

Contact: Joan Racki

**PRELIMINARY RESOLUTION FOR THE SALE OF HOSPITAL REVENUE BONDS,
SERIES S.U.I. 2007 AND SERIES S.U.I. 2007A**

Action Requested: Consider adopting A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2007, and up to \$25,000,000 Hospital Revenue Bonds, Series S.U.I. 2007A.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing the Executive Director to fix the date or dates for the sale of two series of Hospital Revenue Bonds. The bond issuance schedule for calendar year 2007, approved by the Board in November 2006, included the possible sale of refunding bonds in June 2007. Springsted, Inc., the Board's financial advisor, has determined that there are no bond issues which could be cost-effectively refunded. With this available date in the bond issuance schedule, the University of Iowa would like to schedule the sale of Hospital Revenue Bonds in June. It is anticipated that an additional sale of Hospital Revenue Bonds would occur in calendar year 2007. The sale would be tentatively scheduled for September 2007; currently no bond sales are scheduled for the September Board meeting.

The General Assembly passed and the Governor approved legislation in 2002 authorizing the Board to issue \$100 million in Hospital Revenue Bonds over a period of years. In November 2002, the Board sold \$25 million in bonds to finance a portion of the cost of the Center for Excellence in Image-Guided Radiation Therapy and the three stories of shell space above the Center and other improvements; the bond proceeds have been expended.

The outstanding principal amount from the 2002 bond issuance is \$23,250,000.

At its August 2004 meeting, the Board adopted a resolution which declared an official intent under Treasury Regulation 1.150-2 for the University of Iowa Hospitals and Clinics to be reimbursed from future Hospital Revenue Bond issues for expenditures for certain capital improvement projects.

Capital projects for which reimbursement was identified in 2004 and for which bond proceeds would be used for repayment of the Hospital Building Usage Funds initially used for construction include:

<u>Project</u>	<u>Board Approved Project Budget</u>
Emergency Trauma Center Renovation and Expansion	\$30,000,000
Pediatrics Unit Inpatient Renovation	11,875,000
Ambulatory Surgery Center and Procedure Suite Development	39,600,000

Principal on the 2007 bonds would be repaid over a period of 20 years, with debt service of approximately \$1.9 million annually to be paid from Hospital Income derived from the operation of the Hospital System. Hospital Income includes the gross income and funds received by the Hospital System, including the proceeds of rates, fees, charges, and payments for health care provider activities for patient care services after deduction of Current Expenses. Hospital Income does not include state appropriations to the University or to the Hospital System.

Additional Information: Iowa Code Chapter 263A authorizes the Board of Regents to borrow money and to issue and sell revenue bonds to pay all or any part of the cost for projects at the University of Iowa Hospitals and Clinics upon approval of the General Assembly and Governor.

The size of each of the 2007 bond issues for the University of Iowa Hospitals and Clinics is estimated to total \$25,000,000 including, based upon current interest rates:

- project costs (estimated at \$22,631,100);
- debt service reserve (estimated at \$1,910,900);
- underwriters discount (estimated at \$350,000) and
- issuance costs (estimated at \$108,000).

A copy of the resolution authorizing the Executive Director to fix the date or dates for the sale of the bonds, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc. is available from the Board Office.

The resolution includes a provision permitting the Board to receive bids by means of both sealed and electronic communication; the receipt by electronic communication is consistent with the resolution adopted by the Board in November 2001 approving the electronic bidding procedures.