



**Oregon State**  
University

BOT Agenda Item 3c

# Issuance of OSU Revenue Bonds

Board of Trustees Meeting  
July 8, 2025



# Debt Issuance Summary

## The university requests approval of the General Revenue Bond Resolution

- The Resolution allows for the sale and issuance of up to \$219M of bonds, to fund **two** projects for Phase I of the University's Housing and Dining Vision
- The Resolution stipulates that the bonds will:
  - Not exceed the board-approved total
  - Have a final maturity no later than 40 years after their date of issuance
  - Have an interest rate not to exceed 6.5%
- Financing approval allows construction to proceed towards a target opening in Fall 2027

Projects	Amount (\$M)
Corvallis Campus Housing & Dining Vision Phase I – Student Living Center	\$168.9M
Corvallis Campus Housing & Dining Vision Phase I – Dining Support Facility	\$21.0M
<b>Total Project Funds</b>	<b>\$189.9M</b>
Capitalized Interest*	\$23.1M
Cost of Issuance*	\$0.5M
Underwriters Discount*	\$1.0M
Total Bond Proceeds	\$214.5M
Max Bond Par Amount (including 2% discount, rounded)	\$219.0M

\* Preliminary estimates for capitalized interest (funding interest during the construction period), cost of issuance and underwriter's discount

# Financial Impact on the University

## **The issuance of new bonds increases the university's external debt**

The university currently has \$898.6M in external debt outstanding composed of:

- \$632.7M General Revenue Bonds
- \$265.9M State-Issued Debt
- \$0.0M commercial paper outstanding of the authorized \$100M program

Following the issuance, the total pro-forma debt outstanding is estimated at \$1,117.6M

## **Potential pressures on the university's credit rating**

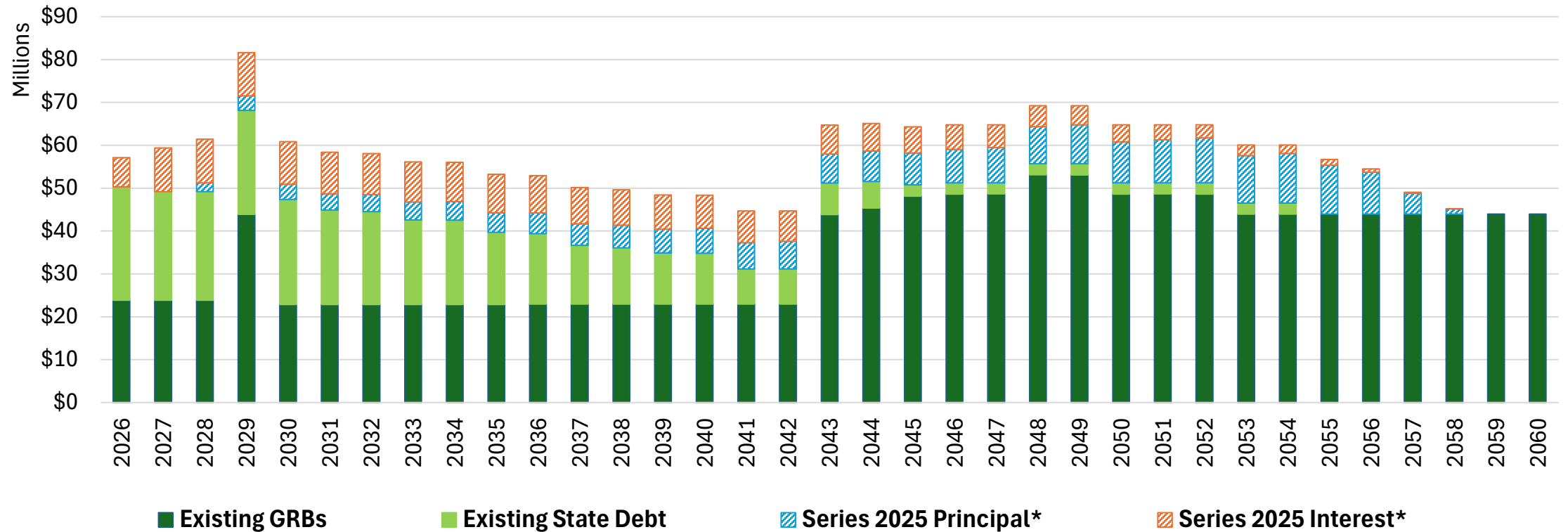
- Moody's Investors Service (Moody's) conducts a review prior to each bond issuance to provide a rating specific to the general revenue bonds – based on both measurable and subjective data
- Staff and OSU's financial advisor, PFM, anticipate that the rating will be **maintained at the current Aa3 level**, which was confirmed last in May 2024
- In March 2025, Moody's assigned a negative outlook on the overall higher education sector due to the uncertainty of federal funding, the restructuring of the Department of Education, and potential changes or disruptions to federal student loans
- These general credit pressures on the sector could negatively impact the rating outcome for OSU

# Financial Impact on the University

The bond structure will depend on the market environment at issuance.

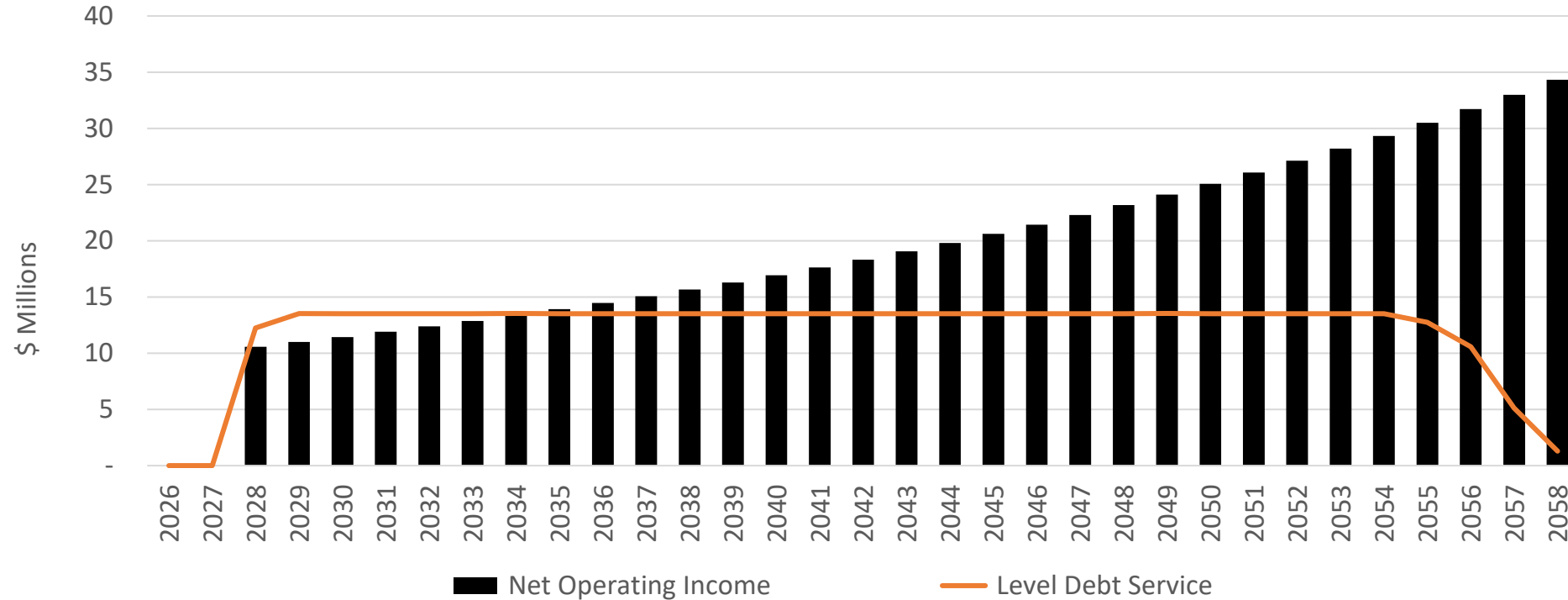
- Preliminary structure assumes a 33-year bond term with 2 years of capitalized interest

**OSU Aggregate Debt Service Structure\***



\*Preliminary; subject to change. Shows proposed tax-exempt debt service structure. Current expectations are for fully tax-exempt structure.

