

Contact: Joan Racki

**SALE AND AWARD OF \$8,800,000 (ESTIMATED) STUDENT UNION
REVENUE REFUNDING BONDS, SERIES U.N.I. 2011**

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 \$8,800,000 (estimated) Student Union Revenue Refunding Bonds, Series U.N.I. 2011, for the purpose of advance refunding the Student Union Revenue Bonds, Series U.N.I. 2002, and paying costs of issuance.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution providing for the sale, award, authorization, and issuance of Student Union Revenue Refunding Bonds for the University of Northern Iowa. When the calendar year 2011 bond issuance schedule was approved by the Board in October 2010, 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 interest rate savings could occur by refunding the 2012 – 2022 maturities of the \$12,755,000 Student Union Revenue Bonds, Series U.N.I. 2002. These bonds were issued to finance, in part, additions to and renovations of the Maucker Union at the University.

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 proposed refunding of the Student Union bonds would be an advance refunding as the refunding would occur prior to the initial call date of July 1, 2012. The proceeds from the sale of the refunding bonds, net of issuance expenses, would be invested in U.S. Treasury Obligations or other permitted investments to fund an escrow account which would be used to redeem the 2012 – 2022 maturities. The refunding would not extend the maturity of the bonds beyond the last scheduled maturity of the 2002 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 2002 Series bonds range from 4.45% in 2013 to 5.0% in 2022.) Springsted, Inc., the Board's financial advisor, has projected that the refunding would result in a present value savings of approximately \$590,000. Annual cash flow savings are estimated at approximately \$70,000.

The refunding issuance amount is estimated at \$8,800,000. This amount will be adjusted up or down, depending upon the bid received, but will not exceed \$9,500,000. This flexibility will provide sufficient funds to fund the escrow account and to pay the costs of issuance, which are estimated at \$85,000.

Additional Information: Under the provisions of Iowa Code, Chapter 262, the Board is authorized to construct furnish, maintain, operate, manage and control self-liquidating and revenue producing facilities. The Board is further authorized to borrow money to finance the construction or improvements and to refund such indebtedness. The sources of repayment for the borrowed funds are the income and revenues to be derived from the operation of the facility and any student fees or charges which may be imposed by the Board. (The currently Board approved building fee for the Maucker Union is \$115 for the academic year and \$43.20 for the summer session.)

The receipt and opening of bids is scheduled for 10:00 a.m. on August 4, 2011, 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/>.

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: 6.1 Years
- Bonds Dated: August 1, 2011
- Interest Due: July 1, 2012 and each January 1 and July 1 to maturity
- Interest Exemption: Exempt from federal and state taxes for individual purchasers who are residents of Iowa
- Principal Due: July 1, 2012 – 2022
- Optional Call: Bonds maturing on or after July 1, 2020 are callable commencing July 1, 2019 and any date thereafter at par
- Denomination: \$5,000 and integral multiples thereof