



**Oregon State**  
University

# **Debt Resolution: Long-term Refinancing**

Finance & Administration Committee Meeting  
January 18, 2024



# Refinancing Opportunity

## OSU has \$614 million in outstanding general revenue bond debt

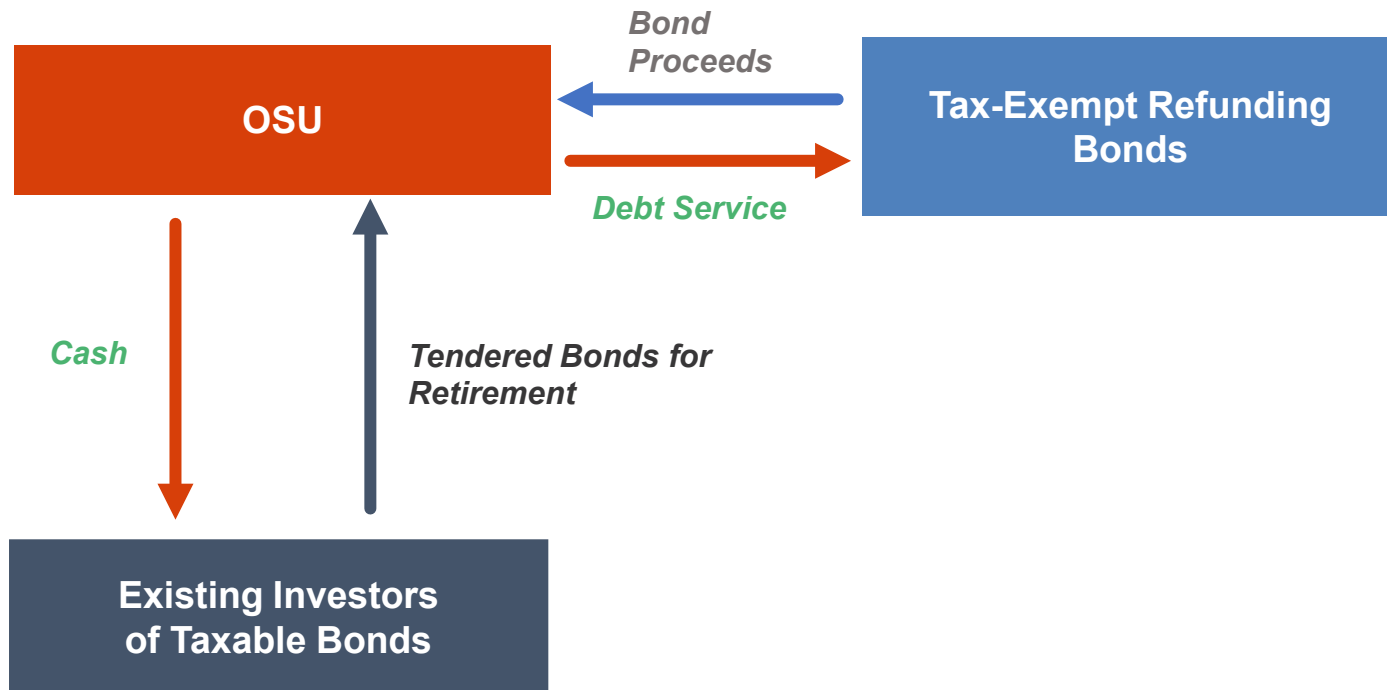
- OSU issued \$532 million in taxable debt when interest rates were at historical lows between 2017 - 2020
- Tax-exempt debt typically has a lower rate but more restrictions for use, spend timing and investment of proceeds
- In the current market, the interest rate difference between tax-exempt and taxable bonds may create an opportunity to refinance certain taxable debt with tax-exempt debt via a bond tender to achieve debt service savings
- Traditional refinancing of bonds with higher than current market rates may also result in savings

General Revenue Bonds			
Series	Tax Status	Outstanding Par	Interest Rate*
Series 2015A	Tax-Exempt	\$41,040,000	4.17%
Series 2015B	Taxable	10,075,000	4.39%
Series 2016A	Tax-Exempt	40,165,000	3.36%
Series 2016B	Taxable	7,095,000	3.32%
Series 2017	Taxable	72,705,000	3.78%
Series 2019	Taxable	140,000,000	4.06%
Series 2020	Taxable	302,945,000	3.47%
<b>Total</b>		<b>\$614,025,000</b>	

\* All-In True Interest Cost

# Refinancing: Bond Tender Overview

In a **Tender Offer**, OSU purchases bonds from existing investors/bondholders, which can be funded/replaced with proceeds from a new bond issuance



- OSU may be able to buy back some of our outstanding taxable bonds and generate savings
  - Buy back taxable bonds at a discount
  - Issue new tax-exempt bonds to fund the buy back
  - New aggregate debt service will be lower than existing aggregate debt service resulting in savings to OSU

# Potential Savings and Authorization

## **Savings are dependent on the market and investor participation**

- OSU has identified several projects funded with 2017 and 2019 General Revenue Bond proceeds that could be tax-exempt eligible
- Savings will depend on the tender price bondholders are willing to accept, the amount of bonds bondholders are willing to sell, and the tax-exempt interest rates of the new replacement bonds

## **Bond Resolution**

- The maximum amount of General Revenue Bonds issued may not exceed \$100 million
- The refunding, Tender and/or Exchange Transaction, may be undertaken if an aggregate net present value savings produces at least three percent (3%) of the principal balance of the Refunded Bonds
- The aggregate debt service of any issued General Revenue Bonds may not exceed the aggregate debt service of the Refunded Bonds
- The final maturity date shall not be later than the end of the fiscal year the Refunded Bonds were set to mature in; and
- The proposed authorization expires December 31, 2024

# Recommendation

Staff recommend that the Finance & Administration Committee approve the General Revenue Bonds, 2024 Resolution in Attachment 1, authorizing the university to execute a bond transaction to refinance current outstanding General Revenue Bonds, with the aggregate principal amount not exceed \$100M, and if at least a 3% net present value savings is achieved.