# Phase I of the University's Housing and Dining Vision is self-supporting



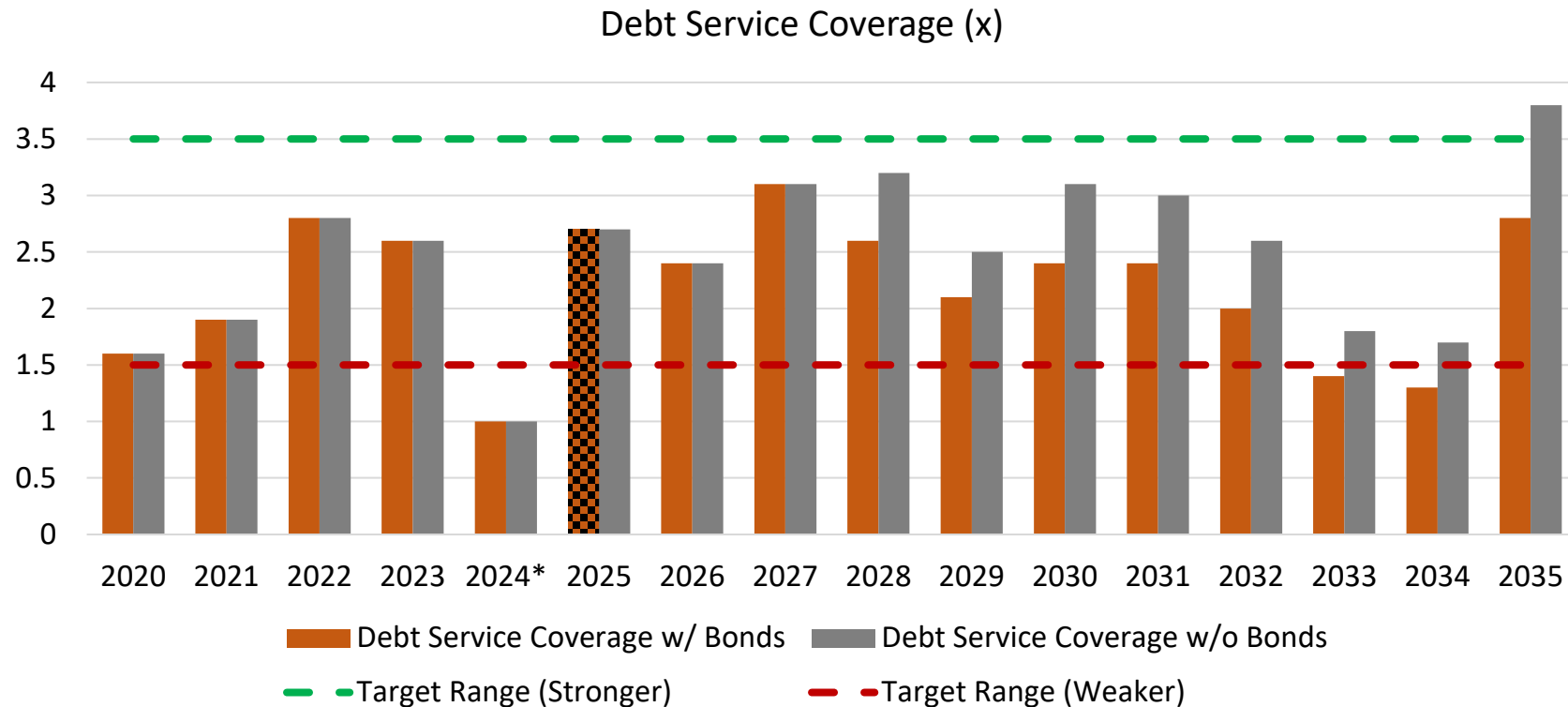
*Level debt service shown with first two years of capitalized interest; flexibility exists to modify to match income in front years*

