

**BOARD MEMORANDUM**

**TO:** Board of Regents, State of Iowa  
**FROM:** Joan Racki  
**DATE:** April 20, 2005 *ASN*  
**SUBJ:** Resolutions for the Sale and Award of \$7,465,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005

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**Recommended Action:**

Adopt the following resolutions, subject to receipt of acceptable bids:

1. A Resolution providing for the sale and award of \$7,465,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005, and approving and authorizing the agreement of such sale and award.
2. A Resolution authorizing and providing for the issuance and securing the payment of \$7,465,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005, for the purpose of refunding the 2006 through 2022 maturities of the \$9,150,000 Field House Revenue Bonds, Series U.N.I. 1997, including the debt service reserve fund, and paying the costs of issuance.

**(ROLL CALL VOTE)**

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**Executive Summary:**

The Board is asked to adopt two resolutions related to the sale, award and issuance of \$7,465,000 Field House Revenue Refunding Bonds, Series U.N.I. 2005.

At its March 2005 meeting, the Board authorized the Executive Director to fix the date or dates for the sale of the refunding bonds.

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 \$300,000. Annual cash flow savings are estimated at approximately \$20,000 through 2015, with the annual savings increasing to approximately \$40,000 in 2019 and later years.

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.

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**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 on a historical basis, 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 <u>Iowa Code</u> 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.

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**Analysis:**

Bonds to be Refunded	<p>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.</p> <p>The principal to be refunded totals \$7,380,000.</p> <p>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.</p> <p>Coupon rates on the 2006 – 2022 maturities of the 1997 bonds range from 4.65% in 2006 to 5.15% in 2022.</p> <p>Current interest rates for bonds maturing in 2006 – 2022 are lower than the rates being paid on the outstanding bonds.</p>
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	<p>Debt service payments on the bonds are made from a portion of the University's mandatory building fee and Field House enterprise revenue.</p> <p>Student building fees collected for the Field House Enterprise totaled \$1,083,445 in FY 2004 according to the bond fund audit.</p> <p>At its May 2005 meeting, the Board is scheduled to allocate the \$198 per 2005 – 2006 academic year and \$74.25 summer session building fees approved by the Board in December 2004.</p> <p>The University has proposed that of the above amounts, the sum of \$104 for the academic year and \$39 for the summer session be allocated to debt service payments on the Field House Bonds. (See Agenda Item 8 - Allocation of Fees)</p>
Refunding Bond Issue	<p>The refunding bond issue size of \$7,465,000 includes issuance costs estimated at approximately \$45,000.</p>
Internal Revenue Service Requirements	<p>Under Internal Revenue Service regulations, a current refunding must occur no more than 90 days prior to the payment of the refunded bonds.</p> <p>The sale of the refunding bonds at the May Board meeting 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.</p>
Receipt of Bids	<p>The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, May 5, 2005, and the award is schedule for later that day.</p>
Resolutions	<p>Copies of the resolutions, which were prepared by Ahlers &amp; Cooney and reviewed by Springsted, Inc., are available from the Board Office.</p>
Bond Specifics	<p>Average Maturity: 10.23 Years</p> <p>Bonds Dated: May 1, 2005</p> <p>Interest Due: January 1, 2006 and each July 1 and January 1 to maturity</p> <p>Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa</p> <p>Principal Due: July 1, 2006 – 2022</p> <p>Optional Call: Bond maturing on or after July 1, 2016 are callable commencing July 1, 2015 and any date thereafter at par</p> <p>Denomination: \$5,000 and integral multiples thereof</p>