

Contact: Joan Racki

**SALE AND ISSUANCE OF
\$16,800,000 DORMITORY REVENUE REFUNDING BONDS, SERIES I.S.U. 2006**

Action Requested: Consider adopting A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of \$16,795,000 (estimated) Dormitory Revenue Refunding Bonds, Series I.S.U. 2006, funding the debt service reserve fund, 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 related to the sale and issuance of \$16,800,000 (estimated) Dormitory Revenue Refunding Bonds, Series I.S.U. 2006. At its February 2006 meeting, the Board authorized the Executive Director to fix the date or dates for the sale of the refunding bonds.

The Series 2006 bonds would be used to refund in advance of maturity the 2007 – 2027 maturities totaling \$15,995,000 of the Dormitory Revenue Bonds, Series 1999B, which were issued to partially fund construction of Phase 2 of Hawthorn Court, now known as Frederiksen Court.

The proposed refunding would be an advance refunding as the refunding would occur prior to the initial call date of July 1, 2010. 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 2007 – 2009 maturities as they come due and the 2010 – 2027 maturities on July 1, 2010. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the Series 1999B 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 2007 – 2027 maturities of the Series 1999B Bonds range from a low of 4.9% to a high of 6.0%. Springsted, Inc., the Board's financial advisor, has estimated that the refunding would result in a present value savings of more than \$800,000. Annual cash flow savings are estimated at approximately \$60,000. 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 University's Residence System is a self-supporting operation and receives no state appropriations. Debt service on the bonds would continue to be paid from the net rents, profits and income of the Residence System.

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.

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. When the refunding occurs more than 90 days prior to the first call date of the bonds to be refunded, the refunding is referred to as an advance refunding.

It is anticipated that the refunding issue will have a principal amount of \$16,800,000, including issuance costs estimated at \$84,000. The issue amount is estimated because the amount of the bond proceeds required to fund the escrow account for the Series 1999B Bonds will be dependent upon the actual yield of the new bonds and available investment yields.

The refunding bonds issuance amount is higher than the sum of the maturities to be refunded because the refunding escrow account securities are invested at current market rates which are lower than the interest rates payable on the outstanding bonds until the call date.

The Series 1999B Bonds were used to partially finance Phase 2 of the Hawthorn Court Development project. The Phase 2 project provided for construction of apartment units with 984 beds.

The receipt and opening of bids is scheduled for 10:00 a.m. on Monday, March 20, 2006, and the award is scheduled for later that day.

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

Bond specifics are as follows:

Average Maturity:	12.95 Years (estimated)
Bonds Dated:	April 1, 2006
Interest Due:	January 1, 2007 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, 2007 – 2027
Optional Call:	Bonds maturing on or after July 1, 2017 are callable commencing July 1, 2016 and any date thereafter at par
Denomination:	\$5,000 and integral multiples thereof