond in December 2004. The Blandin Foundation supplemented the project with a \$1 million grant to assist in the development of the hall. The Itasca Residence Hall was completed and opened in August 2005 and contains 75 beds.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

ACTION ITEM
Itasca Community College 2004 Revenue Bond Refunding

EXECUTIVE SUMMARY

Itasca Community College is seeking approval to proceed with a tax exempt bond refunding for the 2004 Series Student Housing Lease Revenue Bonds originally issued by Itasca County Housing and Redevelopment Authority (HRA) to finance the design and construction of the Itasca Residence Hall on the Itasca Community College campus.

REFUNDING SUMMARY

The Board of Trustees approved the original bond sale in October 2004 by an authorizing resolution for the Itasca County Housing and Redevelopment Authority (HRA) to issue Student Housing Lease Revenue bonds to finance the design and construction of Itasca Hall. The Itasca County HRA subsequently issued the tax exempt 20 year, \$2,640,000 Student Housing Lease Revenue Bond in December 2004. The Blandin Foundation supplemented the project with a \$1 million grant to assist in the development of the hall. The Itasca Residence Hall was completed and opened in August 2005 and contains 75 beds.

The true interest cost of the 2004 Series Student Housing Lease Revenue bonds is 5.7%. The 2004 bonds were originally structured as unrated, bank qualified bonds and the expectation is that the HRA will be using the same approach. Notwithstanding the unrated status of the refunding bonds, the college still expects to take advantage of low bond interest rates and estimates cost savings of approximately \$34,000 in annual cash savings on the refunding bonds debt service.

The original bonds were secured solely by the revenues generated from Itasca and also included the revenue pledge from Wenger Residence Hall. For the refunding bonds, the college has been asked to expand the revenue pledge to include revenue from the dining and book store auxiliary to solidify the creditworthiness of the refunding, including a \$150,000 cash contribution for the refunding from the college's auxiliary fund.

Current scheduling would have the HRA sell the refunding bonds shortly after the Board's approval and close the refunding in February.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The draft Resolution attached hereto as **Attachment A**, providing for the issuance of refunding bonds to refund the tax exempt Series 2004 Series, Student Housing Lease Revenue bonds, issued by the Itasca County Housing and Redevelopment Authority.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees approves the following:

The Resolution attached hereto as **Attachment A**, providing for the issuance of refunding bonds to refund the tax exempt Series 2004 Series, Student Housing Lease Revenue bonds, issued by the Itasca County Housing and Redevelopment Authority.

Date submitted to Board of Trustees: January 16, 2013

EXHIBIT A

AUTHORIZING RESOLUTION

OF

THE BOARD OF TRUSTEES

OF

MINNESOTA STATE COLLEGES AND UNIVERSITIES

**RELATING TO THE REFINANCING OF A RESIDENCE HALL
AT ITASCA COMMUNITY COLLEGE**

ADOPTED: _____

WHEREAS:

A. The Housing and Redevelopment Authority of Itasca County, Minnesota (the "HRA") previously financed the construction of a resident hall (the "Building") for Itasca Community College ("ICC"), an administrative unit of Minnesota State Colleges and Universities, through the issuance of its Student Housing Lease Revenue Bonds (Itasca Community College Project) Series 2004 (the "Prior Bonds"), pursuant to a Mortgage Trust Indenture, dated as of December 1, 2004 (the "Indenture"), between the HRA and U.S. Bank National Association, as Trustee;

B. The Building is located on land that ICC currently leases from the University of Minnesota pursuant to a Lease Agreement between the University of Minnesota and ICC, dated April 28, 1966, as amended by various amendments thereto, including Amendment 12 thereto, dated December 1, 2004 (as amended, the "Ground Lease");

C. To facilitate the financing of the Building by the HRA, as authorized by a resolution of the Board of Trustees, dated October 20, 2004 (the "Resolution"), ICC has subleased to the HRA a portion of the ICC Campus on which the Building is located, pursuant to a Ground Sublease, dated as of December 1, 2004 (the "Sublease"), between the HRA and ICC, and the HRA has leased the Building to ICC, pursuant to a Lease and Purchase Option and Operating Agreement, dated as of December 1, 2004 (the "Lease"), between ICC and the HRA;

D. In order to achieve debt service savings for ICC, it is proposed that the HRA will issue its Student Housing Lease Revenue Refunding Bonds (Itasca Community College Project) Series 2013 (the "Bonds") to refinance the Prior Bonds. The proceeds of the Bonds will be used to prepay and redeem the Prior Bonds;

E. In connection with the issuance of the Bonds by the HRA, the Indenture and Lease will be amended and/or restated; and

F. This Board of Trustees has been provided with full information concerning the Building and the proposed terms of the refinancing for the Building, and other relevant matters.

NOW THEREFORE, be it resolved by the Board of Trustees of Minnesota State Colleges and Universities, as follows:

The Board of Trustees finds that the proposed refinancing of the Building to achieve debt service savings is advantageous and hereby authorizes the Chancellor or his designee to take all necessary actions in connection with refinancing of the Prior Bonds, the issuance of the Bonds by the HRA, and any necessary amendments of the Lease, Indenture or any related documents thereto. The Chancellor or his designee are further authorized and directed to execute and deliver on behalf of MnSCU any and all contracts, agreements, instruments, documents or other items related thereto. All actions heretofore taken by the Chancellor, his designee or any employee of MnSCU in connection with the refinancing of the Prior Bonds and the issuance of the Bonds by the HRA are hereby ratified and approved.

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