

January 8, 2013

ITEM 158-2007-R0113

Adoption of Reimbursement Resolution; MSU-Bozeman

THAT

The Montana Board of Regents of Higher Education adopts a resolution establishing compliance with reimbursement bond regulations under the Internal Revenue Code

EXPLANATION

1. The Montana State University Alumni Foundation (MSUAF) received a generous gift of \$25 million to be used as determined by the MSUAF and MSU. It was determined that the gift would be used to fund both a building and programs related to the MSU College of Business.
 2. The gift will be paid to MSUAF over a series of years, and funds will not be available for immediate withdrawal.
 3. MSU has an excellent credit rating and low borrowing costs. To pay for building construction, it may be prudent for MSU to borrow funds at an attractive interest rate, and receive reimbursement from the MSUAF for debt service.
 4. If the University, its financial advisors, and the Commissioner believe it is prudent to borrow funds for construction of the building, a separate board item will be brought forth to seek financing approval.
 5. While authority to borrow funds is not being sought at this time, it may be possible to borrow funds on a tax-exempt basis for this project. The University's bond counsel and financial advisor are investigating.
 6. If a tax-exempt borrowing is executed in the future, and if the University wishes to use proceeds of such borrowing to reimburse itself for the currently-authorized design costs, the attached resolution is necessary to ensure that these pre-construction costs may be included in the amount of the tax-exempt borrowing.
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ATTACHMENTS

Reimbursement Resolution