

**PRELIMINARY RESOLUTION FOR THE SALE OF UP TO \$13,000,000 ACADEMIC
BUILDING REVENUE BONDS, SERIES U.N.I. 2005**

Action Requested: Consider adopting A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$13,000,000 Academic Building Revenue Bonds, Series U.N.I. 2005, and declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Northern Iowa for certain original expenditures paid in connection with the Project.

(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 up to \$13,000,000 Academic Building Revenue Bonds, Series U.N.I. 2005 and permitting the University of Northern Iowa to be reimbursed from the bond issue for expenditures associated with the Science Buildings Renovation project which would be incurred more than 60 days prior to the closing of the bond sale.

These bonds would be the second issuance of Academic Building Revenue Bonds authorized by 2004 legislation; bonds for University of Iowa projects were sold at the September 2004 Board meeting and bonds for Iowa State University projects are scheduled to be sold in November 2005.

Proceeds from the sale of the bonds would be used to partially fund the Science Buildings Renovation and Russell Hall Renovation projects at the University of Northern Iowa. An additional bond issue, tentatively scheduled for calendar year 2007, will finance additional costs of these projects.

The University is requesting approval of the schematic design and project description and total budget in the amount of \$11,100,000 for the Science Buildings Renovation project as part of its capital register (see P&F 4c). The capital register also includes a request for permission to proceed with the Russell Hall Renovation project.

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

It is anticipated that annual debt service payments on the Series U.N.I. 2005 bonds will range from approximately \$400,000 in FY 2006 to \$1.0 million in FY 2011 and subsequent years. Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for Iowa residents who purchase the bonds.

The reimbursement provisions included in the resolution will ensure maximum reimbursement capability under regulations of the federal Internal Revenue Code. Pursuant to these regulations, project payments made not more than 60 days prior to adoption of the resolution are eligible for reimbursement from future bond issues. Faculty offices and laboratories and classrooms in the facilities to be remodeled were relocated during summer 2005 to avoid disrupting science programs during the academic year. When the bonds are sold, a portion of the bond issue will be allocated to reimburse these costs which were initially paid from Treasurer's Temporary Investment Income.

Additional Information: Chapter 262A of Iowa Code permits the sale of Academic Building Revenue Bonds upon authorization of the General Assembly and approval by the Governor.

The Science Buildings Renovation – Phase 1 project will renovate all or portions of the Physics Building (constructed in 1906), Greenhouse (constructed in 1938 and 1961) and McCollum Science Hall (built in 1968).

The Russell Hall Renovation project would renovate the facility which was constructed in 1963 and has not undergone a major renovation. The renovation would provide improved performance and rehearsal space, and enhancement of studios and classrooms.

The size of the bond issue is estimated to total \$12,800,000 including:

- project costs (estimated at \$11,500,000);
- debt service reserve (estimated at \$1,051,000);
- underwriters discount (estimated at \$192,000) and
- issuance costs (estimated at \$57,000).

The outstanding principal amount of University of Northern Iowa Academic Building Revenue Bonds is \$29.9 million.

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 Law Firm 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.

The bond sale would be scheduled for the September 2005 Board meeting.