\*Preliminary; subject to change

# Debt Service Coverage Ratio

Debt service coverage with the new bond issuance is expected to remain robust

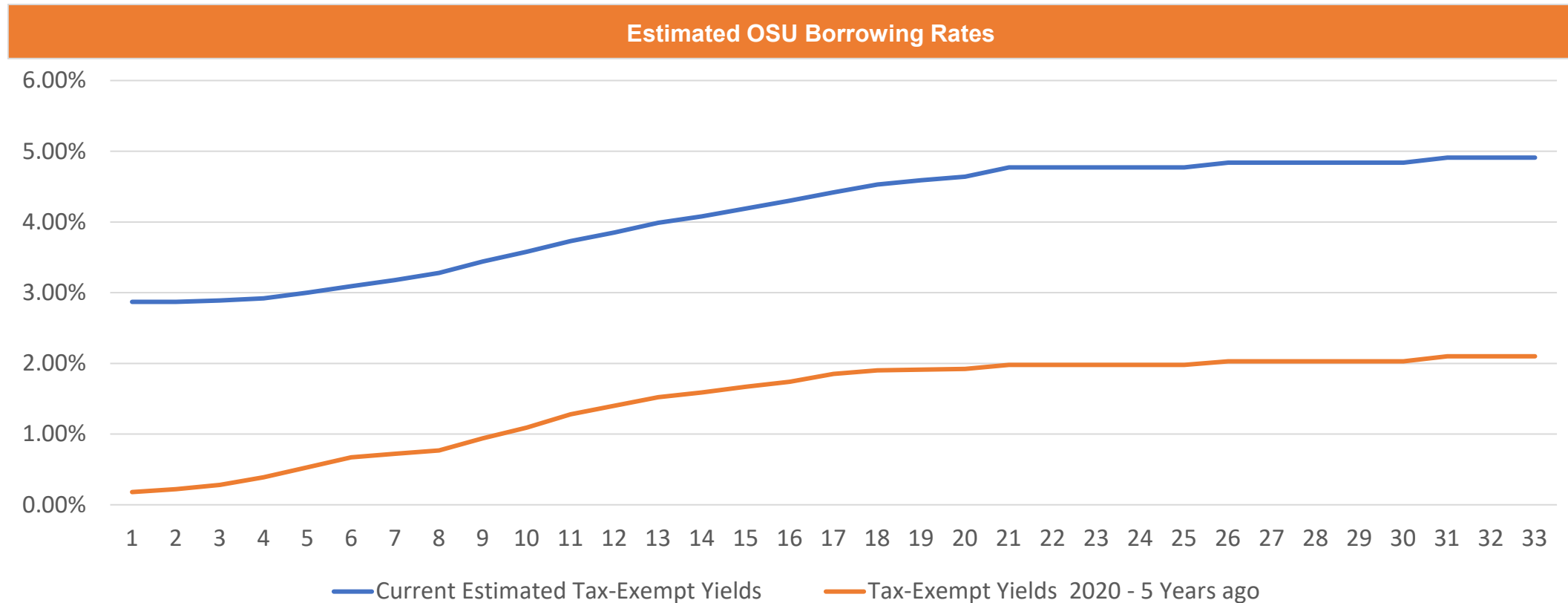
- The new residence hall revenues are projected to cover debt service payments starting 2035



\* The lower debt service coverage ratio in 2024 reflects a large \$40 million bullet principal payment. In their rating analysis, Moody's adjusts for this higher one-time payment because it is not reflective of ongoing debt service levels.

# Current Market Environment

- Long-term interest rates are relatively high
- Internal bank allows OSU to structure external debt flexibly to a given market environment
- External debt structure will be determined closer to the pricing date currently expected in Aug.



\*Preliminary; subject to change. Shows proposed tax-exempt debt service structure. Current expectations are for fully tax-exempt structure.

# Recommendation

Staff and OSU's financial advisor, PFM, recommend that the Board of Trustees adopt the General Revenue Bonds Resolution, authorizing the university to execute a bond transaction to issue General Revenue Bonds, with the aggregate principal not to exceed \$219M.