

Contact: Joan Racki

**RESOLUTION FOR THE SALE AND ISSUANCE OF \$20,740,000  
DORMITORY REVENUE REFUNDING BONDS, SERIES S.U.I. 2010**

**Action Requested:** Consider adopting the following resolution, subject to receipt of acceptable bids:

A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of \$20,740,000 (estimated) Dormitory Revenue Refunding Bonds, Series S.U.I. 2010, for the purposes of paying costs of refunding the \$16,000,000 Dormitory Revenue Bonds, Series S.U.I. 2000, and the \$13,735,000 Dormitory Revenue Bonds, Series S.U.I. 2001, paying costs of issuance, and approving a Refunding Trust Agreement.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of a resolution providing for the sale, award, authorization, and issuance of Dormitory Revenue Refunding Bonds for the University of Iowa. When the calendar year 2010 bond issuance schedule was approved by the Board in October 2009, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board's Financial Advisor, has determined that interest rate savings could occur by refunding the 2011 – 2021 maturities of the \$16,000,000 Dormitory Revenue Bonds, Series S.U.I. 2000 and the \$13,735,000 Dormitory Revenue Bonds, Series S.U.I. 2001. The Series 2000 bonds were sold to finance, in part, the west campus food service consolidation at Hillcrest Residence Hall and telecommunications improvements in eight residence halls. The 2001 Series Bonds partially financed the renovation of the former dining area in Currier Residence Hall and fire protection upgrades in Currier, Stanley, Burge and Daum residence halls. The University's residence system is a self-supporting operation and receives no state appropriations.

Interest on the refunding bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds. Interest on the bonds to be refunded has also been double tax-exempt.

The proposed refunding of the Dormitory Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of July 1, 2011. The proceeds from the sale of the refunding bonds, net of issuance expenses, would be invested in U.S. Treasury Obligations or other permitted investments to fund an escrow account which would be used to redeem the 2011-2021 maturities. The refunding would not extend the maturity of the bonds beyond the last scheduled maturities of the 2000 and 2001 Series bonds.

Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years. (Rates on the 2000 Series bonds range from 4.90% in 2011 to 5.375% in 2021 and the rates on the Series 2001 bonds range from 3.90% in 2011 to 4.875% in 2021.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$1.2 million. Annual cash flow savings are estimated at approximately \$150,000.

The refunding issuance amount is estimated at \$20,740,000. This amount will be adjusted up or down, depending upon the bid received, but not to exceed \$22,000,000. This flexibility will provide sufficient funds to fund the escrow account and to pay costs of issuance, which are estimated at \$82,000.

**Additional Information:** Under the provisions of Iowa Code §§262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, February 4, 2010, and the award is scheduled for later that day. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

The official statement for the bond sale may be found on the website of Springsted, Inc., the Board's Financial Advisor, at <http://www.springsted.com/>.

A copy of the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

Specifics of the bonds are:

- Average Maturity: 6.6 Years
- Bonds Dated: March 1, 2010
- Interest Due: January 1, 2011 and each July 1 and January 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2011 – 2021
- Optional Call: The bonds will not be subject to redemption in advance of the stated maturity dates
- Denomination: \$5,000 and integral multiples thereof