

# **ACTION ITEM #1**

## **WSU, Delegated Authority - Refunding Bonds (Elson Floyd)**

TO ALL MEMBERS OF THE BOARD OF REGENTS

**SUBJECT:** WSU, Delegated Authority – Refunding Bonds

**PROPOSED:** That the Board of Regents delegate to the President or his designee the authority to issue refunding bonds when the refunding threshold provisions of the Debt Policy “Refinancing and Refunding Principles” are met or exceeded.

**SUBMITTED BY:** Elson S. Floyd, President

**SUPPORTING INFORMATION:** The following is from the Debt Management policy:

### **“REFINANCING AND REFUNDING PRINCIPLES**

Refinancing may be considered:

- If it relieves the University of covenants, payment obligations, constraints, or reserve requirements that limit flexibility;
- To consolidate debt into a general revenue pledge and/or reduce the cost and administrative burden of managing many small outstanding obligations, after demonstration of the proposed benefits; or
- If the net present value ("NPV") savings to the University exceeds minimum thresholds, when measured as a percentage of the par amount of debt to be refinanced, and the refinancing supports the strategic need of the University.

## Refunding Thresholds

- Current refunding (i.e. refinancing completed up to 90 days prior to the first call date for the bonds) may be considered when NPV savings are expected to meet the following thresholds:

| Years Between Call Date | Present Value Standard |
|-------------------------|------------------------|
| 1-2                     | 1%                     |
| 3-4                     | 2%                     |
| 5-6                     | 3%                     |
| 7+                      | 4%                     |

- Advance refunding (i.e. refinancing completed more than 90 days prior to the first call date for the bonds) may be considered when NPV savings are expected to meet the following thresholds:

| Years Between Call Date and Final Maturity Date | Present Value Standard |
|---|------------------------|
| 1-2   | 1%                     |
| 3-4   | 2%                     |
| 5-6   | 3%                     |
| 7-8   | 4%                     |
| 9+  | 5%                     |

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In order to respond to refunding opportunities as they arise, management requests the Board of Regents delegate authority to the president or his designee to refund bonds when the refunding threshold provisions of the Debt Policy “Refinancing and Refunding Principles” are met or exceeded. This will allow the University to refinance debt as market conditions allow.

Management will report such refundings and related cost savings as an informational item as part of the annual debt report. In addition, as part of the annual debt report, management will present a copy of the debt policy that contains the refunding thresholds so the Board of Regents may reaffirm the thresholds and the overall debt policy.

# Board of Regents

WSU, Delegated Authority - Refunding Bonds

## Resolution #131122-465

WHEREAS, the Board of Regents of Washington State University by virtue of RCW 28B.10.528 has authority to delegate by resolution to the President of the University, or designee, powers and duties vested in or imposed upon the Board by law and to enable the President, or designee to act on behalf of the Board of Regents in matters relating to the administration and governance of the University.

RESOLVED: That the Board of Regents delegate to the President or his designee the authority to issue refunding bonds when the refunding threshold provisions of the Debt Policy "Refinancing and Refunding Principles" are met or exceeded.

Dated this 22<sup>nd</sup> day of November, 2013.

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Chair, Board of Regents

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Secretary, Board of Regents