**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Savings from Bond Refundings  
**Date:** May 10, 2004

**Recommended Action:**

Receive the report on the savings from the issuance of refunding bonds.

**Executive Summary:**

Present value savings (which are net of issuance costs) from refunding bonds total $9.1 million for calendar years 2001 – 2004 year-to-date, of which $6.5 million in savings were from Academic Building Revenue Bond Refundings.

The savings from Academic Building Revenue Bond Refundings directly reduce the tuition replacement appropriations needed from the state in future years, all other factors being equal.

The table on page 3 provides information on the dollar amount of the savings, by refunding bond issue.

The graphs on pages 4 - 6 detail refunding bond present value savings since 2001. Graphs 1 and 2 provide information on total savings for all refundings, with graphs 3 and 4 providing a subset of the information for Academic Building Revenue Bond Refundings, and graphs 5 and 6 providing the same information for other refunding issues:

- Graph 1 – All Bond Refundings - Dollar Savings per Issue
- Graph 2 – All Bond Refundings - Dollar Cumulative Savings
- Graph 3 – Academic Building Bond Refundings - Dollar Savings per Issue
- Graph 4 – Academic Building Bond Refundings - Dollar Cumulative Savings
- Graph 5 – Other Bond Refundings - Dollar Savings per Issue
- Graph 6 – Other Bond Refundings - Dollar Cumulative Savings

This report, which updates the report provided in December 2003, includes the present value savings from the sale of SUI academic building revenue bonds, two issues of ISU academic building revenue bonds, and ISU recreational facility revenue bonds, all sold in April 2004.
Background and Analysis:

Board Stewardship
The Board of Regents Strategic Plan provides for effective stewardship of the institutions' state, federal and private resources.

Bond refundings help ensure this stewardship by minimizing the interest payments on outstanding debt.

The Board Office and the Board’s financial advisor, Springsted, Inc. of St. Paul, MN, & Des Moines, IA, continuously review outstanding bond issues for refunding opportunities.

Savings since 2001
Since 2001, the Board has sold 15 refunding bond issues, resulting in present value savings of $9.1 million. (Table 1, and graphs 1 and 2)

Academic Building Revenue Bonds
Tuition and fee revenues are pledged for debt service payments on Academic Building Revenue Bonds; a tuition replacement appropriation replaces that university revenue.

The savings from Academic Building Revenue Bond refundings reduce the amount needed for the tuition replacement appropriation.

Since 2001, the Board has sold ten Academic Building refunding bond issues, resulting in present value savings of over $6.5 million (graphs 3 and 4, page 5).

Other Bond Issues
The refunding of revenue bonds for self-supporting enterprises, including the dormitory systems, results in annual, on-going savings to the respective enterprises.

Since 2001, the sales of five refunding bond issues (graphs 4 and 5, page 6) have resulted in present value savings of approximately $2.5 million.
Table 1
Savings from Refunding Bonds Issued: Calendar Years 2001 – 2004 (year-to-date)

