

Contact: Joan Racki

**RESOLUTION FOR THE SALE AND ISSUANCE OF
\$25,845,000 (ESTIMATED) ATHLETIC FACILITIES REVENUE BONDS, SERIES I.S.U. 2012**

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

A Resolution providing for the current refunding of the Indoor Multipurpose Use and Training Facility Revenue Bonds, Series I.S.U. 2003, the transfer of the Indoor Multipurpose Use and Training Facility into the Athletic Facilities System, and providing for the sale and authorizing and providing for the issuance and securing the payment of not to exceed \$26,500,000 Athletic Facilities Revenue Bonds, Series I.S.U. 2012, funding the debt service reserve fund, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale and issuance of Athletic Facilities Revenue Bonds for Iowa State University.

Proceeds from the sale of the bonds would be used to fund the Football Training Facility project as approved by the Board in June 2011 and to refund the outstanding principal of the bonds issued to partially finance the Bergstrom Indoor Multipurpose Use and Training Facility in January 2003.

At its June 2011 meeting, the Board approved the schematic design, project description, budget (\$20.6 million), and financing plan for the Football Training Facility project, including authorizing the Executive Director to fix the date or dates for the sale of Athletic Facilities Revenue Bonds. The project is relocating and expanding space for football operations from the current location within the Jacobson and Olsen Buildings to a facility to be attached and with interior connections to the Bergstrom Indoor Multipurpose Use and Training Facility to provide one consolidated location for the football program. The Athletic Facilities System, which was established in September 2007, is a self-supporting operation.

The Indoor Multipurpose Use and Training Facility is an indoor multipurpose use, training and practice facility used by varsity football and other field sports programs. The outstanding principal on the bonds to be refunded is \$3,780,000, with coupons ranging from 3.7% in 2012 to 4.5% in 2020. The proposed refunding would be a current refunding as the refunding would occur less than 90 days prior to the anticipated call date of May 1, 2012. (Bonds maturing on or after July 1, 2011 became callable commencing July 1, 2010 and any date thereafter.) Interest rates on the refunding bonds are anticipated to be lower than the interest rates on the refunded bonds for the same years, with the present value savings estimated at approximately \$300,000.

Upon completion of the refunding, the Indoor Multipurpose Use and Training Facility Bonds will no longer be outstanding and the Facility will be transferred and become part of the Athletic Facilities System. The applicable bond covenants for the Athletic Facilities System permit the Board to incorporate other intercollegiate athletic facilities of the University into the Athletic Facilities System provided the net revenues of the System equal or exceed 125% of annual debt service. According to the fiscal year 2011 audited financials of the Athletic Facilities System, the net revenues are reported at 697% of annual debt service.

Principal on the bonds, including the new money issue and the refunding would be repaid over a period of 25 years, with debt service of approximately \$1.6 million annually to be paid from net revenues of the Athletics Facilities System. There would be a backup Athletic Facilities Student Fee pledge.

Additional Information: Under the provision of Iowa Code Chapter 262, the Board is authorized to construct, equip, maintain and operate self-liquidating and revenue producing facilities at the universities; the Board is also authorized to borrow money to construct or improve these facilities.

The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

The following is a summary of the sources and uses of funds. This amount of the bond issue will be adjusted up or down, depending upon the bid received, but will not exceed \$26,500,000.

Sources of Funds:

- principal amount of bond issue (estimated at \$25,845,000)
- prior issue debt service reserve funds (\$518,650)

Total Sources of Funds (\$26,363,650)

Uses of Funds:

- project costs (estimated at \$20,600,000)
- escrow fund for refunded bonds (\$3,833,287)
- debt service reserve (estimated at \$1,577,730)
- underwriters discount (estimated at \$258,450)
- issuance costs (estimated at \$94,183)

Total Uses of Funds (\$26,363,650)

The receipt and opening of bids is scheduled for 10:00 a.m. on Tuesday, February 7, 2012 and the award is scheduled for later that day.

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: 14.8 Years
- Bonds Dated: March 1, 2012
- Interest Due: January 1, 2013 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, 2013 – 2037
- Optional Call: Bonds maturing on or after July 1, 2022 are callable commencing July 1, 2021 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof