

**Contact: Joan Racki**

**ACADEMIC BUILDING REVENUE REFUNDING BONDS, SERIES I.S.U. 2006**

**Action Requested:** Consider adopting, subject to receipt of acceptable bids, A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of \$5,510,000, Academic Building Revenue Refunding Bonds, Series I.S.U. 2006.

**(ROLL CALL VOTE)**

**Executive Summary:** The Board is asked to consider adoption of a resolution related to the sale and issuance of \$5,510,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2006. At its June 2006 meeting, the Board authorized the Executive Director to fix the date or dates for the sale of the refunding bonds.

The Academic Building Revenue Refunding Bonds would be used to refund the 2007 – 2015 maturities of the \$7,100,000 Academic Building Refunding Bonds, Series I.S.U. 1995; these bonds were issued to refund Academic Building Revenue Project Notes issued in 1992. The notes were issued to fund improvements to Gilman Hall and the Swine Nutrition Management Research Center.

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 Academic Building Revenue bonds would be a current refunding as the refunding would occur less than 90 days prior to the anticipated call date of October 15, 2006. The 2007 – 2015 maturities of the bonds would be called and principal payments made on the call date. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 1995 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 1995 Series bonds range from 5.1% in 2007 to 5.5% in 2015.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$190,000. Annual cash flow savings are estimated at approximately \$22,000.

The refunding issuance amount of \$5,510,000 includes issuance costs estimated at \$55,000.

Debt service payments on Academic Building Revenue Bonds are paid with gross student fees and charges, including tuition. The General Assembly and the Governor have a historic record of supporting the Board's request for tuition replacement appropriations to reimburse the institutions for the funds pledged for debt service payments.

The receipt and opening of bids is scheduled for 10:00 a.m. on Tuesday, August 8, 2006, and the award is scheduled for later that day.

A copy of the resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted Inc., is available from the Board Office.

Bond specifics are as follows:

Average Maturity: 5.06 Years  
Bonds Dated: September 1, 2006  
Interest Due: January 1, 2007 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, 2007 – 2015  
Optional Call: The bonds will not be callable  
Denomination: \$5,000 and integral multiples thereof