

BOARD OF REGENTS BRIEFING PAPER

1. AGENDA ITEM TITLE: 2014A Certificates of Participation Refunding - Resolution

MEETING DATE: February 29 – March 1, 2024

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

NSHE's municipal advisor, JNA Consulting Group, reviews NSHE debt on a regular basis for debt service savings opportunities that may be achieved through refinancing of debt. Based on current interest rates, NSHE's 2014A Certificates of Participation are expected to produce net debt service savings through refinancing and prepayment. In order to take advantage of this opportunity, Board authorization is required.

Board of Regents' approval is requested to issue up to \$24,265,000 in fixed-rate refunding certificates of participation by NSHE on behalf of UNR and to authorize the defeasance and prepayment of \$3,045,000 of the 2014A Certificates of Participation issued on behalf of TMCC. The exact amount of refunding certificates to be issued will be a function of interest rates at the time the certificates are sold and is subject to change. NSHE debt management guidelines generally require a minimum savings of 3% of refunded par value for refinancing to be considered. Based on market rates as of January 19th, the proposed refinancing is estimated to generate present value savings (net of issuance costs) of approximately \$824,000 (5.9% of refunded par value).

The 2014A Certificates of Participation were issued to fund construction of the E.L. Wiegand Fitness Center at UNR as well as to finance construction of the William N. Pennington Health Science Center at TMCC. Payments on the UNR portion of the 2014A Certificates run through fiscal year 2045, and payments on the TMCC portion run through fiscal year 2035.

UNR Plan of Finance.

UNR intends to refinance its portion of the 2014A Certificates with proceeds of the 2024 refunding certificates. The proposed refunding certificates will be structured so that debt service paid by NSHE is reduced or unchanged in every fiscal year. The final payment on the refunded bonds will not be extended.

Market factors that impact the outcome of refinancing opportunities can change rapidly. Staff currently anticipates selling the proposed bonds between mid-March and early-April. An update of the anticipated savings based on then-current market conditions will be provided during the February 29 – March 1 Board meeting.

TMCC Plan of Finance.

TMCC intends to prepay its portion of the 2014A Certificates from institutional funds on hand. The estimated cost to prepay the TMCC 2014 certificates is approximately \$3.07 million. TMCC intends to utilize available funds from its Unrestricted Reserves to fund the prepayment. The net interest savings due to TMCC from prepaying its 2014 certificates are approximately \$747,000. These savings will accrue to TMCC through fiscal year 2035.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

The Chancellor requests approval of the attached resolution to:

- (1) allow the Nevada System of Higher Education, on behalf of the University of Nevada, Reno, to issue fixed-rate tax-exempt certificates of participation to refinance the existing 2014A Certificates of Participation for debt service savings subject to established Board-approved debt management guidelines;
- (2) allow the Nevada System of Higher Education, on behalf of Truckee Meadows Community College, to defease and prepay the existing 2014A Certificates of Participation.

4. IMPETUS (WHY NOW?):

Refinancing opportunities are time sensitive due to fluctuating market factors. Prepaying the TMCC portion of the 2014A Certificates at the same time as UNR refinances its portion of the 2014A Certificates allows NSHE to more efficiently manage its existing debt obligations.

5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase access to higher education)
- Success (Improve student success)
- Close Institutional Performance Gaps
- Workforce (Meet workforce needs in Nevada)
- Research (Increase solutions-focused research)
- Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)
- Not Applicable to NSHE Strategic Plan Goals

6. INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

N/A

7. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- Refinancing outstanding debt will result in debt service savings due to lower interest rates. The reduced debt service cost releases monies currently covering debt service to be used for other programmatic purposes.
- TMCC has identified funds on hand sufficient to prepay its 2014A Certificates, which will reduce future interest costs owed by the institution.
- Potential savings from refinancing the 2014A Certificates are unlikely to increase unless interest rates decline. As of January 19th, estimated refinancing interest rates are likely to result in debt service savings which meet or exceed NSHE debt guidelines.

8. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

- Market rates may further decline in the future which may result in greater refinancing savings than the current projection.
- Cash to be used by TMCC to prepay this debt may be used for other programmatic needs.

9. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

Choose not to move forward at this time and continue to pay debt service according to the existing schedules. Defer refinancing the 2014A Certificates of Participation to when interest rates further decline.

10. RECOMMENDATION FROM THE CHANCELLOR’S OFFICE:

Chancellor’s office recommends approval.

11. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- Other: _____
- Fiscal Impact: Yes X No _____
Explain: Refinancing of the UNR certificates is estimated to generate present value savings (net of costs) of approximately \$825,000, with no extension of the repayment term. Prepayment of the TMCC certificates is expected to reduce total interest costs of the institution by approximately \$747,000.

RESOLUTION NO. _____

A RESOLUTION CONCERNING THE NEVADA SYSTEM OF HIGHER EDUCATION; AUTHORIZING THE REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS; AUTHORIZING THE ISSUANCE OF THE NEVADA SYSTEM OF HIGHER EDUCATION, REFUNDING CERTIFICATES OF PARTICIPATION SERIES 2024 IN THE MAXIMUM PRINCIPAL AMOUNT OF \$24,265,000, FOR THE PURPOSE OF DEFRAYING IN PART THE COST OF SUCH PROJECT; AUTHORIZING THE SALE OF THE CERTIFICATES; PROVIDING OTHER DETAILS, AND MAKING OTHER PROVISIONS CONCERNING THE CERTIFICATES; RATIFYING ACTION PREVIOUSLY TAKEN AND PERTAINING TO THE FOREGOING MATTERS; PROVIDING OTHER MATTERS RELATING THERETO.

