




Office of the Executive Vice President for
Administration and Chief Financial Officer
Scott A. Jordan
Executive Vice President
for Administration
and Chief Financial Officer

October 23, 2019

TO: Members of the Board of Trustees

FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

RE: Call and Retirement of Special Obligation Student Fee Revenue SO-SFR 2010 Refunding Bonds

RECOMMENDATION:

That the University call and retire the outstanding principal of \$16,745,000 of Special Obligation Student Fee Revenue (“SO-SFR”) 2010 Refunding bonds on their call date of November 15, 2019, from available pledged revenues, achieving savings in excess of \$2.6 million in future interest cost over the next eight years.

BACKGROUND:

The UCONN 2000 Act and the Master Indenture of Trust authorizes the University to issue Special Obligation-Student Fee Revenue (SO-SFR) bonds. The debt service on these bonds is paid from certain pledged revenues of the University, principally fees on housing, dining, and recreation.

On June 16, 2010, the University issued \$47,545,000 of SO-SFR 2010 Series A Refunding bonds, which refunded bonds originally issued in 1998 and 2002 to finance improvements to dormitories across the Storrs campus. At this time, the outstanding principal on the SO-SFR 2010 Refunding bonds is \$16,765,000 with \$2,683,550 of interest payments scheduled over the next eight fiscal years. The bonds are callable at face value on November 15, 2019. Debt service on the outstanding bonds is shown in Table 1 below:

Table 1. Debt Service Schedule for SO-SFR 2010 Refunding Bonds

Date	Principal	Interest	Total Debt Service
5/15/2020	-	368,928	368,928
11/15/2020	4,285,000	368,928	4,653,928
5/15/2021	-	272,928	272,928
11/15/2021	4,465,000	272,928	4,737,928
5/15/2022	-	189,803	189,803
11/15/2022	1,180,000	189,803	1,369,803
5/15/2023	-	162,378	162,378
11/15/2023	1,235,000	162,378	1,397,378
5/15/2024	-	137,059	137,059
11/15/2024	1,290,000	137,059	1,427,059
5/15/2025	-	104,809	104,809
11/15/2025	1,360,000	104,809	1,464,809
5/15/2026	-	70,809	70,809
11/15/2026	1,430,000	70,809	1,500,809
5/15/2027	-	35,059	35,059
11/15/2027	1,500,000	35,059	1,535,059
Total	16,745,000	2,683,550	19,428,550

Analyses by our Offices of Budget and Planning and Treasury Services as well as the University's independent financial advisors support the recommendation that the University call these bonds and retire the debt. Interest payments on the outstanding debt have an average coupon of 4.6% per year. Calling and retiring the \$16,745,000 principal eliminates the \$2,683,550 of scheduled interest payments, providing a 16% return on this transaction.

The University maintains a balance of funds from housing, dining, and other pledged revenues to maintain the assets and provide credit support for the outstanding bonds. These funds are invested in the State Short Term Investment Fund, which currently yields approximately 2.00%, but averaged only 0.72% over the past eight years. The benefit of calling and retiring these bonds early minus the cost of earning an average of 0.72% per year results in a return of 9.7% in net present value savings in favor of retiring the bonds.