

Contact: Joan Racki

RESOLUTION FOR THE SALE AND ISSUANCE OF \$20,190,000 (ESTIMATED) MEMORIAL UNION REVENUE REFUNDING BONDS, SERIES I.S.U. 2013

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 \$20,190,000 (estimated) Memorial Union Revenue Refunding Bonds, Series I.S.U. 2013, for the purpose of advance refunding the \$24,625,000 Memorial Union Revenue Bonds, Series I.S.U. 2004, 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 Memorial Union Revenue Refunding Bonds for Iowa State University. When the calendar year 2013 bond issuance schedule was approved by the Board in October 2012, 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 2015 - 2030 maturities of the \$24,625,000 Memorial Union Revenue Bonds, Series I.S.U. 2004. These bonds were issued to provide for improvements to the Memorial Union, structural repairs to the Union Parking Facility, and to pay outstanding debt.

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 refunding of the Memorial Union Revenue bonds would be an advance refunding as the refunding would occur prior to the initial call date of July 1, 2014. 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 2014 - 2030 maturities. The University will deposit into the escrow account the principal and interest due on July 1, 2013. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2004 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 2004 Series bonds range from 3.625% in 2015 to 4.625% in 2030.) Springsted, Inc. has projected that the refunding would result in a present value savings of approximately \$1.8 million. Annual cash flow savings are estimated at approximately \$140,000.

The refunding issuance amount is estimated at \$20,190,000. This amount will be adjusted up or down, depending upon the bid received, but not to exceed \$22,000,000, in order to provide sufficient funds to call and redeem the Series 2004 Refunded Bonds and to pay costs of issuance, which are estimated at \$115,000.

Additional Information: In November 2002, the Board approved the transfer of the Memorial Union facility from the Memorial Union Corporation (established in 1922) to Iowa State University. The 1925 agreement between the Corporation and the Board of Education (predecessor to the Board of Regents) allowed the Iowa State Memorial Union (Corporation) to raise funds to construct a student union facility to serve the students of Iowa State University. This corporate structure was necessary at that time because the University, through the Board of Regents, lacked authority to borrow money.

The intent of the 1925 agreement was to transfer the Memorial Union to the University once the Corporation debts were paid off or at a time when the Board of Regents agreed to assume the remaining debt. The 2002 transfer was undertaken to improve the bonding capacity and fund raising capabilities of the Union to finance facility renovations and upgrades.

Board action in November 2002 also established a self-liquidating Memorial Union Facility; the Union is now operated as a self-supporting entity, in accordance with *Iowa Code Chapter 262*, which authorizes the Board 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 2004 bond issue, for which a refunding is proposed, was issued to partially fund the **Memorial Union Renovation – Phase 1** project, **Memorial Union Parking Facility – Structural Repairs** project and repayment of the outstanding debt of the Corporation. The Phase 1 Renovation project provided for circulation, accessibility and life safety improvements, upgrades to meeting rooms and building systems, and construction of an addition and renovation of existing space for the University Book Store. The Parking Facility project addressed the deterioration of the structure's post-tensioning system and concrete floor slab to extend the life of the parking ramp.

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, April 25, 2013, 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. 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: 9.75 Years
- Bonds Dated: May 1, 2013
- Interest Due: January 1, 2014 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, 2014 – 2030
- Optional Call: Bonds maturing on or after July 1, 2024 are callable commencing July 1, 2023 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof