

**STAFF SUMMARY AND RECOMMENDATION
UNIVERSITY OF SOUTHERN CALIFORNIA**

**Amendment to Final Resolution Number 181
June 30, 2005**

ORIGINAL AMOUNT APPROVED: \$300,000,000 **ORIGINAL APPROVAL DATE:** July 27, 2000

ORIGINAL AMOUNT UNISSUED: \$87,205,000 **EXPIRATION DATE:** July 27, 2005
(See Exhibit A for Original Executive and Staff Summary)

EXPECTED RATING: Aa1 (Moody's) **CREDIT ENHANCEMENT:** N/A

SENIOR UNDERWRITER: Morgan Stanley

TYPE OF FACILITY: Private University

LOCATION: Los Angeles, California, Los Angeles County

AMENDED USE OF BOND PROCEEDS: Bond proceeds will be used to advance refund all or a portion of the 1997 Series A, 1997 Series C or the 1999 bonds issued by the Authority in an amount not to exceed \$87,205,000.

ISSUE: University of Southern California (USC) is requesting an amendment to Resolution Number 181, authorizing the University to advance refund all or a portion of the 1997 Series A, 1997 Series C and the 1999 bonds issued by the Authority. This amendment would allow USC to refinance these bonds at either fixed rate or variable rates.

As of May 31, 2005, the outstanding balance on the 1997 Series A was \$31.8 million, the 1997 Series C was \$50 million and the 1999 bonds was \$60 million. The following is an estimate of the revised sources and uses to incorporate the effect of the refunding:

| <u>Sources of Funds</u> | | <u>Uses of Funds</u> | |
|--|---------------------|---------------------------|---------------------|
| Par amount of bonds | \$87,205,000 | Refunding Escrow Deposits | \$87,301,382 |
| Other Sources of Funds: accrued interest | <u>1,025,660</u> | Financing Costs | <u>929,278</u> |
| | <u>\$88,230,660</u> | | <u>\$88,230,660</u> |

REASON FOR AMENDMENT: The original staff report stated that the refinancing would be issued at a variable rate. USC would like the ability to use either variable or fixed interest rates. USC would also like to include the option to refund the 1997 Series A bonds that were not included in the original resolution.

BACKGROUND: In 2003, \$212,795,000 was issued in three series. Series A was issued to finance the acquisition, construction, expansion, rehabilitation, remodeling, renovation, and/or equipping of certain educational facilities of USC. Series B was issued to current refund a portion of the Series 1993 and 1993 Series B bonds. Series C was issued to finance the acquisition, construction, expansion, rehabilitation, remodeling, renovation, and/or equipping of certain educational facilities of USC. After the issuance of 2003 Series A, B and C bonds, \$87,205,000 remained unissued.

FINANCIAL UPDATE: There has been no material change in USC's financial condition since the original approval in 2000. USC is requesting to advance refund all or a portion of the 1997 Series A, the 1997 Series C and the 1999 bonds, which results in an estimated net present value savings of \$3.149 million over the life of the bonds, based on the current fixed interest rates, thus there will be no negative impact as a result of the proposed financing. (See attached financials)

RECOMMENDATION: Staff recommends the Authority approve the amendment to Resolution Number 181 in an amount not to exceed \$300,000,000 for USC to advance refund all or a portion of the 1997 Series A, 1997 Series C or the 1999 bonds, in an amount not to exceed \$87,205,000 subject to certain prior provisions and conditions to remain unchanged and in full effect and extending the expiration date of the resolution from July 27, 2005 to January 27, 2006.

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