Oregon State University

General Revenue Bonds 2020

Board of Trustees Meeting
September 17, 2020

2020 General Revenue Bonds

Issue 40-year debt in order to lock-in historically low long-term cost of capital.

- Current estimated interest cost of 3.56% as of September 3, 2020.

New Increment of Debt Issuance	$300,000,000
2015A Bond Refund	41,040,000
2015B Bond Refund	10,075,000
Accrued Interest on 2015A&B Bonds	11,200,000
Subtotal	$362,315,000
1% Underwriting & Cost of Issuance	$3,623,150
Subtotal	$365,938,150
Rounded	$366,000,000

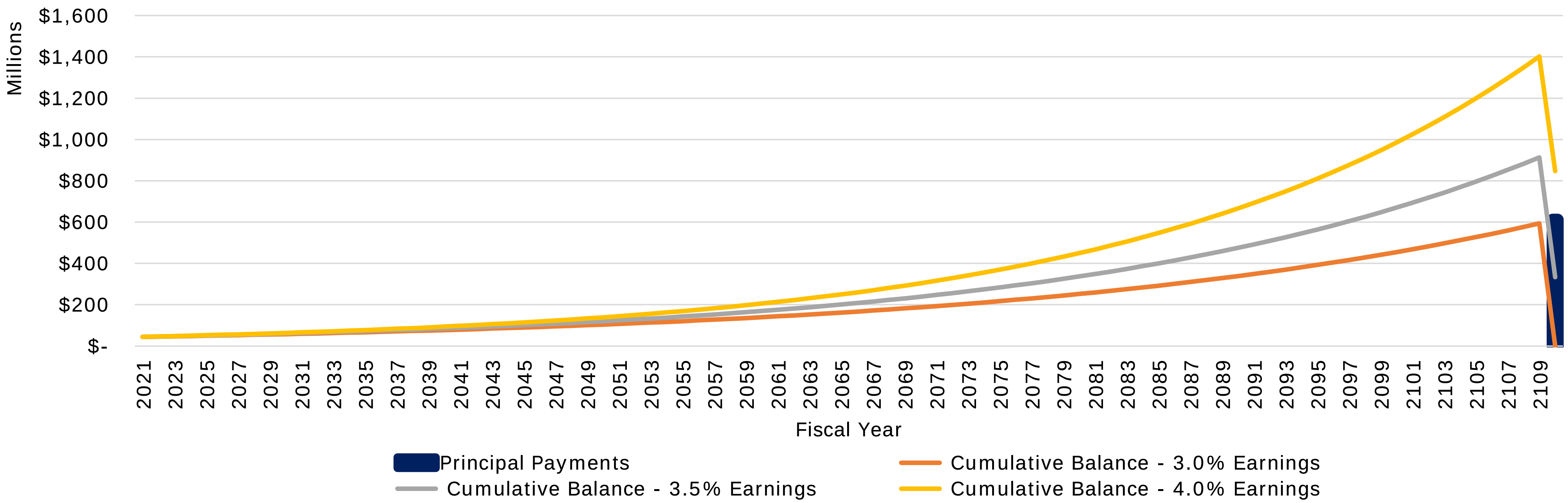
Refund Existing Debt

- Proposing to refund 2015 Bonds if net present value (NPV) savings are greater than 5% and over 50% efficiency (efficiency ratio being the theoretical maximum possible savings being captured in the current environment)
  - Current estimated NPV savings is $3M, representing 7.4% of refunded par and generating an efficiency ratio of 35% efficiency.
  - Average annual debt service savings of $175,000 from FY2022 through 2045.

- Series 2015A true interest cost is 4.15%
- Series 2015B (Taxable) true interest cost is 4.34%

Repayment Reserve

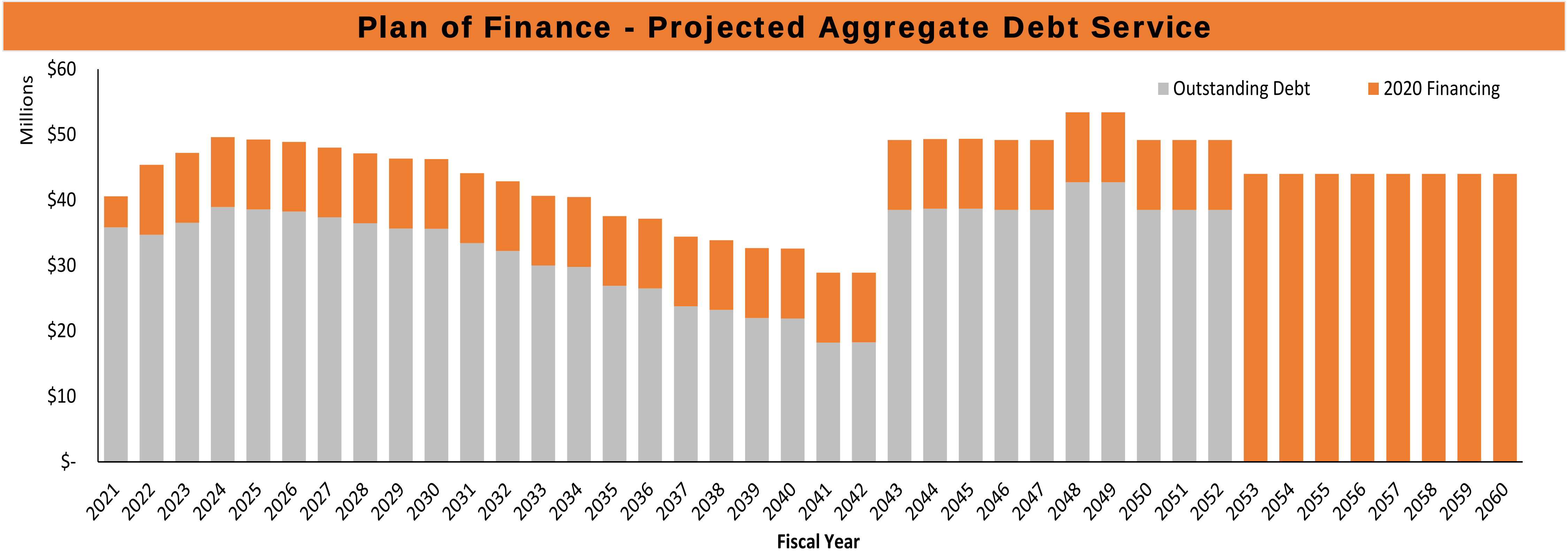
- Growth of a $42.7M initial investment over 90 years assuming 3% (orange line), 3.5% (gray line) and 4% (yellow line) average returns.
- OSU expects long-term return near 4%, but a 3% average return would be sufficient to meet our conservative estimates.



Note: The University reserve to be funded with a portion of the 2020 Bond proceeds is not a debt service reserve and is not pledged to the payment of the 2020 Bonds. The reserve will be invested pursuant to the University investment policy, as it may be amended from time to time, to provide a reserve for payment of University obligations over the long term, except as otherwise provided by the Board. Except as otherwise provided by the Board, such reserves (including earnings thereon) will serve as a reserve for the payment of University taxable debt obligations over the long term.

New Incremental Debt

- New incremental debt of $300M will mature after current outstanding debt.



Note: Graph excludes the effects of refunding

If Interest Rates Rise

Interest Rates +/-	New Increment	Repayment Reserve	Outcome
Up to 3.75%	$300M	$42.7M	Benefits as outlined in the docket
3.75% to 4.00%	$200M	Not funded	Proceeds support the 10-year capital forecast with additional flexibility
4.00% to 4.25%	$150M	Not funded	Proceeds support the 10-year capital forecast
At 4.25%	No Issuance	No Issuance	Explore short-term debt options

