RESOLUTION FOR THE SALE AND AWARD OF
$25,000,000 UTILITY SYSTEM REVENUE BONDS, SERIES S.U.I. 2012

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 $25,000,000 Utility System Revenue Bonds, Series S.U.I. 2012, for the purpose of approving and authorizing the agreement of such sale and award, and authorizing and approving the execution and delivery of the Seventeenth Supplemental Indenture, Tax Exemption Certificate, and Continuing Disclosure Certificate.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award and issuance of Utility System Revenue Bonds for the University of Iowa.

Proceeds from the sale of the bonds would be used to fund improvements to the Utility System at the University including a portion of the costs of the following projects, for which the Board has previously approved project descriptions and budgets: Main Power Plant – Replace Dense Phase Coal Handling System, Health Sciences Utility and Service Tunnel, and the Power Plant – Install Boiler 10 Natural Gas Burners. The University’s utility system is a self-supporting operation.

Principal on the bonds would be repaid over a period of 25 years, with debt service of approximately $1.48 million annually to be paid from utility system charges and the proceeds of any utility system student fees which the Board may establish in the future. Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds.

Additional Information: 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.

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 $25,000,000 bond issue is anticipated to include:

- project costs (estimated at $23,128,400);
- debt service reserve (estimated at $1,480,900);
- underwriters discount (estimated at $300,000); and
- issuance costs (estimated at $90,700).
The outstanding principal amount of the University of Iowa Utility System Revenue Bonds is $153.0 million.

The new bonds would be issued on a parity with the outstanding bonds, with the source of repayment continuing to be utility system charges. As a credit enhancement, the bond covenants for the existing bonds include a provision for the Board to charge a Utility Student Fee to remedy any deficiencies in the net income of the enterprise. Since the new bonds are being issued on a parity with the existing bonds, the provision for a “backup student fee” would also apply to the new bonds.

Since Utility System bonds were first issued in 1985, there has not been a need to charge the student fee. There is no indication that the fee would need to be charged to support the debt service on the bonds to be issued since it is anticipated that utility system charges should be more than sufficient to meet the financial requirements of the utility enterprise.

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, March 21, 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:** 14.94 Years
- **Bonds Dated:** April 1, 2012
- **Interest Due:** November 1, 2012 and each May 1 and November 1 to maturity
- **Interest Exemption:** Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- **Principal Due:** November 1, 2013 – 2037
- **Optional Call:** Bonds maturing on or after November 1, 2022 are callable commencing November 1, 2021 and any date thereafter at par
- **Denomination:** $5,000 and integral multiples thereof