
Presentation to:

**COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY**



NORTHERN ILLINOIS UNIVERSITY

\$12,535,000 Series 2014 Refinancing COPs

March 19, 2014

Table of Contents

	<u>Page</u>
NIU President Doug Baker's Vision for the University	2
NIU's Debt Profile	3
Plan of Finance	4
Series 1999 Lease Revenue Bonds	5
Rationale and Legal Authority to Issue Series 2014 COPs	6
Next Steps	7



Northern Illinois University President Doug Baker's Vision for the University

Mission: To be the most student-centered public research university nationally

Keystone Goal: Student Career Success

**Three Pillars Supporting
Keystone Goal:**

- 1) Ethically-Inspired Leadership
- 2) Thriving Communities
- 3) NIU Financial and Program Viability

The University's planned Series 2014 COP refinancing will help free up nearly \$1.0 million in support of NIU's goal of Financial and Program Viability.



NIU's Debt Profile (as of FYE 2014)

Form of Debt	# of Obligations Outstanding	Total Par Amount (\$000's)
Auxiliary Facilities Bonds	3	\$175,550,000
Performance Contracts	3	\$27,553,954
Capitalized Leases (Including Privatized Student Housing)	5	\$133,436,957
Certificates of Participation (Including Series 2014 Refinancing COPS)	<u>2</u>	<u>\$14,905,000</u>
Total	13	\$351,475,911

Plan of Finance

- \$12.535 mm Refinancing COP -- Owing to University equity contributions and other factors, new COP amount will be \$276,000 or more below the amount of debt being refinanced.
- No new money projects.
- Two high-rate currently callable obligations to be refinanced. Savings structured to come primarily in FY 2015.

	Series 1999 Lease Revenue Bonds	#10A Performance Contract	Total
Par Outstanding	\$11,630,000	\$1,181,562	\$12,811,562
Current Rate	4.98%	4.83%	
Est'd New Rate	<u>3.33%</u>	<u>3.33%</u>	
Rate Savings (%)	1.65%	1.50%	
Dollar Savings in FY 2015			\$955,986

- Security:
 - Allowable sources of repayment: State Appropriations, other legally available revenues including tuition and non-pledged fees.
 - Actual payments come from: As is currently the case, campus-based tuition and fee revenues, and not state appropriations.

Series 1999 Lease Revenue Bonds: Additional Detail

PURPOSE:

- To construct Naperville Campus, which in FY 2013 offered 143 classes, as well as training and conference facilities for west suburban businesses and organizations.

ORIGINAL 1999 FINANCING PLAN:

- Finance campus using Certificates of Participation.

FINANCING CHALLENGE:

- In 1999 State procurement law had changed to limit leases with private parties to 10 years.
- Resistance from capital markets to financing 25 year COPs with underlying 10-year lease.

SOLUTION:

- Leases between governmental entities could still be for longer, 25-year term.
- NIU entered into Master Lease agreement with IDFA, predecessor of Illinois Finance Authority.
- IDFA issued 25-year bonds, backed by 25-year lease, built project, leased campus back to NIU.
- NIU makes annual rent payments to IDFA equal to debt service on bonds. Makes payments from same sources as it would have had it used a COP financing.

OPTION TO RESTRUCTURE:

- Original lease included an option for NIU to repurchase campus for price of bond redemption.
- 1999 Bonds are now past their call date, rates are much lower than at original issuance.
- State COP law has since changed to allow installment purchase contracts of 30 years.

Rationale and Legal Authority to Issue Series 2014 COPS

- Chapman and Cutler is serving as Bond Counsel for the Series 2014 issue and has confirmed the following statutory authority for issuance of the COPS.

Action	Statutory Authority
Ability to Enter into Installment Contract	110 ILCS 685 / 30-10
Ability to Sell Certificates of Participation in its financing agreements	110 ILCS 73/1 et seq. (State University COP Act)

- While the Series 1999 Lease Revenue Bonds could have been refinanced through IDFA's successor agency, IFA, the resulting refinancing would have:
 - Cost NIU approximately \$65,000 more in fees from IFA than under the COP form of financing.
 - Made refinancing the NIU Performance Contract more complicated.

Next Steps

- On March 12, NIU had its A3 rating affirmed by Moody's.
- Two bond insurers expected to provide bids on March 18th. If economical, using insurance would provide the COPs an AA-category rating and potentially add to the refinancing savings.
- Even without the bond insurance, improvement in rates over the past 10 days indicates savings should exceed \$1.0 million.
- Pricing date: March 27th (Underwriters BMO Capital Markets and Cabrera)
- Closing Date: April 22, 2014