<table>
<thead>
<tr>
<th>Inst.</th>
<th>Refunding Bond Amount</th>
<th>Issue Date</th>
<th>Present Value Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUI</td>
<td>$14,580,000 Academic Building Revenue Refunding Bonds, Series 2002 Apr-02</td>
<td>$1,500,022</td>
<td></td>
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<tr>
<td>SUI</td>
<td>10,530,000 Academic Building Revenue Refunding Bonds, Series 2003 Apr-03</td>
<td>633,705</td>
<td></td>
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<tr>
<td>SUI</td>
<td>6,695,000 Academic Building Revenue Refunding Bonds, Series 2004 Apr-04</td>
<td>258,302</td>
<td></td>
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<tr>
<td></td>
<td>Subtotal – Academic Building Revenue Bond Savings</td>
<td>$2,392,029</td>
<td></td>
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<tr>
<td>SUI</td>
<td>4,835,000 Iowa Memorial Union Refunding Bonds, Series 2001 Nov-01</td>
<td>436,743</td>
<td></td>
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<tr>
<td>SUI</td>
<td>6,080,000 Utility Revenue Refunding Bonds, Series 2003 Feb-03</td>
<td>487,374</td>
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<td>SUI</td>
<td>14,060,000 Telecommunications Facilities Revenue Refunding Bonds, Series 2003 Nov-03</td>
<td>485,369</td>
<td></td>
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<td></td>
<td>SUI - Total present value of interest savings:</td>
<td>$3,801,515</td>
<td></td>
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<tr>
<td>ISU</td>
<td>$9,805,000 Academic Building Revenue Refunding Bonds, Series 2001A Apr-01</td>
<td>$917,782</td>
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<tr>
<td>ISU</td>
<td>13,350,000 Academic Building Revenue Refunding Bonds, Series 2001B Apr-01</td>
<td>1,044,900</td>
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<td>ISU</td>
<td>5,430,000 Academic Building Revenue Refunding Bonds, Series 2004A Apr-04</td>
<td>418,823</td>
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<td>ISU</td>
<td>3,135,000 Academic Building Revenue Refunding Bonds, Series 2004B Apr-04</td>
<td>128,636</td>
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<td></td>
<td>Subtotal – Academic Building Revenue Bond Savings</td>
<td>$2,510,141</td>
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<tr>
<td>ISU</td>
<td>6,210,000 Recreational Facility Revenue Refunding Bonds, Series 2004 Apr-04</td>
<td>167,579</td>
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<td></td>
<td>ISU - Total present value of interest savings:</td>
<td>$2,677,720</td>
<td></td>
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<td>UNI</td>
<td>$4,890,000 Academic Building Revenue Refunding Bonds, Series 2002 Apr-02</td>
<td>$461,282</td>
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<td>UNI</td>
<td>8,465,000 Academic Building Revenue Refunding Bonds, Series 2003 Apr-03</td>
<td>887,899</td>
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<td>UNI</td>
<td>4,225,000 Academic Building Revenue Refunding Bonds, Series 2003 Jul-03</td>
<td>289,111</td>
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<td></td>
<td>Subtotal – Academic Building Revenue Bond Savings</td>
<td>$1,638,292</td>
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<tr>
<td>UNI</td>
<td>9,535,000 Dormitory Revenue Refunding Bonds, Series 2002 Oct-02</td>
<td>$952,826</td>
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<td>UNI - Total present value of interest savings:</td>
<td>$2,591,118</td>
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<td>Grand Total - Present Value Savings from Refunding Bonds Issued since FY 2001:</td>
<td><strong>$9,070,353</strong></td>
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</tbody>
</table>

Present Value Savings by Type of Bond Issue

- Academic Building Revenue Refunding Bonds | $6,540,462
- Dormitory Revenue Refunding Bonds and Other Refunding Bonds | 2,529,891
- **Total** | **$9,070,353**

*Includes $4,100,000 in new funds to purchase telecommunications switching equipment.
Total Savings

Graph 1
Board of Regents, State of Iowa
Present Value Bond Refunding Savings since 2001 --
Dollars per Issue

Graph 2
Board of Regents, State of Iowa
Present Value Bond Refunding Savings since 2001 --
Cumulative Dollars
State Appropriations Savings

Graph 3
Board of Regents, State of Iowa
Academic Building Revenue Refunding Bonds
Present Value Bond Refunding Savings since 2001 --
Dollars per Issue

Graph 4
Board of Regents, State of Iowa
Academic Building Revenue Refunding Bonds
Present Value Bond Refunding Savings
since 2001-- Cumulative Dollars
Regent Enterprise Savings

Graph 5
Board of Regents, State of Iowa
Other Refunding Bond Issues
Present Value Bond Refunding Savings since 2001 --
Dollars per Issue

$0
$200,000
$400,000
$600,000
$800,000
$1,000,000
$1,200,000

SUI Nov 01
UNI Oct 02
SUI Feb 03
SUI Nov 03
ISU Apr 04
Memorial Union
Dormitory
Utility
Telecom.
Rec Fac.

Graph 6
Board of Regents, State of Iowa
Other Refunding Bonds
Present Value Bond Refunding Savings since 2001 --
Cumulative Dollars

$0
$500,000
$1,000,000
$1,500,000
$2,000,000
$2,500,000
$3,000,000

SUI Nov 01
UNI Oct 02
SUI Feb 03
SUI Nov 03
ISU Apr 04