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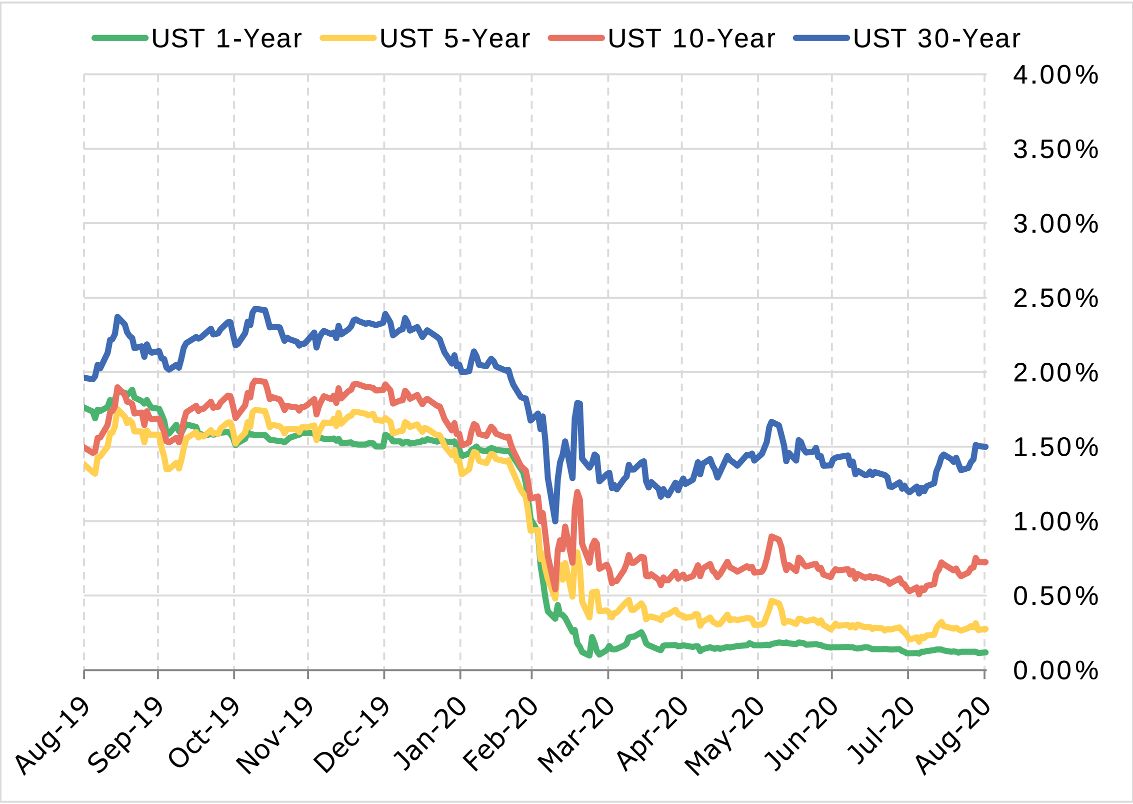
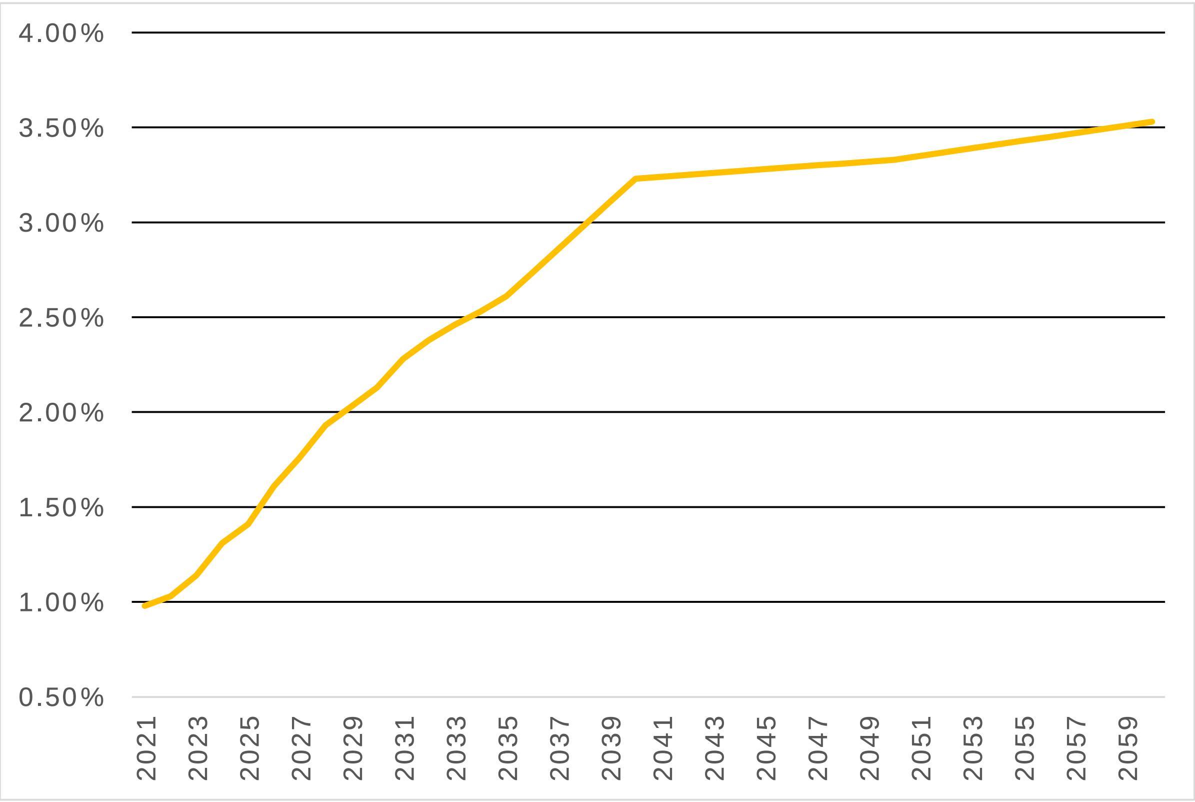
Market Update

- Market has been very volatile and presidential election presents significant event risk
- Current yield curve shows relatively low incremental interest cost for longer borrowing

U.S. Treasury Rate Movement
(1-Year History)



Estimated Borrowing Rates for OSU – Yield Curve
(As of September 3)



Recommendation

Propose the Board approve issuance of revenue bonds up to $366M as described in the Bond Resolution provided in Attachment 1.