AGENDA ITEM 18

MEMORANDUM

To Board of Regents

From: Board Office

Subject: Preliminary Resolution for the Sale of up to $7,700,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005

Date: March 2, 2005

Recommended Action:

Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to $7,700,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005.

(ROLL CALL VOTE)

Executive Summary:

The Board is asked to adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to $7,700,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005.

The 2006 – 2022 maturities of the Field House Revenue Bonds, Series U.N.I. 1997 (originally issued in the amount of $9,150,000) would be called and principal payments made on the call date, July 1, 2005.

The estimated net present value savings from the refunding, resulting from lower interest rates, totals approximately $500,000. Annual cash flow savings are estimated at approximately $40,000.

Debt service payments on the bonds are made from a portion of the University's mandatory building fee and Field House enterprise revenue.

The maturity schedule for the refunding bonds will not change from the schedule of the bonds being refunded.

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.

Background:

Interest Rates	Periodically, the Board Office and Springsted, the Board's financial advisor, evaluate bonds for refunding potential. As interest rates continue to remain low, bonds can be refunded and annual and total debt service costs reduced.
Bond Issuance Schedule	The calendar year 2005 bond issuance schedule approved by the Board in August 2004, includes the possible sale, dependent upon market conditions, of refunding bonds in May 2005.
Definition of Refunding	A refunding is the issuance of bonds whose proceeds are used to pay principal, interest and/or call premium, if any, of an existing debt obligation; the old (refunded) debt is replaced with new (refunding) bonds.
Statutory Provisions	Under the provisions 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.
Electronic Bidding	The Board, at its November 2001 meeting, adopted a resolution approving electronic bidding procedures.

Analysis:

Bonds to be Refunded	The proceeds from the sale of the proposed refunding bonds would be used to refund the 2006 – 2022 maturities of the Board's Field House Revenue Bonds, Series U.N.I. 1997. The principal to be refunded totals $7,380,000. The 1997 bonds were issued to defray a portion of the costs of replacing the air-supported roof with a self-supported roof and other improvements to the UNI-Dome Field House. Coupon rates on the 2006 – 2022 maturities of the 1997 bonds range from 4.65% in 2006 to 5.15% in 2022. Current interest rates for bonds maturing in 2006 – 2022 are lower than the rates being paid on the outstanding bonds.
Outstanding Field House Bonds	The outstanding principal, as of June 30, 2004, of the Field House Revenue Bonds, Series 1997, 2001 and 2004 is $22.875 million.
Debt Service on Bonds	Debt service payments on the bonds are made from a portion of the University's mandatory building fee and Field House enterprise revenue. Student building fees collected for the Field House Enterprise totaled $1,083,445 in FY 2004 according to the bond fund audit.

In May 2004, the Board allocated the sum of $90 per academic year and $33.75 per summer session of the total building fee ($180 per academic year and $67.50 per summer session) to the debt service payment of Field House Bonds.

In December 2004, the Board approved a building fee of $198 for the 2005-2006 academic year; this fee is scheduled to be allocated among facilities at the May 2005 Board meeting.

Refunding Bond Issue

The size of the refunding bond issue would not exceed $7,700,000, with an anticipated issuance size of $7,465,000 including issuance costs estimated at approximately $47,000.

Internal Revenue Service Requirements

Under Internal Revenue Service regulations, a current refunding must occur no more than 90 days prior to the payment of the refunded bonds.

The sale of the refunding bonds would occur at the May Board meeting and would close in early June. The refunded bonds would be called on July 1, 2005 (first call date), meeting the requirements of the 90-day time period.

A copy of the resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney and reviewed by Springsted, Inc. is available from the Board Office.

The resolution includes a provision permitting the Board to receive bids by means of both sealed and electronic communication; the receipt by electronic communication is consistent with the resolution adopted by the Board in November 2001 approving the electronic bidding procedures.

Joan Racki

Approved: Gregory S. Nichols

H:\BF\2005\05mardoc\0205_ITEM18.doc