WHEREAS, pursuant to chapter 396 of Nevada Revised Statutes (the "Project Act") and all laws supplemental thereto, the Board of Regents (the "Board") of the Nevada System of Higher Education ("NSHE") is authorized to borrow up to \$24,265,000 for the purpose of refinancing, together with other available funds, certain outstanding Certificates of Participation, Series 2014A (the "Project"), such refinancing to be evidenced by an Installment Purchase Agreement and Indenture of Trust between NSHE and U.S. Bank Trust Company, National Association, as trustee (the "Trustee") signed by electronic, manual or facsimile signatures of the appropriate officials at the NSHE (the "Indenture");

WHEREAS, pursuant to the Indenture, the Trustee shall execute and deliver the Refunding Certificates of Participation, Series 2024 (the "Certificates") evidencing undivided interests in the right to receive certain revenues payable by NSHE pursuant to the Indenture;

WHEREAS, pursuant to the Indenture, proceeds of the Certificates are deposited into an escrow account created under the Escrow Agreement between NSHE and U.S. Bank Trust Company, National Association, as trustee (the "Escrow Agent") signed by electronic, manual or facsimile signatures of the appropriate officials at the NSHE (the "Escrow Agreement");

WHEREAS, the Board hereby authorizes the Chief Financial Officer or the Chancellor or any interim to arrange for the sale and delivery of the Certificates for the Project, including inviting bids for the purchase of the Certificates and ratifies action previously taken in connection with the sale and delivery of the Certificates; and

WHEREAS, after distribution of notice inviting bids for the purchase of the Certificates, Board authorizes the Chief Financial Officer of NSHE or the Chancellor, as the chief administrative officer of NSHE, or any interim, to receive and publicly open bids and sell the Certificates to the best bidder therefor (the "Purchaser") and ratifies action previously taken in connection with the receipt and opening of bids and either officer is hereby authorized to accept a

binding contract for the Certificates, the Certificates to bear interest at the rate or rates per annum, provided in the purchase proposal submitted by the Purchaser (the "Proposal"), at a price consisting of the principal amount and accrued interest thereon from their date to the date of their delivery, less a discount or plus a premium as set forth in the Indenture and otherwise upon the terms and conditions herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION:

Section 1. The officers of NSHE are hereby authorized to take all action necessary to effectuate the provisions of this resolution, including, without limitation, the Chancellor or the Chief Financial Officer is authorized to sell the Certificates and execute the Proposal as a binding contract with the Purchaser for the purchase of the Certificates and negotiate the terms of the Certificates (in one series or more) and the Proposal by the Chancellor or the Chief Financial Officer with the Purchaser which terms shall not be materially inconsistent with the terms set forth in the forms of the Indenture and the Escrow Agreement, in the forms specified by the Chancellor or the Chief Financial Officer and in substantially the forms on file with the Board office, the forms of which are approved, with any changes to the form of the Indenture and the Escrow Agreement as are approved by the Chancellor or the Chief Financial Officer in the judgment of the Chancellor or the Chief Financial Officer, including any covenants or provisions to protect the owner of the Certificates and/or NSHE, that the Chancellor or Chief Financial Officer determines are necessary or desirable to obtain favorable terms for NSHE which covenants or provisions, if any, shall be evidenced by such officer's execution of the Indenture and the Escrow Agreement and any such determination made is conclusive absent fraud or abuse of discretion. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Indenture.

Section 2. The officers of NSHE are hereby authorized to take all action necessary to effectuate the provisions of this resolution, including, without limitation, negotiation of the terms of the Indenture and the execution and delivery of the Indenture and the Escrow Agreement with electronic, manual or facsimile signatures of the Chair, Chancellor, ex officio Treasurer, and the Secretary to the Board of Regents and such certificates as may be necessary to evidence the validity and enforceability of the Indenture and the Escrow Agreement, the appointment of a trustee under the Indenture, and the exemption of interest on the Certificates issued under the Indenture from gross income for purposes of federal income taxation.

Section 3. The officers of NSHE are hereby authorized to take all action necessary or appropriate to effectuate the provisions of this Resolution, including without limitation (a) assembling of financial and other information concerning NSHE, the Project, the Indenture and the Certificates, and (b) preparing and circulating an official statement for the Certificates (the "Official Statement"), and, if deemed appropriate by the Chancellor or the Chief Financial Officer, the preparation and circulation of a preliminary official statement for the Certificates, the Continuing Disclosure Certificate, in the forms specified by the Chancellor or the Chief Financial Officer and on file with the Board office. The Chancellor or the Chief Financial Officer is authorized to deem the preliminary official statement "final" for purposes of Rule 15(c)2-12 promulgated under the

Securities Exchange Act of 1934. The Chancellor or the Chief Financial Officer or any interim is authorized to execute the Continuing Disclosure Certificate.

Section 4. All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board, the officers of NSHE and otherwise by NSHE directed toward the Indenture, the Project and toward the sale and delivery of the Certificates for that purpose, including but not limited to the distribution of the preliminary official statement and the distribution, use and execution of the Official Statement, in substantially the form on file with the Secretary of the Board, but with such changes, including supplements, amendments, additions and deletions, as are consistent with the facts and this Resolution and are approved by the Chancellor or the Chief Financial Officer, whose execution thereof shall be conclusive evidence of such officer's consent to such changes, are hereby approved, ratified and confirmed. The Board hereby authorizes the execution of closing certificates by any of the officers of the Board and any of the Chancellor, Chief Financial Officer and Vice Chancellor and Chief General Counsel.

Section 5. This Resolution shall be effective on its passage and approval.

PASSED, ADOPTED AND APPROVED on March 1, 2024.

NEVADA SYSTEM OF HIGHER EDUCATION

Chair, Board of Regents

Attest:

Chief of Staff to the Board of Regents