RESOLUTION FOR THE SALE AND ISSUANCE OF $20,065,000 (ESTIMATED) UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES S.U.I. 2009

Action Requested: Consider adopting the following resolution, subject to receipt of acceptable bids:

A Resolution providing for the sale and authorizing and providing for the issuance and securing the payment of $20,065,000 (estimated) Utility System Revenue Refunding Bonds, Series S.U.I. 2009, for the purpose of currently refunding the Series 1998 Bonds, the Series 1999A Bonds, and the Series 1999B Bonds, and paying the costs of issuance, and authorizing and approving the execution and delivery of the Fourteenth Supplemental Indenture.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution related to the sale, award and issuance of $20,065,000 (estimated) Utility System Revenue Refunding Bonds for the University of Iowa. When the calendar year 2009 bond issuance schedule was approved by the Board in October 2008, it authorized such refunding bonds as the Executive Director determines advisable.

A review of possible refundings by Springsted, Inc., the Board’s Financial Advisor, has determined that significant interest rate savings could occur by refunding the 2010 – 2019 maturities of the Utility System Revenue Bonds (Bonds), Series S.U.I. 1998 and the 2010 - 2013 maturities of the Series S.U.I. 1999A and 1999B Bonds. The 1998 bonds were issued to provide improvements to the utility system. The 1999 bonds advance refunded (refunded prior to the call date) bonds issues in 1988, which converted December 1985 variable rate bonds sold to provide for major power plant replacement activities. The University's utility system is a self-supporting operation.

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 Utility System Revenue bonds would be a current refunding as the refunding would occur less than 90 days prior to the anticipated call date of November 1, 2009. (Utility System Revenue Bonds have a principal maturity date of November 1st.) The outstanding maturities of the refunded 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 maturities of the refunded 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 bonds to be refunded are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>4.35% in 2010 to 4.9% in 2019</td>
</tr>
<tr>
<td>1999A</td>
<td>4.05% in FY 2010 to 4.2% in 2013</td>
</tr>
<tr>
<td>1999B</td>
<td>4.75% in 2010 to 5.0% in 2013</td>
</tr>
</tbody>
</table>
Springsted, Inc., the Board’s financial advisor, has projected that the refunding would result in a present value savings of approximately $1.2 million. Annual cash flow savings are estimated at approximately $200,000 for calendar years 2010 – FY 2013, then declining to approximately $100,000 for calendar years 2014 – 2018.

The refunding issuance amount is estimated at $20,065,000. This amount will be adjusted up or down, depending upon the bid received, but not to exceed $22,000,000, in order to provide sufficient funds to call and redeem the Series 1998, 1999A and 1999B Refunded Bonds and to pay costs of issuance, which are estimated at $90,000.

**Additional Information:** Under the provisions of Iowa Code 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 finance the construction or improvements and to refund such indebtedness.

The sources of repayment are the income and revenues to be derived from the operation or use of the facility and from any fees or charges implemented by the Board to students for whom the facilities are made available.

As a credit enhancement, the bond covenants for the existing bonds include a provision for the Board to charge a Utility Student Fee to remedy any deficiencies in the net income of the enterprise. Since the refunding bonds are being issued on a parity with the existing bonds, the provision for a “backup student fee” would also apply to the new bonds.

Since Utility System bonds were first issued in 1985, there has not been a need to charge the student fee. There is no indication that the fee would need to be charged to support the debt service on the refunding bonds to be issued.

The receipt and opening of bids is scheduled for 10:00 a.m. on Wednesday, August 5, 2009, and the award is scheduled for later that day. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

The official statement for the bond sale may be found on the website of Springsted, Inc., the Board’s Financial Advisor, at [http://www.springsted.com/](http://www.springsted.com/).

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

- Average Maturity: 4.19 Years
- Bonds Dated: September 1, 2009
- Interest Due: May 1, 2010 and each November 1 and May 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: November 1, 2010 – 2019
- Optional Call: The bonds will not be subject to redemption in advance of the stated maturity dates
- Denomination: $5,000 and integral multiples thereof