

AUTHORIZATION TO SELL BONDS

Recommendation

The Administration recommends that the Board of Governors adopt the attached Resolution authorizing the issuance of Wayne State University tax-exempt general revenue bonds in the aggregate principal amount necessary to produce proceeds of \$25.0 million for new money projects plus the amount necessary to accomplish the refunding of approximately \$52.9 million par Series 2009A and Series 2009B bonds for savings. The \$25.0 million includes \$22.5 million to fund specific projects and \$2.5 million for bond closing costs, capitalized interest and contingencies. The bond issuance will have a term of up to 30 years. The Resolution also authorizes the issuance of Wayne State University taxable general revenue bonds in the aggregate principal amount necessary to produce proceeds of \$27.5 million to fund the Arena project. The bond issuance for the Arena project will also have a term of up to 30 years.

Background and Project Justification

Interest rates remain at historically low levels, and the financial market environment is favorable regarding new bond issues. Wayne State University is rated A+ (stable outlook) by Standard and Poor's and Aa3 (stable outlook) by Moody's. These credit ratings are in line with the University's peers. Both rating agencies will be reviewing the University's credit profile in conjunction with the Series 2019 bond issue. The University's current positive credit ratings are a result of continued positive enrollment trends, operating performance and manageable debt portfolio.

The University plans to take advantage of refunding opportunities and advance four capital projects with new tax exempt debt. Refunding opportunities and the corresponding net present value savings are contingent upon the capital markets at the time of the refunding. Approximately \$52.9 million par of Series 2009A and 2009B are eligible for refunding on November 15, 2019. Estimated net present value savings are approximately \$5 million or 10% (at current market rates), beating the minimum threshold of 3%-5%. The four capital projects will be funded by new tax-exempt debt, taking advantage of the favorable borrowing environment:

- Incremental funding for the renovation and repurposing of the Science and Engineering Library into an enhanced instructional learning environment for undergraduate STEM students. The incremental cost of \$9.5 million will be funded from bonds (approved December 7, 2019). This will bring the total cost of the project to \$49.5 million. Of the total, \$14.75 million will be funded by State appropriation funds and \$34.75 million will be funded by bonds.
- Modernization of two existing elevators in State Hall including new machinery controllers, and finishes to make elevators compliant with current codes, as well as construction of new elevator shaft and installation of new ADA compliant elevator.

Submitted by: William R. Decatur, Vice President, Finance and Business Operations

Total cost of the project is \$4.5 million and will be funded by bonds (approved May 1, 2019).

- Complete the building renovation of School of Social Work to provide flexible meeting space, classrooms, and offices and update the restrooms (phase 2). Total cost of the project is \$3.5 million and will be funded by bonds (approved May 1, 2019).
- Modernization of Wayne State Stadium elevator. Total cost of the project is \$5.0 million and will be funded by bonds.

The tax-exempt bond issuance will be in the aggregate principal amount necessary to produce proceeds of \$25.0 million for new money projects plus the amount necessary to accomplish the refunding of approximately \$52.9 million par Series 2009A and Series 2009B bonds for savings. The \$25.0 million includes \$22.5 million to fund specific projects and \$2.5 million for bond closing costs, capitalized interest and contingencies.

The taxable bond issuance will be in the aggregate principal amount necessary to produce proceeds of \$27.5 million to fund the Arena project. The proceeds will fund the design and construction of an approximately 70,000 square-foot arena seating approximately 3,000 to serve the men's and women's basketball teams, capitalized interest, and issuance costs.